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Dear all,

Together with Liberation Day 30 Apr
& Happy International Labour Day 1May

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# VIETNAM: TRADE & INVESTMENT BULLETIN

# NO. 4/ 2014

APRIL

2014

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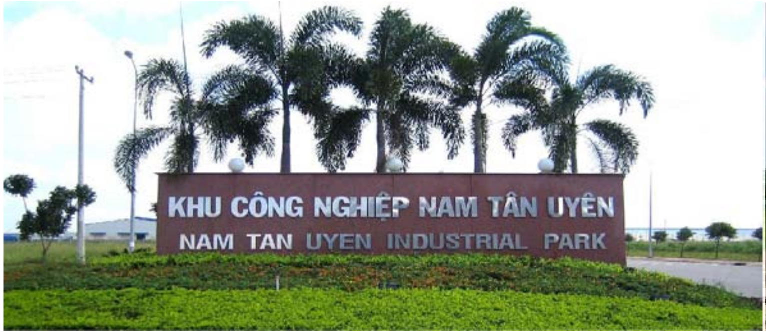
# VIETNAM: TRADE & INVESTMENT BULLETIN No.4

## April 2014

## DEVELOPER'S INTRODUCTION

## NAM TAN UYEN INDUSTRIAL PARK – BINH DUONG



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

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## LOCATION, REGION AREA, PLOT INFORMATION

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

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## GENERAL REVIEW

### Vietnam, Bulgaria heading for strategic partnership

*Vietnam and Bulgaria will apply an economic cooperation model approved by the two sides to bring bilateral ties to a full-on strategic partnership in the future, Prime Minister Nguyen Tan Dung and his visiting Bulgarian counterpart Plamen Vasilve Oresharski agreed Monday.*

During their talks, the two PMs agreed to enhance bilateral connections in all fields, especially economics, trade, investment, science, education, culture, tourism, security and defense, in order to celebrate the 65th year of the two countries established diplomatic relations.

They said the two countries will apply a new economic cooperation model previously approved by the two sides to deepen and widen the bilateral ties towards a future strategic partnership.

They stressed the need to facilitate firms and investors' bids to seek partners and do business in each country.

They shared the view that disputes in the East Sea should be solved by peaceful measures, based on international law, including the 1982 UN Convention on the Law of the Sea.

After the talks, the two PMs witnessed the signing of a number of documents on bilateral cooperation.

*Source: TTN*

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### Vietnam shipping lines hit by costly dispute with S.Korean contractor

*The Vietnam National Shipping Lines, commonly known as Vinalines, has suffered monetary damage worth hundreds of thousands of US dollar after a vessel in its fleet was held by a South Korean company over a payment dispute in a sluggish transshipment port project.*

Vinalines Sky, a cargo ship belong to the state-run shipping line, was held as "hostage" by SK E&C in mid-March, following a ruling by the Vietnam International Arbitration Center (VIAC) that Vinalines has to pay VND135 billion (US$6.37 million) in steel pile purchase and late payment interest for the South Korean company.

SK E&C has been contracted to supply the said steel piles for the Van Phong transshipment port project, based in Vietnam's coastal Khanh Hoa Province, but Vinalines refused to check and take over the equipment and settle payment, saying the piles are below standard. Vinalines Sky is a 42,714-ton cargo ship that was manufactured in Japan in 1997. The detained ship has caused $400,000 damage for Vinalines. Vinalines is considering paying deposit to release its vessel, even though the detention of the ship over the payment dispute "is beyond normal limit," said Nguyen Truong Son, director of the shipping line's Project Management Board No.1.

Vinalines refused to check and take over the steel piles imported by SK E&C due to a number of conflicts, sending the South Korean company to put its Vietnamese partner to the VIAC. The VIAC then ruled that Vinalines clear the VND135 billion payment for the piles that the Vietnamese company said do not meet the conditions to be checked and taken over.

The Vietnamese shipping line also lodged a lawsuit to the Hanoi People's Court, asking to void the VIAC ruling. "While the Hanoi court has yet to open a hearing for the case, the detention of Vinalines Sky is against the law and SK E&C has to be held responsible for all financial damages of Vinalines from this detention," Vinalines said.

Son, the Vinalines official, said the batch of 544 steel piles supplied by SK E&C does not meet the quality standard to be checked and taken over. The piles do not meet standard and lack the manufacturing records, he said. In an assessment report, SK E&C also admitted that some of the piles were rusted during transport, and were later fixed by paint coating. But this solution was rejected by Vinalines.

The Van Phong transshipment port project broke ground late 2009 but was suspended in August 2010 due to a series of issues, including the pipe payment dispute between Vinalines and SK E&C.

*Source: VIR*

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## Transport SOEs drive through successful IPOs

*The success of the initial public offerings (IPO) of the State-owned transport enterprises in Q1 is likely to send out positive signals on the long-waited equitization.*

Deputy Prime Minister Vu Van Ninh said that the positive results would remove the hesitant sentiment on the stock market. From January to March, five out of the nine State corporations under the Ministry of Transport managed to successfully offer shares to the public.

The Transport Engineering Design Inc sold all shares at VND21,848 each, twice the initial price, generating VND56.8 billion, or US$2.7 million, for the State. The Viet Nam Waterway Construction Corporation gained VND91 billion, or $4.3 million; the Civil Engineering Construction Corporation 4 (Cienco 4) got VND226.5 billion, or $10.7 million; Cienco 1 made VND162 billion, or $7.7 million; and the Thang Long Construction Corporation made VND258.5 billion, or $12.2 million.

Four other corporations under the ministry, however, failed to reach the target, including Cienco 5 which sold only 13.4 per cent of the shares, Cienco 6 which sold 4 per cent, the Waterway Construction Corporation which sold 36.3 per cent and Vinamotor which sold 3 per cent of the shares. The Ministry of Transport is also speeding up the equitization of units controlled by the Viet Nam National Shipping Lines (Vinalines). The parent company of Vinalines is expected to issue an IPO by Q1 2015.

None of the IPOs issued by the four corporations under the Ministry of Construction succeeded.

Deputy Head of the Steering Committee for Business Renovation and Development Pham Viet Muon said the strategic investor participation did help to make some of the IPOs successful. Those who failed didn't have any strategic investors.

According to economic think-tank Vo Tri Thanh, one of the key things that the State-owned enterprises need to do to attract strategic investors is to improve information transparency and set up a committee for strict supervision of the equitization process. Economists suggested that the companies whose IPOs failed should shift to the joint stock model so as to improve administration and supervision, which would help their next IPO.

The Ministry of Finance plans to submit new regulations to boost equitization and the withdrawal of State capital.

In a draft to amend the Viet Nam Law on Enterprises 2005 on practices of the State-owned enterprises (SOEs), the Ministry of Planning and Investment proposes to regulate periodic and upon-request information disclosure at SOEs. This shows a growing pressure to restructure this driver of the economy.

The Southeast Asian economy plans to get a total of 432 SOEs equitized during the 2014-15 period, or 216 enterprises per year. Viet Nam is well on its way to carrying out a full-scale reform of the bloated state-owned enterprises. Between 1986 and 2013, the number of state-owned enterprises fell from 12,000 to 1,284.

*Source: VNS*

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## Circular clarifies working conditions and permit requirements for foreigners

*The Ministry of Labour, War Invalids and Social Affairs (MOLISA) issued a circular (No. 03/2014/TT-BLDTBXH dated 20 January 2014) containing implementation guidelines for a Government Decree (No. 102/2013/ND-CP) that deals with foreigners working in the country.*

### Need to employ

An employer wanting to recruit foreigners should, at least 30 days prior to the date of recruitment, directly send a report explaining its need to the Department of Labour, War Invalids and Social Affairs (DOLISA) in the province or city where the employer has its head office. The report should contain details of positions, the number of people, qualifications, experience, salary and duration of employment.

Any employer who has received approval for employing foreigners should also directly report any changes in requirements to the relevant DOLISA. The report should explain any amendments or additions and must be submitted at least 30 days prior to the scheduled date of recruitment of a new or extra foreign employee, or the replacement of a current foreign employee.

DOLISA must notify its decision to the employer within 15 days of receiving the report.

### Work permit documents

Circular 03 also lists the documents needed to request work permits for foreigners hired to work as managers, executive directors, experts or technicians.

(1) For the designations of manager or executive director, the following are needed:

(a) Documents proving the foreigner is a manager or executive director such as work permit, labour contract or an appointment decision; or

(b) Documents confirming that the foreigner is a manager or executive director from an agency, organization or enterprise where the foreigner has worked.

*(2) For the designation of expert, the following are required:*

(a) Documents proving the foreigner has the equivalent of a professional or bachelors degree or higher qualification; has at least five years' experience working in the specialty he/she has trained in and that is appropriate to the position the foreigner will occupy in Viet Nam; or

(b) Documents confirming that the foreigner is an expert with a competent overseas agency, organisation or enterprise.

*(3) For the designation of a technician, the following are required:*

(a) Documents from a competent overseas agency, organization or enterprise proving or confirming that the foreigner has received at least one year's training in his/her technical specialty; and

(b) Documents proving that the foreigner has at least three years of experience working in the technical specialty he/she was trained in and that is appropriate to the functions the foreigner is proposed to discharge in Viet Nam.

### Work permit not needed

The employer must directly submit to the concerned DOLISA a written statement confirming that the foreigner to be hired is not in the category where work permits are required. DOLISA must confirm this.

**Foreigners' responsibility**

The foreign employee must hand in his/her work permit to the employer within two days of it being revoked.

**Employers' responsibility**

The employer must send to the DOLISA that issues the work permit a notification of signing labour contract and a copy of the signed labour contract.

Within three days of the work permit being revoked, the employer must directly send to the concerned DOLISA the revoked document. If the actual work permit cannot be recovered, the employer must provide a written notification specifying the reasons.

If the foreigner holding the work permit is appointed, transferred or sent to work in another branch, representative office or establishment of the employer either within or outside the same locality for at least 10 days within a month or at least 30 accumulated days within a year, then the employer must provide the concerned DOLISA with a written notice of such details including the designation of the employee and a copy of the work permit.

The Circular took effect on March 10, 2014, replacing MOLISA Circular No. 31/2011/TT-BLDTBXH (November 3, 2011).

*Source: VNS*

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## TRADE

### Imports of completely built units hit local car sales

*Viet Nam imported 10,100 completely built units (CBU) cars worth US$180 million in the first quarter, up 44.1 per cent in volume and 32.2 per cent in value year-on-year.*

This estimate was furnished by the General Statistics Office (GSO). Most of the car imports were luxury sedans and sport utility vehicles, according to the Custom Office. The increasing number of car imports in the recent months has impacted the market of the locally assembled cars, which has been showing a downward trend.

According to the Viet Nam Automobile Manufacturers Association (VAMA), local car makers sold 4,509 units in February, down 46 per cent over the corresponding period last year.

Industry insiders claim that the struggling Viet Nam's car manufacturing industry has already started importing vehicles well before the country is slated to join the ASEAN Free Trade Area (AFTA) in 2018.

Moreover, in 2013, there was a marked increase in the imports of CBUs. As many as 34,500 CBUs, valued at $709 million, were imported, marking an increase of 25.9 per cent in volume and 15.2 per cent in value, year-on-year.

When the presently applicable high taxes drop to zero in 2018, cars from ASEAN countries are expected to flood the Vietnamese market. Imports of vehicles are expected to increase in 2014 after a 50 per cent reduction in the import tax on cars from ASEAN countries, effective from January 1, this year.

The tax cut is in compliance with Viet Nam's signing the ASEAN Trade in Goods Agreement (ATIGA).

Statistics by the Customs Office revealed that 8,826 cars, valued at nearly $150 million, were imported from Thailand and Indonesia in 2013, more than double the imports during the same period in 2012.

*Source: VNS*

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## Vietnam ministry urged to speed up progress on 60W bulb ban

*Vietnamese Deputy Prime Minister Hoang Trung Hai has ordered the Ministry of Industry and Trade to evaluate the progress of implementing a government policy aimed at restricting and banning the use, importation, and manufacture of old-style 60-watt incandescent bulbs in the country apparently because it has been behind schedule.*

In 2011, Prime Minister Nguyen Tan Dung approved a list of electronic devices and appliances that should be labeled “energy consuming,” in his Directive No.51/2011 released on September 12.

The directive was issued following a suggestion by the Ministry of Industry and Trade, which had proposed to enact measures to implement the law on economical and efficient energy consumption, according to news website Dan Tri.

The 60-watt bulb was then included in the list and was expected to be completely banned by the end of last year, the newswire said, citing the fiat. But the plan has apparently failed to meet schedule, prompting the Deputy Prime Minister to ask the ministry to evaluate its implementation of the directive.

“The ministry has to propose a roadmap to first limit, and later prohibit, the production and distribution of incandescent bulbs,” the deputy premier said in a statement released by the Government Office on Tuesday.

Governments around the world have passed measures to phase out incandescent light bulbs for general lighting in favor of more energy-efficient lighting alternatives. Among them are Brazil, Venezuela, Switzerland, Australia, and the EU. Other countries are implementing new energy standards or have scheduled phase-outs, including Argentina, Russia, Canada, Mexico, Malaysia, and the Republic of Korea.

A ban on incandescent light bulbs in the U.S. has also gone into effect as of the beginning of this year, leaving consumers with “pricier energy-efficient options that are expected to save people money over time,” the Los Angeles Times reported.

Consumers can choose from several more energy-efficient options, including halogen, LED and CFL bulbs, which consume less energy compared with traditional incandescent ones and thus result in smaller utility bills, the newspaper said, citing experts.

*Source: Tuoitrenew*

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## POR8 stuns Vietnamese shrimp exporters

*The nation’s high anti-dumping tax on the shrimps from Vietnam at 25.76 percent has been decided by the US Department of Commerce (DOC) in the eighth period of review (POR8). But Vietnamese hope they still have the chances to petition for lower tax rates. Deputy Prime Minister Vu Van Ninh said that the positive results would remove the hesitant sentiment on the stock market.*

The Competition Administration Department (CAD) on March 26 said that DOC has released the result of the eighth period of review (POR8) on the tax rates imposed on the warm water frozen shrimp imports from Vietnam in the period from February 1, 2012 to January 31, 2013.

The two Vietnamese compulsory defendants, Minh Phu JSC and Soc Trang Seafood JSC, bear the preliminary tax rates of 4.98 percent and 9.75 percent, respectively. The average tax rate for voluntary defendants is 6.37 percent. The other enterprises bear the nation’s tax rate at 25.76 percent. The above said preliminary tax rates took effect on March 24, which would be applied until the DOC releases the final decision, slated for September 2014.

Vietnamese shrimp exporters have got stunned by the thunder-like news: the preliminary tax rate decided by POR8 is unexpectedly higher than that decided by the POR7 (zero percent) in September 2013.

The recently decided tax rates are also higher than that in most of the administrative reviews, below 4.57 percent, according to CAD.

An official of the Fisheries Association noted that the DOC applied another calculation method for the POR8, while choosing Bangladesh as the reference country.

Explaining why Vietnam's shrimps were imposed the zero tax rate at the POR7, he said that the US market was then "thirsty" for shrimp at that time, therefore, the shrimp from Vietnam were taxed zero percent. As the shrimp supplies have become profuse again in the US, imports would be restricted to ease the pressure on the local production. The lawyers representing Vietnamese seafood exporters said Vietnam still has the opportunities to claim for the tax reductions, especially for compulsory defendants.

According to Truong Dinh Hoe, Secretary General of the Vietnam Seafood Exporters and Producers (VASEP), a delegation of the Ministry of Agriculture and Rural Development's officials to be headed by Deputy Minister Vu Van Tam would leave on April 22 for the US, where they would carry out lobbying activities on the issues relating to the Farm Bill.

"VASEP has suggested putting the shrimp anti-dumping into discussion at the working sessions," Hoe said, adding that VASEP is seeking the support from the government agencies, including the Ministry of Industry and Trade and the Ministry of Foreign Affairs. Tran Thien Hai, Chair of Minh Hai Seafood JSC, a big shrimp exporter, noted that despite the big difficulties, the US remains a big market for Vietnam. He affirmed that the supply remains low to satisfy the demand due to the crop failure, shrimp epidemics. Therefore, the shrimp price is not likely to fall down.

"Vietnamese exporters should stay calm and keep the prices stable," he said, warning that the importers may exploit the information to force the prices down. In 2013, the US surpassed Japan to become the Vietnam's biggest shrimp importer.

*Source: VNN*

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## INVESTMENT

### Vietnam investment forum in Germany fruitful

*A Vietnam investment forum that took place in Berlin on April 10 was a success as it drew the participation of nearly 200 German companies.*

The event was a joint effort among the Berlin Chamber of Commerce and Industry (IHK), the Vietnamese Ministry of Planning and Investment, and the Vietnamese Embassy in Germany. In his opening remark, Minister of Planning and Investment Bui Quang Vinh hailed Germany as the biggest European economy with a system of modern public governance and hi-tech innovations which are crucial to Vietnam's economic restructuring. He assured participants that promising chances are awaiting them once Vietnam fully joins the ASEAN Free Trade Area and strikes a free trade agreement with the European Union and the Trans-Pacific Partnership (TPP) deal.

Vietnam will further renew economic institutions, regulate the economy based on market tools and allocate a fair share of capital and resources, making it easier for investors to do business in the country, he noted.

Citing successful joint projects such as the Vietnamese-German university, Governing Mayor of Berlin Klaus Wowereit expressed hope that the coordination between Berlin and Vietnam's major cities of Hanoi and Ho Chi Minh City will go stronger, particularly in transport infrastructure, water supply and treatment, and research as well.

According to him, Germany has picked out Ho Chi Minh City as host of its Asia-Pacific economic cooperation forum, which demonstrates the fact that Vietnam is on the radar screen of German investors. At the forum, representatives from such high-profile groups as Braun, Bosch and Duane Morris shared their working experience in Vietnam . A lot of queries about the country's investment climate were also cleared up.

Earlier, Minister Vinh joined a discussion with Mayor Wowereit and IHK President Eric Schweitzer, who also takes charge of the German Chamber of Commerce and Industry, to seek stronger bilateral connections.

While in Berlin, he also met with State Secretary to the Federal Ministry for Economic Affairs and Energy Stefan Kapferer, State Secretary to the Ministry of Economic Cooperation and Development Thomas Sillberhorn and Siemens executives.

In Frankfurt city, Vinh met Chairman of the German Asia-Pacific Business Association and Deutsche Bank Chief Executive Officer Jurgen Fitschen before holding talks with executives of Western Berlin groups operating in Vietnam

*Source: VNA*

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## Forum nurtures ties with France

*Viet Nam and France will facilitate economic and trade ties on the basis of open dialogue and trust.*

Consensus was reached in the talks held between Minister of Planning and Investment Bui Quang Vinh and French Minister of Foreign Affairs and International Development Laurent Fabius in Paris on Monday. The talks were part of the agenda during Vinh's visit to Paris to attend the second high-level Viet Nam-France economic dialogue. The ministers described the potential for mutual benefit from developing economic ties as huge.

Both ministers discussed sectors of French strength, such as transport infrastructure, urban development, nuclear energy, aviation technology and health care, which Viet Nam is in need for national development.

At a meeting with more than 100 top French firms on the same day, Vinh called on them to launch long-term operations in Viet Nam. He hailed the host country's progress in science and technology and corporate governance, which he said are areas requiring more investment in Viet Nam.

Vinh also briefed them on Viet Nam's economic restructuring and business climate. With the ASEAN Economic Community being formed by 2015, Viet Nam will serve as a key gateway to a market of nearly 600 million people. The country is also emerging as a robust economy in the Asia-Pacific region which accounts for two-thirds of the world population, he added.

French Business Confederation Vice President and General Director of International Development Thierry Courtaigne said Viet Nam's dynamic growth and strong reforms are conducive to French investment. Counsellor for Economic Affairs at the French Embassy in Viet Nam Michel Drobinak also spoke highly of the prospects for bilateral cooperation, thanks to Viet Nam's stable growth and a force of young and skilled workers.

Vinh also answered French investors' questions, giving them a better understanding of the Vietnamese market

*Source: VNN*

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## FDI shifting trend beneficial to Vietnam

*Though foreign direct investment (FDI) capital declined in the first quarter of the year, economists say Vietnam is benefitting from the shifting of FDI trends, especially from multinational corporations (MNCs).*

After the Ministry of Planning and Investment announced that newly registered and increased FDI capital equalled 61.4% and 39.3% of the corresponding figures in the first quarter of 2013, there was growing concern about the prospect of FDI attraction for the whole year.

Several economists even feared there is unfair competition between FDI and domestic businesses when the former outplay the latter in terms of exports, industrial production and services development. Professor Nguyen Mai, former deputy chairman of the State Committee of Cooperation and Investment, now the Ministry of Planning and Investment, told Vietnam Investment Review domestic businesses are the mainstay of the national economy in international integration.

He said the government needs to introduce more effective solutions to save businesses in difficulty and stimulate business development by heavily investing in technology and human resources, so as to increase the competitiveness of the economy both at home and abroad.

However, Mai agreed international integration requires Vietnam to attract foreign resources such as official development assistance (ODA) and FDI to support national development. Combining internal and external resources is a correct policy of the Party and State that has been carried out during the past more than two decades.

### FDI contribution

There is no doubt FDI businesses have made a substantial contribution to economic restructuring, technology transfer, job generation, and human resources training since Vietnam first introduced the Foreign Investment Law in 1987.

Dong Nai and Binh Duong provinces which have drawn large amounts of FDI and achieved two-digit growth recently are facing a serious on-site labor shortage while the country is combating unemployment, even in Hanoi and HCM City – the two big economic centres.

Vietnam has begun obtaining trade surplus since 2012, largely attributed to FDI businesses' impressive performance. In the first quarter of 2014 alone, FDI businesses enjoyed an export surplus of nearly US$4 billion that not only helped strike the country's balance of trade but also create a national trade surplus of US$1 billion.

Vietnam is becoming a big mobile handset manufacturing centre in the world, and thousands of young engineers working in well-equipped research and development centres have the chance to study modern research methods and observe state-of-the-art technologies.

All the same, Professor Mai raised concerns about several shortcomings that need to be addressed soon. In his opinion, most of the FDI projects licensed in the first quarter of 2014 are small. Among the 252 licensed projects, only 5 have total registered capital of nearly US$1 billion, and the remainder have combined registered capital of US$1 billion, or nearly US$4 million each on average.

He said it's time to focus on FDI quality rather than small projects to make the investment environment healthier.

In addition, shortcomings in carrying out investment cooperation models reduce FDI impact on the economy. It's worth remembering that about 70% of FDI businesses established in the 1990s were operating in the form of joint venture companies, and this model proved effective, improving the operational efficiency of the JVs.

Yet, the investment landscape has changed since the start of the 21st century, with more than 80% of businesses wholly foreign invested. Vietnam attracted US$3.334 billion in FDI in the first quarter of 2014, of which US$214 million (or nearly 6.5%) was invested by JV businesses. Therefore, Professor Mai underlined the need to fix the maximum level of capital ownership of foreign investors in a certain number of industries and services.

On the other hand, FDI attraction is spontaneous in a number of industries such as cement, steel, as well as in industrial and economic zones, causing a growing imbalance in the market law of supply and demand, causing a big loss to the economy. The Ministry of Planning and Investment reports 10 localities have asked the government to build foreign invested integrated resorts, though no research has been done on advantages and disadvantages of these projects.

**FDI shifting trends**

Despite a considerable fall in FDI in the first quarter, Mai said Vietnam still has the chance to lure FDI to high technology, high-end services, and support industries. Vietnam has political stability and security, high economic growth potential, and cheap labour costs compared to other regional countries like Thailand or Malaysia.

Malaysia recently changed its FDI policies, targeting domestic business development. Meanwhile, Thailand's political instability, increased labour costs, and severe floods forced foreign investors to move their production bases to other countries.

China, the world's second largest economy that has attracted approximately 50% of FDI into developing countries, is meeting a big challenge for investors from the US, Japan, Europe and the Republic of Korea, resulting in the China + 1 policy. Judging from the current context, Vietnam is considered a good choice for opening key production bases by several leading multinational corporations (MNCs).

Samsung Electronics is a case in point. The Republic of Korean electronics manufacturer got off to a good start with a mobile phone plant in Bac Ninh province in 2007 with initial registered capital of US$650 million. Its capital has increased fourfold during the past seven years to more than US$2.5 billion in 2013.

Together with another US$2 billion mobile phone plant project in Thai Nguyen province and a Hanoi-based research and development centre accommodating 800 engineers, the company's revenue made up 15% of Vietnam's total export earnings in 2013, and mobile handsets became the No1 export item.

Worthy of note is that these Samsung-invested projects moved from neighboring countries to Vietnam, not from the Republic of Korea.

In an endeavour to improve the quality and efficiency of FDI use and management, according to Professor Mai, Vietnam needs to seek ways to attract FDI from MNCs to high technology, modern services and support industries.

*Source: VIR*

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## Gazprom Neft to acquire Dung Quat oil refinery stake

*Gazprom Neft, one of the leading oil producers in Russia, is concluding a deal with a Vietnamese partner acquire a stake at the Dung Quat oil refinery and to modernize the plant.*

The negotiation process has progressed and both sides are going to conclude negotiations soon, reported Interfax – ANI quoting Gazprom Neft management board chairman Aleksandr Dyukov.

Dyukov said this is a lucrative deal as Vietnam is a developing economy that imports oil products to fuel growth. He said when the deal is completed Vietnam will be a potential consumer of oil products from Gasprom Neft.

During Russian President Vladimir Putin's Hanoi visit in 2013, Gasprom Neft signed a framework agreement with PetroVietnam to acquire a 49% stake of the Dung Quat oil refinery and modernize the plant.

As part of the US$1-1.5 billion modernization program, the annual production capacity of the refinery will be increased from the current 6.5 million tones to 10-12 million tones.

The Russian partner will supply 3 million tones of crude oil to the Dung Quat oil refinery in 2015 and raise the figure to 3.6 million tones in 2016, 4.8 million tones in 2018 and not less than 6 million tones in the following years.

The refinery uses approximately 85% of crude oil pumped up from Vietnam and imports the remainder from the Middle East.

*Source: VOV/ Gazprom*

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## Japanese firm to start $123mn smartphone screen production line in Vietnam in June

*Nippon Sheet Glass will start a new line worth US$123 million that makes ultra thin glass used for smartphone screens at its facility in Vietnam by the middle of this year, the Japanese manufacturer announced Monday.*

The new line is scheduled to begin output in June, and will "commence production from the second half of this fiscal year," according to an announcement posted on Nippon Sheet Glass's website.

The 2014 fiscal year is from April 1, 2014 to March 31, 2015.

It is situated within the site of NSG Vietnam Special Glass Ltd, a subsidiary wholly owned by Nippon Sheet Glass, in the southern province of Ba Ria-Vung Tau, some 100km south of Ho Chi Minh City.

The new investment brings the number of Nippon Sheet Glass's lines dedicated to Ultra Fine Flat glass (UFF) to two – one in Japan and one in Vietnam, the company said.

The investment is worth 13 billion yen (US$123 million), according to Nikkei Asian Review, an English-language publication that covers insights on business in Asia. The new line will produce 0.5- to 1mm glass, suitable for the touch sensor substrates and protective screens of smartphones and tablet computers and made exclusively by Nippon Sheet Glass in Japan, the Nikkei Asian Review reported.

However, once the new Vietnam project is launched, the Japanese company will focus on cutting-edge offerings of 0.5mm and slimmer glass. Nippon Sheet Glass aims to leverage its low-cost production in Vietnam to make inroads into Southeast Asia as demand for mobile devices are expanding rapidly in the region and China.

The new line in Vietnam is also expected to improve production efficiency and double the company's global capacity for ultra-thin glass, according to Nikkei Asian Review. The Nippon Sheet Glass is the world-leading supplier of ultra-thin glass for small LCD applications. Its UFF products are increasingly being used in the growing touch panel market and cover glass (soda lime composition) in computers and mobile devices.

NSG Vietnam Special Glass Ltd was established in June 2011 and operates one line dedicated to UFF production.

*Source: VIR*

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## VCCI and Microsoft sign cooperation deal

*08/04/2014, the Vietnam Chamber of Commerce and Industry (VCCI) and Microsoft officially signed a Memorandum of Understanding to cooperate in building awareness for small- and medium-size enterprises (SMEs) of adoption and implementation of IT, especially in term of equipment and cloud computing technology to optimize potentials of these enterprises.*

The both sides will jointly implement practical supporting programmes to help SMEs and businesswomen to maximize their potentials and to be able to turn their ideas into reality, as well as support SMEs create added value in agriculture supply chain through IT applications. Additionally, Microsoft will cooperate closely with VCCI to study and propose a roadmap to enhance IT applications and cloud computing technology to improve productivity of VCCI.

Speaking at the MoU signing ceremony, Pham Thi Thu Hang, general secretary of VCCI said: 'The MoU signing ceremony with Microsoft today marks a new stage of development for VCCI in delivering supports in more effective and practical ways to SMEs in Vietnam. We expect, through this cooperation, there will be more successful SMEs, contributing to the socio-economic development of the country."

According to VCCI, the majority of the total registered enterprises operating under the Enterprise Law, SMEs sector plays a crucial role in the Vietnam's economy. It cannot be denied that SMEs sector is the life-blood of the economy and has been carried an essential role for the development of the national economy. Therefore, in recent years, VCCI has implemented many meaningful activities in promoting the sustainable development of this sector.

IT application in activities of SMEs in Vietnam has not yet been effective because many enterprises still using simple management applications. A reason that affects accessibility of SMEs in Vietnam to IT comes from IT service and solution providers. These companies targeting large enterprises – potential customers – those have ability to pay for complex IT services, while lack of appropriate solutions that suit financial conditions of SMEs.

Understanding these limitations, in the framework of the MoU today, Microsoft emphasized the cooperation with VCCI to offer and propose the most appropriate cloud computing solutions to support SMEs in maximizing their operation with reasonable cost.

"Microsoft Vietnam is very proud to be a companion with VCCI in promoting IT applications in SMEs community in Vietnam through technology solutions and optimal services, especially in the field of cloud computing. With the portfolio of over 200 cloud computing services, including Bing, MSN, Outlook.com, Office 365, SkyDrive, Skype, Xbox Live and Window Azure platform, to date, over one billion individuals and 20 million businesses in 88 markets worldwide are using cloud computing services from Microsoft and achieve superior benefits," said Vu Minh Tri, general director of Microsoft Vietnam stressed. "Therefore, we have a reason to believe that cloud computing solutions from Microsoft will certainly bring great benefits to the SMEs community in Vietnam and support them to quickly seize opportunities to succeed in the future"

Through the cooperation with VCCI, mission to optimize growth potentials of SMEs again show a stronger commitment of Microsoft in supporting the government of Vietnam to realize the goal to become a strong country in IT by 2020.

*Source: TalkVN*

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## Kobe Steel awaits clarity over Thach Khe iron mine

*Japanese-owned Kobe Steel, one of the world's largest steel makers, has been left waiting for the details of Vinacomin-backed Thach Khe iron mining project to be clarified before making a decision to invest.*

According to a report compiled by Ha Tinh People's Committee, the Ministry of Industry and Trade ordered the mining project's owner Thach Khe Iron Joint Stock Company (TIC) and its largest stakeholder Vinacomin to approve an adjusted plan for the project in February. The new plan specifies the mine will increase iron ore exploitation from five million to seven million tonnes.

In addition, Vinacomin and TIC have to require all stakeholders to contribute VND2.4 trillion, or $114 million at the current exchange rate, for its registered capital. Vinacomin currently holds a 49 per cent stake in TIC.

If the stakeholders fail to contribute enough registered capital, TIC could invite Kobe Steel in, as the Japanese steel maker received the green light last August from the government to engage in Thach Khe iron ore mine.

"Vinacomin has yet to issue any documents approving the adjustment in registered capital, which would allow TIC to get on with implementing the project," Ha Tinh People's Committee commented in the report.

The delays have left Kobe Steel's plans for Thach Khe mine on hold.

Located in central Ha Tinh province, Thach Khe is estimated by geologists to hold iron ore reserves of some 500-600 million tonnes, at least 300 million tonnes of which are thought to be commercially exploitable.

Kobe Steel wants to invest in the iron ore mine to ensure raw material supplies for its $1 billion factory in Nghe An, which has been delayed while awaiting approval for investment in TIC.

The factory will produce and market 2.4 million tonnes of iron nuggets per year. Kobe Steel also said that production at the plant would use the next-generation ITmk3 iron making process.

Once operational, Kobe Steel's plant will contribute to meeting rising demand for iron. Vietnam is largely dependent on importing scrap and semi-finished steel products to meet its requirements.

Kobe Steel has already signed a memorandum of understanding with Vinacomin for providing finance and technology to this mining project if it invests in TIC. Kobe Steel has also agreed to co-operate with TIC on construction of an iron refinery in Ha Tinh with total annual capacity of two million tonnes.

TIC's stakeholders currently include Vinacomin with 49 per cent; Vietnam Steel Corporation with 20 per cent, Ha Tinh Mining and Trading Corporation 24 per cent, Bitexco 4 per cent and Thang Long Mineral 3 per cent.

*Source: Vnn*

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## Ministry plans to freeze housing development sparks protests

*Economists and industry insiders have criticized plans by the Ministry of Construction to stop licensing new commercial and urban housing projects as part of its efforts to simulate the property market, saying it violates the law of demand and supply, and smacks of favoritism.*

Minister of Construction Trinh Dinh Dung has made the recommendation to the government even as large housing inventories remain amid a lack of demand. Provinces seeking exemptions for some special cases should clear them with his ministry first, he said. Pham Sy Liem, deputy chairman of the Vietnam Construction Federation, said: "This is an unreasonable proposal made by those with a poor understanding of the property market.

"In general, the market is in difficulty due to oversupply, but not in all localities." In some big cities the property market may be frozen, but it is still robust in other places, he said, pointing to Phu Quoc Island, which has potential for development of resorts and villas for lease, and Binh Duong Province, where there is high demand for housing from workers and others.

"Thus, there is no reason to stop licensing new housing projects in these localities. "The mechanical implementation of the proposal will undermine the market's development." In Hanoi there is an oversupply of high-end housing but a shortage of low-priced ones, and if the government does not license new projects, middle-income people would have little chance to buy housing, he said. "We should let the market regulate itself based on supply and demand."

Nguyen Van Duc, deputy director of property firm Dat Lanh, concurred with Liem, saying a ban on new projects would violate the principle of market competition. Firms could suspect that the ministry is seeking to protect certain developers with large stockpiles, he said. "Investors should take responsibility for their wrong investment decision. Banning new products runs counter to the market's competition principle."

If the proposal is approved, property firms would have to change their business strategies and plans, which could affect their workers and the construction materials industry, he said.

"The government should not ban new projects just because of low demand. The Ministry of Construction could warn firms not to invest in certain segments, not ban them. "The ministry said the property market is recovering. Why does it not want to license new projects?"

Liem said banning new projects would not help reduce the inventory by much since most people could only afford apartments costing less than VND1 billion, but those in the market are mainly priced at VND2-3 billion (US$95,200-142,800) upwards.

"So I do not think the measure will help resolve the situation." The ministry has also urged the government to instruct localities to review all property projects and order their developers to temporarily use lands for other purposes if they do not comply with local development plans. Those that have acquired and cleared sites could be allowed to use the project sites for business activities, it said.

"It is necessary to temporarily halt projects that are not in line with the development plans and needs of localities," Dung said. As of last December there were 4,015 approved property projects with a total investment of VND4.5 quadrillion ($214.3 billion).

### Signs of recovery

The stagnant property market is showing signs of bouncing back with the number of transactions and prices increasing after many years.

According to the ministry, housing prices, after years of sharp falls, have increased slightly. Prices at projects in Hanoi's Tu Liem, Ha Dong, and Co Nhue have increased by 1-2 percent. In Hanoi there were nearly 1,300 transactions in February, twice the number from a year earlier, said the ministry.

Deputy Minister of Construction Nguyen Tran Nam said the market is beginning to recover and stabilize. He said inventories in Ho Chi Minh City have fallen by 45 percent this year following a drop in prices. To help the market recover more strongly and speed up disbursement of the VND30 trillion ($1.43 billion) loan package, the ministry has suggested that conditions for lending should be eased.

The package, unveiled last June, was expected to revive the market, but only VND1.32 trillion had been disbursed as of March 15, the ministry said. It has called for scrapping the condition on the size of apartments to qualify for a loan. Borrowers are offered loans at 6 percent interest for 10 years to buy apartments measuring less than 70 square meters and costing no more than VND15 million per square meter.

Low-income earners, government workers, and military personnel who do not own a house or own housing measuring less than 8 sq.m per member of the household are eligible for the loans.

The stipulations on size and price per square meter should be scrapped, the ministry said, and instead the cost of the apartment should be capped at VND1.05 billion. Liem said the strong demand for low- and mid-priced apartments could drive a market recovery, adding the segments have great potential.

Le Hoang Chau, economist and chairman of the Ho Chi Minh City Real Estate Association, said gold and stock prices, especially of property stocks, have been going up recently, which means people are spending money.

"The property market could warm up."

*Source: TTN*

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## Hong Kong group opens new garment factory in Vietnam

*The Esquel Group of Hong Kong, one of the world's leading producers of premium cotton shirts, on March 19 inaugurated a new garment factory in Vietnam's northern province of Hoa Binh.*

Speaking at the opening ceremony in Luong Son industrial zone, Deputy Prime Minister Hoang Trung Hai asked the provincial authorities to create favorable conditions to help the factory operate effectively and make quality products, contributing to the integration process of Vietnam's garment industry.

The US$25 million factory in Hoa Binh is the third built in Vietnam by the Esquel Group, following two others in southern Binh Duong and Dong Nai provinces.

It is expected to produce about 7 million shirts for export a year and create jobs for about 3,000 people living in the province and surrounding areas.

The Esquel Group now earns more than US$200 million each year from exports produced at its factories in Vietnam and generates jobs for 10,000 Vietnamese workers.

*Source: VN+*

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## Int'l investment in HCM City at all time high

*HCM City officials has announced that total investment from international sources in its 15 industrial and processing zones surged to US$244 million during the first quarter of 2014.*

Speakers at an April 2 conference on industrial and processing zones' operations, reported that currently the industrial and processing zones are 64% occupied and have roughly valid 1,300 projects with a total pledged investment in excess of US$8 billion.

The projects grossed a record setting export turnover of US$955 million during the first quarter. Speaking at the event, Ho Xuan Lam, chief of HCM City Export Processing and Industrial Zones Authority (Hepza) management board office, underscored that the top priority for future projects will be given to infrastructure development.

HCM City aims to prioritize investment in four key sectors – food processing; pharmaceuticals and chemicals; mechanical engineering; and electricity and electronics that help boost the city's economic restructuring process, he said.

*Source: VNbreakingtimes*

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## Economic Zone seeks investors

*The Nghi Son Economic Zone (EZ) in central Thanh Hoa Province has struggled to attract investment after receiving significant support during recent years, local authorities have said.*

During a meeting late last week, the provincial People's Committee vice chairman Nguyen Dinh Xung said poor planning, inadequate infrastructure and lack of land for service and petrochemical sectors were major obstacles preventing the province from attracting investors.

Xung said local authorities had assigned the Nghi Son EZ Authority to draw up plans to mobilize domestic and international capital sources for infrastructure development between 2014-17.

He also said prioritized investments by the State were vital to the EZ's development in addition to efforts by local authorities.

The Nghi Son EZ covers an area of more than 18,600ha, with most factories focusing on heavy industry, basic industry and the Nghi Son seaport, said the head of the EZ Authority, Tran Hoa. As of October last year, the EZ had attracted 74 investment projects, including 66 domestic projects with a total registered capital of VND93 trillion (US$4.43 billion) and eight foreign projects worth $12.1 billion.

However, Xung said the investments were still in the early stages and were modest in spite of preferential policies on land and tax. He suggested that many investors had been unaware of these incentives when deciding the scope of their investment in the EZ.

Investors in the zone have received tailored incentives, including exemptions for land and water taxes for up to 15 years after the start date of operations, and corporate tax exemptions for four years.

"We provide all the necessary administrative procedures at the zone to help investors succeed," Hoa said.

*Source: Biz Hub*

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## Vietnam has had enough of hundred-billion dollar projects

*Vietnam, having been burned several times with "super projects", now casts a suspicious eye on proposals for mammoth, multi-billion dollar projects.*

Local newspapers some days ago reported that the Hong Kong-based Dragon Best International signed a frame contract with Ho Tram Tourism JSC, a Vietnamese private company, on its investments in three big projects in Vietnam with total investment capital of $100 billion.

The three projects include a trade – finance – hotel – apartment blocks – international convention complex in Ba Son and Tan Cang in HCM City, capitalized at $32 billion; the Ho Tram International Ecotourism Site and the project on expanding the Phuoc Buu town in Xuyen Moc district in the southern province of Ba Ria – Vung Tau, capitalized at $18 billion. The third one is the $18 billion Bo Y Border Gate Economic Zone with an estimated investment capital of $50 billion.

Shortly after the news appeared in local newspapers, analysts raised their doubts about the huge projected cost of $100 billion. "This is utopian," said Dr Nguyen Mai, an experienced expert in foreign direct investment (FDI). "No investor would pour such a big sum of money into a country whose total GDP is higher than the investment capital by only a few tens of billions of dollars".

"Vietnam will not be able to absorb such huge capital," he added. Also according to Mai, it is quite a surprise that the investor intends to inject $50 billion in the Bo Y Border Economic Zone, where the state's own heavy investment has not brought the desired efficiency.

"When will the investor be able to make a profit, once it spends such a huge sum of money? No one would be foolish enough to make investments now with the hope that the profits would be enjoyed by the future generations," commented Robert Tran, an investment strategy consultant.

When asked what advice he would give to enterprises, he said there is nothing to say, because the project cannot exist in the real world. The promised $100 billion sounds suspicious not only to experts, but to the average man-on-the-street as well. However, the problem is that this is not the first time such pie-in-the-sky projects have been introduced in Vietnam.

In early February 2013, a major player from Dubai, Global Sphere, announced its intention to develop a super project, the Hanoi Wall Street, with expected investment capital of $30 billion. The Hanoi Wall Street would comprise 70 apartment blocks at heights ranging from 40 to 70 stories. There would be a 102 story central tower in the middle of the apartment block. The project was expected to accommodate some 300,000-400,000.

It was quite striking that the Hanoi Planning and Investment Department, with which all investors must register their capital projects, told the press at that moment that it had not even heard about the project.

In 2007, the US Eminence Group announced its plan to develop the $30 billion Nghi Son Economic Zone in Thanh Hoa province. However, soon after a workshop in which the group made an enthusiastic presentation on the project, the investor was "gone with the wind".

*Source: VNN*

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## FINANCE – BANKING

### Banks cut rates on capital surplus

*Many banks have slashed interest rates to below the ceiling level of 6 per cent regulated by the central bank amid abundant capital.*

Deposit interest rates listed at the Viet Nam Export Import Bank (Eximbank) for the term ranging from one to three months has been cut to 5.7 per cent from the previous 6 per cent rate. The deposit interest rate for the 4-5 month term has also been slashed to 5.98 per cent from 6 per cent.

Sacombank has also cut the deposit rate for the term of between seven and 11 months. The annual rate of 6.55 per cent has been applied to the 7-8 month term, while 6.7 per cent has been set for a 9-10 month term and 6.8 per cent for the 11-month term. According to the central bank, credit in the first quarter this year rose only 0.01 per cent, showing that banks are enjoying a surplus of capital.

Despite the abundant capital, interest rates are still above the deposit rate ceiling in some ailing banks, according to the Phap luat TP HCM newspaper. Deputy Governor of the State Bank of Viet Nam (SBV) Nguyen Phuoc Thanh said that the interest rates over the deposit rate ceiling had greatly reduced, showing that in spite of solid liquidity in some aspects of the banking system, it was not a uniform trend.

He explained that the liquidity of some ailing banks was so restricted that it was forcing them to try to attract depositors with interest rates above the ceiling rate. Thanh said that the central bank would plan to boost competition in the banking sector by solidifying the banking industry through restructures and weeding out weak banks.

In a foreacast on credit sector trends in the second quarter of this year released last week, most credit institutions said deposit and lending rates in Vietnamese dong would continue to decline this year

*Source: VN+*

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### Big banks to raise charter capital in positive move

*While some small commercial banks failed to raise their charter capital last year, some major lenders have already approved adding millions of US dollars to their charter capital this year.*

This is viewed as a positive sign amidst the current economic turmoil, but it is also a warning of increases in dividend payment sums.

Sacombank plans to hike its charter capital by VND1 trillion (US$47.4 million) to VND14.382 trillion ($681.6 million) by the end of 2014. The SCB is targeting the addition of VND2 trillion to make up its charter capital of VND14.295 trillion ($677.49 million). VP Bank has obtained approval from the State Bank of Viet Nam to scale up its charter capital to VND6.347 trillion ($300 million) from VND5.77 trillion ($273.46 million).

Oceanbank will raise its charter capital to VND5.3 trillion ($251.2 million) by the year-end from VND4 trillion ($189.57 million). These plans will be implemented by issuing shares to existing shareholders and offering shares on the stock market.

BIDV's deputy general director Can Van Luc told Viet Nam Economic Times newspaper that opportunities for success still arose on the stock market because the capitalisation of bank shares constituted a large part of the market's activity.

Industry experts assume that the ongoing attempts to reform the banking system are gradually improving business at credit institutions and restoring public confidence by making it easier to request capital.

However, the head of an HCM City-based bank, which failed to raise its capital last year, pointed out that making the accompanying dividend payment would prove to be more challenging later on. In a bid to bolster the ailing banking system and liberalise the industry, Viet Nam in February lifted the level of strategic foreign ownership from 15 per cent to 20 per cent, while maintaining total foreign ownership at 30 per cent for local banks.

In fact, amidst growing distress and the pressure of restructurings, banks performing poorly are in critical need of extra capital, which is difficult to gain from local sources.

### Small banks step up

Small and medium scale banks have showed determination to raise their charter capitals within this year after failing to achieve the goal last year.

The charter capital increase was considered essential for small and medium-sized banks to enhance their financial capacity and competitiveness amid soaring competition and the hastened restructuring progress of the entire banking system. The minimum legal capital of a credit institution was regulated at VND3 trillion (US$142.8 million), and several banks in the country now had charter capitals at the minimum level or just slightly higher.

Nam A Bank planned to increase its charter capital from its current value of VND3 trillion ($142.8 million) to VND4 trillion ($190 million), with the objective of expanding its network along with the development of the entire banking system.

Accordingly, 100 million shares will be sold to the public, which is scheduled to be implemented in the third quarter of this year, at the price of VND10,000 ($0.47) per share. Viet A Bank, which currently has a charter capital of VND3 trillion ($142.8 million), is allegedly seeking a nod from the regulators to increase its capital by VND500 billion ($23.8 million). Last month, Bac A Bank increased its charter capital from VND3 trillion ($142.8 million) to VND3.7 trillion ($176.2 million).

According to Nguyen Van Dung, the deputy director of the central bank's HCM City branch, the capital increases of small and medium-sized banks were necessary to improve their financial capacity. However, the process needs to be put under careful consideration, given the decline witnessed in the prices of banking stocks last year, he was quoted by Dau Tu Chung Khoan newspaper.

In addition, the efficient use of the increased capitals was also a cause of concern along with rising pressure from the stakeholders about dividends, he pointed out. While several banks planned to use their increased capital for network expansion, the central bank last year raised the standards for network expansion.

As per the regulations, banks keen on expanding their network must meet the requirements of the bad debt ratio at below 3 per cent and set the required capital for setting up a branch in Ha Noi and HCM City at VND300 billion (US$14.2 million) and VND50 billion (US$2.3 million) for a branch in other locations. In addition, a bank was allowed to open a maximum of 10 branches in the inner cities of Ha Noi and HCM City.

*Source: VNS*

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## Investors struggle to escape the "securities quagmire"

*Years ago, Vietnamese financial investors joined in on a "securities rush", seeing securities companies as the geese that lay golden eggs. Today, they are fleeing in droves.*

Nguyen Duc Thuy, an influential businessman who invests in many different fields, from football clubs to securities, has decided to sell all his stakes in Xuan Thanh Securities Company (VIX), formerly known as Vincom Securities.

All of Thuy's 22 million VIX shares were sold within one trading session in late March. He say he made a wise move to sell at that moment, as the stock market was heating up after several years of coolness. With the sale, Thuy has officially withdrawn from a field of business which cost him much money and time. Thuy tasted only bitterness when holding VIX shares, incurring VND51 billion in losses in his first year of ownership. Since then, the company's performance in what has been a gloomy stock market has been a further disappointment.

Not only Thuy, but many other "big fish" also have said, or plan to say, goodbye to securities companies. At the Phu Nhuan Jewelry Company's shareholders' meeting held in late March, President Cao Thi Ngoc Dung said the board of directors realized that they blundered when making financial investment deals. Phu Nhuan is moving ahead with its plan to withdraw capital from a series of legal entities. In the latest news, all of its stakes in Dai Viet Securities Company have been transferred.

In late 2013, the Vietnam Textile and Garment Group (Vinatex) sold all of its stakes in KIS Securities, amounting to 8.7 percent of the company's stakes. SeABank, Phu My Investment Corporation and Le Huu Bau, an individual shareholder, have reportedly transferred their stakes in Dong Nam A Securities, amounting to 83 percent of the company's stakes.

Viet Trang Company has sold the 10 percent of Lien Viet Securities that it held, while the Long Giang Urban Area Investment and Development has sold 9 percent of An Phat Securities. In many cases, when the big investors left, the securities companies disappeared from the market. The names of Cho Lon, Cao Su, Sao Viet, SME, Hanoi and Truong Son Securities are nothing more than memories today.

### The new bosses – who are they?

In the eyes of many investors, pouring money into the securities industry was a bad mistake. However, there are those who disagree. And while most of the publicly-traded securities companies are unprofitable, their owners still can easily find buyers. Those who have interest in securities companies are the investors who believe that the stock market is poised to recover soon, which will raise the value of securities shares. One analyst says he sees the increasingly high interest on the part of foreign investors in Vietnamese securities companies.

It was Korea Investment Securities which bought KIS Securities' stakes from Vinatex. The deal has made it the largest shareholder, with a stake of 90 percent. Hung Vuong Securities' shares were sold by a Vietnamese individual investor to a foreigner, Tong Chin Hen, who now holds 15 percent of Hung Vuong.

*Source: GreetingVN*

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## Vietnam is expected to repay nearly $10bil. in 2014

*The Prime Minister has issued Decision 447 on borrowing and repayment plans in 2014. Limits on government-guaranteed loans and medium and long-term foreign loans of enterprises and organizations in 2014 are also mentioned in the decision.*

The Government's borrowing plans this year include VND367 trillion of domestic loans.

Specifically, domestic loans guaranteed by the Government this year are up to VND70,492 billion, including guarantees for bonds issued by the Vietnam Development Bank of VND40 trillion, Bank for Social Policies of Vietnam (VND15.5 trillion), and key national projects (VND15 trillion). The state budget will also pay more than VND92.3 trillion for settlement of domestic debts and VND49.2 trillion for foreign debt.

The Ministry of Planning and Investment was assigned to review BOT projects under negotiation, the large FDI projects ... to monitor foreign loans to ensure the country's foreign debt in 2020 not exceeding 50 percent of GDP.

According to a report released last October by the Ministry of Finance, by the end of 2012, total public debt of Vietnam was 55.7 percent of GDP, which remains within safe levels as recommended by international organizations (below 65 percent of GDP). Meanwhile, on the meter of the global debt of The Economist, Vietnam's public debt by April 11, 2014 was $80.5 billion, up 11.2 percent over last year, and accounted for 47.9 percent of GDP. On average, each Vietnamese is burdened with $891 of debt.

In 2013, the State budget balance fell into difficulty due to the unstable economic situation in the country, and decreased government revenues. This prompted the National Assembly to raise the budget deficit ceiling to 5.3 percent of GDP in 2013-2014, after showing determination of cutting this indicator to below 4.5 percent of GDP in 2015.

*Source: TVN*

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# ANALYSIS – OPINION

## Corruption poses hurdle to Vietnam FDI inflows

*Corruption is affecting Vietnam's FDI prospects, and if the problem is not resolved, the country will become less attractive to foreign investors, Nguyen Mai, chairman of the Vietnam Association of Foreign Invested Enterprises, tells Vietweek.*

**According to the 2013 Provincial Competitiveness Index report from the Vietnam Chamber of Commerce and Industry, which studies provinces and cities in terms of ease of doing business, economic governance, and administrative reform efforts, only a small number of foreign investors want to expand their investment in this country. Is it worrisome?**

Nguyen Mai: According to figures reported by the Foreign Investment Agency, many foreign investors registered to increase investment in their projects in Vietnam. More than one third of registered FDI in 2013 came from existing projects, which was not lower than that of 2012. Many large projects, including those of South Korean Electrics giant Samsung and Nghi Son refinery, saw investment increased last year. We should not be pessimistic.

**But Thailand, Indonesia, China, and even Cambodia are assessed as being more attractive than Vietnam?**

According to a report by the World Bank assessing the investment environment last year, Cambodia saw a rise of 23 places, and the Philippines and Indonesia, 19 places each. Meanwhile, the assessment of Vietnam remained unchanged. Our nontransparent and unpredictable laws and tortuous administrative procedures are obstacles to foreign investment inflows. Authorities do not implement policies strictly, also hindering FDI.

However, I do not think Cambodia is now a rival to Vietnam in attracting FDI because foreign investment in the former is mainly in garment and leather projects by Asian countries, including Vietnam. FDI in our country now is tens of times higher than in Cambodia.

It is the same with Myanmar. We highly appreciate Myanmar's move to open doors to foreign investors. However, the country has only done it for a short time now. Vietnam opened its doors to foreign investors since we enacted the Foreign Investment Law in 1987. To date we have attracted FDI of more than $100 billion. Meanwhile, Myanmar has more unstable social issues than Vietnam. Thus, it is not one of our rivals in FDI attraction.

China is a rival for us. However, there is a trend that many foreign investors want to leave China for ASEAN member countries, including Vietnam. Thus, if we have a good business environment, we could attract investors who leave China for new markets.

"Corruption has affected Vietnam's FDI inflows. If it is not resolved, Vietnam will become less attractive to foreign investors.", Nguyen Mai said

**How do you assess Vietnam's efforts in combating corruption, which is considered a big obstacle to attracting FDI?**

Most of our foreign investors are members of the Organization for Economic Co-operation and Development (OECD), which bans their companies from paying bribes in countries which get their investment.

In Vietnam, corruption has become a national issue. Relevant authorities are investigating the charge that the president of Tokyo-based railway consultancy Japan Transportation Consultants, Inc. paid a bribe of nearly $800,000 to a Vietnamese official to get an official development assistance project in Vietnam.

Many foreign firms want to win ODA project contracts, and pay bribes to Vietnamese officials [for this]. These cases are detected only when their countries do a tax audit and detect monies not used in a transparent manner.

Corruption has affected Vietnam's FDI inflows. If it is not resolved, Vietnam will become less attractive to foreign investors. Attracting investment from OECD members is very important in the context that we want to lure higher quality projects. Obviously, corruption can be found everywhere in the world, but we should make more efforts to reduce it.

We plan to pass the Public Investment Law, which will stipulate oversight of investment from the commune to central levels by the Fatherland Front. The surveillance of public investment projects is one of the important measures to fight corruption.

**There is an opinion that we offer too many incentives to foreign investors. Foreign investors could crush local private firms if we do not carefully consider the incentives. What do you think about it?**

I have exchanged views with many economists on the issue. They said the entry of Thailand's CP group has forced many small local livestock breeding firms to shut down due to their low competitiveness. Before CP group entered Vietnam in 1994, there were no firms that hired farms to raise chickens, provided them animal feed, and then purchased eggs and chicken to sell to retailers. CP group has developed the business model in Vietnam.

In fact, local private firms can develop in a competitive environment. The local market has many segments and foreign and local firms can participate in different segments. Some economists said the more capital foreign investors pour into Vietnam, the bigger losses the country has to suffer. I do not think so. Both Samsung and Vietnam can enjoy benefits when the firm invests in the country. The South Korean electronics giant has created 50,000 jobs in Bac Ninh Province. It exported products worth $23 billion last year. Why don't we let Samsung invest in our country?

Obviously, there is also the dark side of FDI, but we should find ways to resolve it instead of curbing FDI.

**What is the role of FDI in economic restructure?**

FDI is one of important factors in our economic restructure. Many years ago agriculture contributed more than 80 percent of the GDP of Bac Ninh Province. In 2012 industrial production accounted for 73 percent of its GDP, mainly due to the contribution of foreign investors like Samsung, Nokia, and Canon. Thus, FDI is helping modernize our economic structure.

*Source: TTN/Vietweek*

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## How Should Vietnam Act Towards Send Pricing?

*While taxation agencies are vowing to retaliate those unfamiliar invested enterprises (FIEs) that control send pricing, investment consultants trust that disastrous impacts of cost send on a inhabitant economy have been exaggerated.*

Twenty percent of a FIEs polled in a Vietnam Chamber of Commerce and Industry (VCCI) consult certified that they have intent in send pricing.

The Ministry of Finance in May 2012 set adult a 2012-2015 movement devise on taxation inspection, demonstrating a clever joining to quarrel opposite send pricing.

The General Taxation Department (GDT) announced progressing this year that battling opposite a use would be a pivotal charge in 2014. It has threatened to check a array of FIEs suspected of committing a fraud.

In 2013, GDT expelled a decisions on commanding fines and collecting taxation balance from some-more than 100 FIEs that were found to be conducting send pricing.

Meanwhile, a consult of EuroCham, that represents a European business village in Vietnam, suggested that 57 percent of a members consider that send pricing has no poignant outcome on a business meridian in Vietnam.

**Transfer pricing? Nothing's a matter**

Nguyen Mai, former Chair of a Vietnam State Committee for Cooperation and Investment, and now Chair of a Vietnam Association of FIEs (VAFIE), pronounced that send pricing should not be deliberate as a specific evil of unfamiliar approach investment (FDI) in Vietnam, and that there is no need to concentration on a matter.

Dr Edmund Malesky, Head of a Provincial Research Index (PCI) Research Team, commented that send pricing is a unchanging operation that multi-national conglomerates control to optimize their profits.

However, he pronounced that once businesses abuse a operation, a supervision does need to meddle in a conditions and find reasonable solutions.

Vietnamese say dual opposite points of perspective about how to understanding with a practice. In a eyes of a majority, businesses that rivet in send pricing contingency be punished, only like taxation evaders. Meanwhile, others trust that this is an destined component of a inhabitant economy, one that Vietnamese should "learn to live with".

**"Manage FIEs with policies, not orders"**

This was what a law consultant pronounced when asked how Vietnam should act towards send pricing.

He pronounced optimizing increase is a primary idea of any business. In general, general conglomerates all have lawyers who advise on last send prices, that helps them equivocate taxes and minimize costs. Therefore, now that Vietnam has non-stop a doors to unfamiliar investors, it should lay down a ideal authorised horizon to conduct them instead of job on them not to send pricing.

Dr Edmund has suggested amending a stream taxation policies to daunt FIEs to send pricing. Vietnam should possibly revoke a corporate income tax, or mislay a tax, though levy aloft rates on personal income tax. These are a policies being followed by Ireland and Singapore.

Another resolution he has suggested is to taxation businesses on their approaching increase rather than on their books.

"The simplest thing Vietnam can do is to say fast taxation policies," he commented.

*Source: VNS*

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## Real reform a growth imperative

*Genuine reforms are a must for recovery in 2014, Dr Nguyen Duc Thanh, member of the PM's Policy Advisory Council, tells the Viet Nam va The gioi (Viet Nam and the World) Newspaper.*

**You say the economy has showed positive signs in 2014, compared with the previous two years. What has made you say that?**

My confidence is based on the statistics we have gathered in the last four months. For example indicators of the production and business activities have increased slightly.

These are the signals we pin our hopes on. If we look at the figures, some of them still show decline.

However, in the short term, there are some positive signs. Indicators of procurement management or consumption have increased slightly. As a result, we believe these are positive signs for our economy.

These signals are very important as they help us to come up with appropriate economic policy.

**You've talked about some signals of economic recovery. But the slow pace of this may erode the comparative advantages we have over our neighbors. Why?**

We already failed to capitalise on some opportunities in the last two years. Following the economic crisis, other countries in the region have sped up economic reforms.

They were willing to accept the temporary economic slow down.

They made efforts to restore production at a much faster pace than us. In my opinion, the present positive signs in our economy should have happened more than two years ago.

However, I'm confident, if we speed up economic reform, particularly in core sectors, we will achieve our goals.

**What are the bases for saying that there are signs the economy is recovering?**

The signs are in the short term only. But the short term cycle is an opportunity to improve the long term cycles.

In the short term, Viet Nam should consider it an opportunity to renew itself, find a better way to improve economic performance and adjust its policies.

For example, the government's decision to pump thousands of billions of dong into the real estate market is not suitable. It is high time for the government to pump money into restoring production as production is the skeleton of the national economy, not the stock market or the real estate market.

**Some people have said foreign investment capital is being moved out of developing countries, including Viet Nam. Is it true?**

The withdrawing of foreign investment from developing countries is a governance policy of the big economies in the world. In our case, the direct foreign investment flow is not much.

I don't know if this is lucky for us or not, as in recent years our business environment has not been attractive enough to investors.

That was the key reason why we didn't have much foreign direct investment (FDI) projects.

Therefore, if the world's big economies decide to withdraw money from developing nations, I don't think that it will affect us much. However, if we consider that FDI is an opportunity for us to develop our economy, we have missed that opportunity.

**Right from early this year, Viet Nam vowed to speed up its equitisation process of State owned enterprises (SOEs). Do you think the decision will some how impact the country's economic development?**

In his new year message, Prime Minister Nguyen Tan Dung has stated clearly that in 2014 and 2015 the government has vowed to speed up the equalization of SOEs.

The government's policy is totally correct. However, to make the policy a reality is another story. It is very difficult!

There are various reasons for me to say so. The first reason is that real estate prices in our country are very low. That's why interest groups standing behind SOEs will strongly oppose the PM's SOE equalization plan. They don't want their benefits washed away.

It is very important that the government stands firm against obstacles hindering the equalization process. This is the key concern as to whether the two year program set up by the government will be smoothly implemented or not.

*Source:GreetingVN*

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## NEWS IN BRIEF

**Phu My 3 Company Limited celebrated its 10th anniversary of Vietnam operations twice last week during which the government granted the firm a Second Class Labour Order.**

Over the past ten years Phu My 3, Vietnam's first build-operate-transfer (BOT) power project, has made significant contributions to the development of the energy industry and the national economy. With a 716.8 megawatt capacity, Phu My 3 contributes around 4 per cent of total national power output.

The company, in coordination with a number of government agencies, has successfully implemented a number of community development projects in the area, such as sponsoring heart and eye surgeries for the poor, awarding scholarships, building gratitude houses and contributing to road safety projects.

**PwC announced today the successful completion of its combination with Booz & Company.**

With the granting of all regulatory approvals for Booz & Company to join PwC, it is now officially part of the PwC Network. All closing conditions for the deal have been met. Marking this occasion, Booz & Company has changed its name to Strategy& (pronounced Strategy and). This new name, which will be used alongside the PwC name and brand, reflects the strength in strategy consulting that Booz & Company brings to the PwC Network and the benefits this deal will bring to all clients and stakeholders. After a short grace period, Booz & Company can't legally continue to use the Booz name following the change in ownership.

**Fastfood Giant Jollibee joins foodpanda Vietnam**

Foodpanda Vietnam, the leading online marketplace for food delivery is at it again as they have joined forces with yet another major international franchise, Jollibee. Tuesday, April 08, 201, the company announced its partnership with Jollibee, a fast-food restaurant chain originating from the Philippines with over 900 stores in nine countries, including 42 stores in Vietnam alone.

**Automobile parts factory opens in Hoa Binh**

Nissin Manufacturing Vietnam Co. Ltd. on March 14 opened a factory producing automobile and motorcycle spare parts in the northwestern mountainous province of Hoa Binh. The factory, located in Luong Son Industrial Park, is the first opened overseas by the Japanese firm in its 60-year history. It is considered the company's first step in constructing an auto component centre in the Southeast Asia. Built at a total cost of US$75 million, the factory is designed to turn out 23 million products a year for the domestic market and export.

**Road maintenance to cost $332m**

The National Road Maintenance Fund needed more than VND7 trillion (US$332 million) to repair and upgrade roads this year, Chief of the fund's Central Council Le Hoang Minh has said. Of this amount, VND4.6 trillion ($218 million) is expected to come from vehicle registrations. The rest will be provided by the State budget.

Figures from the council show that more than VND1 trillion ($47 million) was collected from registration stations nationwide in the first three months of this year, accounting for 23.5 per cent of the estimated amount for the whole year. Nearly VND5.4 trillion ($256 million), which will account for 65 per cent of the fund, will be spent on managing and upgrading national highways. The rest will be allocated to provinces and cities to help them maintain and upgrade roads.

**HCM City to sell all State-owned houses**

The municipal People's Committee said it has completed the sale of State-owned houses in the city to meet the urgent demands of families and beneficiaries of social policies. Statistics from the city showed that it had sold 93,600 State-owned houses till date, accounting for 98 per cent of the total. In 2010, the city sold 92,500 similar houses with a total area of 5.1 million square metres for VND5.86 billion, or US$279 million. The money has been reinvested in housing projects. The city has 102,000 State-owned houses.

**Vinatex announces investment plans**

Viet Nam National Textile Garment Group (Vinatex) will invest VND4.8 trillion (US$228.5 million) in three projects in the central province of Quang Binh. According to information published on Vinatex's website, the projects that were granted licences were a fibre plant and a garment factory in Quang Phuc Ward, Ba Don Town and a garment factory in the Gia Ninh Commune, Quang Ninh District.

In addition to the three projects , the group has signed a memorandum of cooperation with the Quang Binh Province for four other projects, such as the research and development of cotton and eucalyptus materials for the group's spinning mills, investment research for the construction of a fibre plant in Quang Ninh District, investment research for a fibre weaving and dyeing complex in Bac Quan Hau Industrial Park, and an investment survey related to garment factories for export in the Le Thuy and Quang Trach Districts. According to Vinatex, Quang Binh Province has committed to offer its preferential policies for their projects, while the Bank for Investment and Development of Viet Nam (BIDV) has signed a principle agreement to arrange capital for them.

On April 5, Quang Binh Province held its first conference to promote local investment, in which about 200 delegates participated. According to the province, it now has 276 registered projects with a total capital of some VND100 trillion (US$4.8 billion).

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## COMING EVENTS

**Vietnam Medi Pharm Hanoi**

*Venue:* Friendship Cultural Palace, 10 Yết Kiêu, Trần Hưng Đạo, Hoàn Kiếm Hanoi,

*Country:* Hanoi, Vietnam *Start Date:* **14.05.2014** *End date:* **17.05.2014**

***Event Description***

Vietnam International Exhibition on Products, Equipment, Supplies for Medical, Pharmaceutical, Dental, Hospital and Rehabilitation

The Vietnam Medi Pharm is an international trade fair for medical technology and will take place in Hanoi. Visitors can see the latest achievements of the healthcare industry. The exhibitors come from all over the world and take the opportunity to find new business partners and to develop new markets. Exhibitors at the fair opportunity to present their products in Vietnam and around the world. They can also get an overview of the market, exchange ideas with colleagues, arrange technology transfers and find new investors

*Please kindly refer to* vietnammedipharm.vn

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Ildex Vietnam Ho Chi Minh City

*Venue:* SECC Saigon Exhibition & Convention Center, Nguyen Van Linh Parkway

*Country:* Ho Chi Minh City, Vietnam *Start Date:* **19.05.2014** *End date:* **21.05.2014**

Event Description

Trade fair for livestock, dairy products, meat processing and aquaculture

Ildex Vietnam is a trade fair for livestock, dairy products, meat processing and aquaculture. It is an excellent platform for buyers to come together with sellers of desired products. As a fair for professionals only, it is an excellent opportunity to learn about technological innovations for the industry, to meet with colleagues and exchange knowledge and to establish new business contacts. The Ildex takes place every once in a different place in Asia.

*Please kindly refer to* www.ildex.com

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Photo DTK

## About Viipip.com

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

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.



*Reviewed by: Huy Nguyen & Nguyen Minh*