



Dear all,

*Vietnam Trade & Investment Bulletin is published by monthly 15<sup>th</sup>. VIIP.COM would like to collect info and reflect an overview of Vietnam economic climate. Through this, readers would find useful information for research and investment in Vietnam.*

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INVESTMENT BULLETIN  
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**2014**



**VIETNAM: TRADE & INVESTMENT BULLETIN No.10**  
**October 2014**

<p><b><u>GENERAL REVIEW</u></b>          German firms to look at local market during Asia-Pacific meet          Vietnam should speed up PPP model: ADB President          Benin recognizes Vietnam's market economy          PM receives Senior Minister Goh Chok Tong          Triangle urged to introduce incentives</p>	<p><b><u>INVESTMENT</u></b>          Russian firms seek to boost tech co-operation          Spanish interested in PPP deals          Vietnamese, German firms join hands to power Con Dao Islands          Vietnam suffers support industry shortcomings          Filipino Investors Do Roaring Trade In Vietnam          Japan's JFE edge out of \$4.5 billion steel plant deal          Locals protest hydropower plants          Thai Binh offers more incentives for investments          Ha Noi plans 13 more industrial parks          Ba Thien 2 Industrial Park aims for full occupancy          Cai Mep-Thi Vai authority proposed          Yen Bai encourages concentrated processing tech          South Korean firms explore Bac Ninh business potential          PM kicks off construction of Ha Long-Hai Phong highway          Saudi Aramco joins refinery project          Priority road project pushed forward to secure northern transport</p>
<p><b><u>TRADE</u></b>          Peru seeks closer trade ties with Vietnam          Canadian market offers opportunities          Steel firms in meltdown          Vietnamese enterprises urged to expand business in Russia          Sugar production firms struggle with high inventory</p>	<p><b><u>FINANCE - BANKING</u></b>          BIDV teams up with Japanese banks to facilitate investment          PENM Partners bullish on Vietnam and Masan          Techcombank appointed to support Metro No.2 project          State receives \$30.8b from developing bond market          Bad debt threat continues to loom          SBV forecasts credit growth of 12%-14%</p>
<p><b><u>COMING EVENTS</u></b>          Vietwater Ho Chi Minh City          Vietbrew Ho Chi Minh City          VietDrink Ho Chi Minh City</p>	<p><b><u>ANALYSIS</u></b>          Solutions to mitigate M&amp;A pitfalls          'We need a new mindset'          Business registration unification remains a question in draft LOI</p>
<p><b><u>NEWS IN BRIEF</u></b>          IPs says Hi</p>	
<p><i>Supported by</i></p>	

## DEVELOPER'S INTRODUCTION



# TAN BINH INDUSTRIAL PARK BINH DUONG PROVINCE, VIETNAM

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

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

**DEVELOPER:** Tan Binh Industrial Park JSC

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

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

### INFRASTRUCTURE

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

### OUTSTANDING FEATURES

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

### INCENTIVES AND SUPPORTIVE POLICIES

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

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



[Back to top](#)



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<b>A: Km no.18, Highway no.18, Quevo district, Bacninh</b> <b>T: (+84)2413 623 868   F: (+84)2413 623 868</b>					
LOCATION, REGION AREA, PLOT INFORMATION					
<b>Location</b>	To airport	50 km to Noi Bai International airport along Highway no.18 International flights: more than 40 flights/week	<b>Electricity supply</b>	Power supply	-Two sources: 22V and 35V from EVN Bacninh -110 KV: Que Vo 2 now supplies to entire the IZ from national electricity grid network
	To road	Located along Highway no.18 from Bac Ninh to Hai Phong, Quang Ninh, Hai Duong To Highway no.183 (way to Hai Duong) about 07 km	<b>Water supply</b>	Capacity	Quevo water plant (Japanese technology), 1.5km from IZ IZ capacity of water consumption: 11000-20000 m <sup>3</sup> /day - Treatment capacity: 2000-4000 m <sup>3</sup> /day - The waste water treatment plant use both: COD, BOD ( <i>biotech treatment technology</i> ) and pH adjustment
	To port	- 90 km to Hai Phong seaport and Lach Huyen deep water sea port in Hai Phong along Highway no.18 - 100 km to Quang Ninh seaport along Highway no.18 - 15 km to Cau river port	<b>Waste water system</b>	Quality	- 1 <sup>st</sup> level: enterprises have to treat by themselves up to level B ( <i>Vietnam's standard: TCVN 5945:2005</i> ) - 2 <sup>nd</sup> level: waste water will be treated at the waste water treatment station within IZ up to level A ( <i>Vietnam's standard: TCVN 6984:2005</i> )
	To railway	01 km to Chau Cau railway station New Yen Vien - Cai Lan railway parallely with IZ has been construction since March, 2008		Telephone line	Up to 20 telephone lines for each factory and supplied by the Post Office (VNPT) of Quevo district
	To the centers	- 50 km to Ha Noi Capital along Highway no.1A - 15 km to the Center of Bac Ninh City - 90 km to Hai Phong City - 100 km to Quang Ninh City	<b>Faculties</b>	Internet	-ISP: VNPT, Viettel, FPT Telecom -Speed: 512 kpsb and 128 kbps-2048 downstream -Services: dial-up, ADSL, Leased line,...
<b>Land</b>	Scale	572 ha 1 <sup>st</sup> phase: 272 ha (120 ha available) 2 <sup>nd</sup> phase: 300 ha		University	Technical teacher college Technical health university of Bacninh province
	Development status	-1 <sup>st</sup> phase: already finished the infrastructure and the land is ready for investors to build factory (120 ha) -2 <sup>nd</sup> phase: land compensation, leveling and under construction for infrastructure 1 <sup>st</sup> phase (300ha)	<b>Labor</b>	Worker	Population of Bacninh province is around 1,2 million and people on the age of working are around 0,7 million Population of Bacninh city is around 180 000 peoples

[Back to top](#)

## GENERAL REVIEW

### German firms to look at local market during Asia-Pacific meet

*A meeting of leading German companies in Vietnam will be an opportunity to promote trade and investment between Vietnam and Germany, and other European Union countries, said experts.*

According to the official website of the Asia-Pacific Conference of German Business (APK), its 14th conference will be held from November 20 to 22 in HCM City.

In recent years, Vietnam has attracted an increasing number of foreign investors due to the country's fast-growing economy and geographical advantages. With the conference taking place in HCM City, Vietnam will host this event for the very first time. The conference has been organized biannually in Asia since 1986, and has become the largest German networking event in the region, attracting political as well as business leaders, reported the website.

This year's conference theme is "Understanding Trends and Perspectives". The combined economies in the Asia-Pacific region are playing an ever-more important role in global trade, as per their share in world population and GDP. The 14th APK will focus on industries and trends of the future, where co-operation between businesses in Germany and the Asia-Pacific can thrive.

During the two-day conference, some 750 participants will have ample opportunities to speak, listen, network and contemplate concepts and solutions for a sustainable future. German Ambassador to Vietnam Jutta Frasch said that more than 160 German companies in Vietnam create jobs and contribute to the development of the Vietnamese economy. A clear sign of trust of the German companies in Vietnam is the APK conference being held this November in HCM City.

Frasch said that Vietnam has had fast and strong economic integration via free-trade agreements and the Vietnamese government has strived to complete economic policies. These are attractive points for German companies, reported the Vietnam News Agency (VNA). Meanwhile, Vietnamese enterprises have limited foreign direct investment opportunities in Germany due to capital and trade barriers, she said. However, a few Vietnamese enterprises have opened their businesses in Germany, such as FPT and Vietinbank.

**The free-trade agreement between Vietnam and the EU is expected to be a chance to increase investment between Germany and Viet Nam.**

Germany will transfer technology to Vietnam, while Vietnam can export more consumer goods to Germany and other countries in the EU, she said. The Trade Office of Vietnam in Germany said that the ongoing industrial revolution in Germany will bring good opportunities for Vietnamese companies in receiving technological transfers from Germany.

Germany will also be an attractive market for Vietnamese goods and a favourable place for local products entering other EU markets, including France, Netherlands, Austria, Poland and Belgium.

According to the Europe Department of Vietnam's Ministry of Industry and Trade, the trade value between Vietnam and Germany reached US\$4.95 billion by August 2014.

**Germany has had 238 investment projects in Vietnam with a total registered capital of \$1.34 million.**

Many leading German hi-tech brands such as Mercedes Benz, Siemens, Bosch, Adidas and Xella have had efficient operations in Vietnam. Several large German firms, therefore, see Vietnam as a potential market that can replace China.

Source: VNN

[Back to top](#)

## Vietnam should speed up PPP model: ADB President

*Asian Development Bank (ADB) President Takehiko Nakao has suggested that Vietnam step up public private partnerships (PPP) by fine-tuning projects, to stimulate cost-effective investments.*

Speaking at a press briefing in Hanoi on September 19, Takehiko Nakao said Vietnam should also encourage competitive bidding for PPP projects in an effective and transparent manner.

He emphasized the ADB is assisting Vietnam in compiling a PPP Decree, aimed at clarifying the role of the PPP model and making it more effective in the country. Meanwhile, Vietnam should focus on improving its business climate to attract more foreign direct investment (FDI), which plays a vital role in economic development, he said.

The ADB President praised Vietnam's macroeconomic achievements and stable sustainable economic growth, saying Vietnam once recorded the highest economic growth rate in the world in 1990, and it became a middle-income country in 2010.

The country deserves to be applauded for maintaining its political and macroeconomic stability - a key factor in ensuring socio-economic development, said Takehiko Nakao. However, he said, Vietnam's economic growth declined from 7.3% in the 2000 - 2007 period to 5.7% in the 2008- 2013 period due to slow reform and global fluctuations.

To gather steam, he suggested the country accelerate economic restructuring, particularly in State-owned enterprises (SOEs), public investments, and the banking sector. In addition, the government needs to enhance management on public debt and procurement.

Vietnam should also step up its equalization process, giving priority to developing small-and-medium-sized enterprises (SMEs) and private businesses, he said.

During his Vietnam visit and attendance at the fifth Asian Development Forum (ADF-5) in Hanoi, the ADB President made an 8-point proposal to maintain and stimulate economic growth in Asian countries, including Vietnam.

He stressed the need to stabilize the macro-economy, develop infrastructure, promote human resource development, facilitate investment and trade liberalization, ensure good administration, commit to equitable development, build up national development strategies, and ensure political stability and security.

*Source: Baomoi*

[Back to top](#)

## Benin recognizes Vietnam's market economy

*Benin Republic President Boni Yayi has reaffirmed his nation's recognition of Vietnam's market economy at a recent reception for Vietnam Ambassador Pham Truong Giang who came to present his credentials.*

At the reception, the Benin President expressed his desire to elevate the relationship between the two nations to new heights and proposed establishing the Vietnam- Benin Joint Committee to work together on a roadmap for strengthening bilateral relations in the future.

Boni Yayi also spoke glowingly about Vietnam's international integration efforts and its tremendous political, economic, trade achievements over the years as well as the country's great national unity bloc-the factor that has helped Vietnam overcome numerous difficulties to achieve success in national construction and defense.

Regarding the Vietnam-Benin relations, the Benin President underlined the need for both sides to exchange information on market and potentiality while expressing his country's wish to boost imports of Vietnam goods such as rice and consumer goods.

Benin asked Vietnam to send experts aiming to establish agriculture and construction joint ventures and called on Vietnamese businesses to approach its market. Earlier, the Ministry of Foreign Affairs of Benin awarded a diplomatic note on Benin's recognition of Vietnam's full market economy.

This year, the Republic of Benin is the second West African country after Cote d'Ivoire that has recognized Vietnam's market economy. Last year Morocco also acknowledged the Southeast Asian country's status.

Source: VN+

[Back to top](#)

### **PM receives Senior Minister Goh Chok Tong**

*PM Nguyen Tan Dung expressed his pleasure that Viet Nam and Singapore share the same view on building an ASEAN Community and hoped that the two sides would strengthen the bilateral relations in all fields.*

PM Dung made the point on September 23 while receiving Singaporean former PM and Senior Minister Goh Chok Tong who is on a working visit to Viet Nam to cement and deepen the strategic partnership between Viet Nam and Singapore and talk regional and international issues of common concern.

The host leader held that the visit is a vivid manifestation of the Viet Nam-Singapore strategic partnership, which has seen stronger connectivity efforts in such areas as finance, trade, investment, and education-training.

For his part, the former PM proposed the two countries promote cooperation in the banking sector to support Viet Nam to mobilize capital from international investment funds in Singapore for its infrastructure development.

The Monetary Authority of Singapore could help Viet Nam modernize its banking system to make it easier for its access to international capital sources in Singapore, said Mr. Goh Chok Tong.

The guest leader also proposed continuous cooperation in aviation, education and tourism.

PM Nguyen Tan Dung said following the visit, the two countries' relevant ministries and sectors would soon work to facilitate Viet Nam's access to Singapore's capital market for infrastructure development and nurture the partnership in the banking, aviation, education and tourism sectors.

Viet Nam, said PM Dung wants to continue working together with Singapore in accelerating the Trans-Pacific Partnership negotiations.

Source: TalkVN

[Back to top](#)

### **Triangle urged to introduce incentives**

*Vietnam will take the lead in drafting an agreement framework to facilitate investment and trade within the Cambodia-Laos-Vietnam Development Triangle Area in a bid to leverage the region's socio-economic growth.*

The introduction of preferential and transparent policies was urged by the 9th Meeting of the Joint Co-ordination Committee (JCC) on the Cambodia-Laos-Vietnam Development Triangle Area (CLV DTA), as the major tool to draw investments from the public and private sectors, as well as official development assistance funds to the region.



Last week's meeting in the Cambodian city of Siem Reap was co-chaired by Bui Quang Vinh, Vietnam's Minister of Planning and Investment, Chairman of the JCC for Vietnam; Sun Chanthol, Cambodia's Senior Minister of Commerce, Chairman of the JCC for Cambodia, and Somdy Douangdy, Laos' Minister of Planning and Investment, Chairman of the JCC for Laos.

The draft of the agreement was expected to be submitted for approval at the 10th JCC meeting, scheduled to open in Laos in 2015.

Speaking for the JCC, Vinh said the current socio-economic growth in the CLV DTA and investment results in the sub-region had not truly reflected the triangle's potential, strength and traditional relationships of CLV.

"This is largely due to underdeveloped infrastructure and shortages of investment incentives for the DTA provinces, especially to draw and realize foreign-investment projects related to rubber plantations and processing for direct exporting to the international market – the triangle's biggest potential advantage," Vinh said.

The CLV DTA was established in 2004 and covers 13 provinces. These include Cambodia's Ratanakiri, Stung Treng, Mondulhiri and Kratie, Laos' Attapu, Salavan, Xekong and Champasak, and Vietnam's Kon Tum, Gia Lai, Dak Lak, Dak Nong and Binh Phuoc.

According to the JCC's Economic Sub-Committee figures reported at the meeting, the average GDP growth of the DTA reached 10 per cent per annum in 2011-2013 with Cambodia's four provinces achieving an average growth rate of 10 per cent, Laos' four provinces 14 per cent growth and Vietnam's five provinces 9 per cent growth.

In term of direct investment, according to the report, by the end of last year, Vietnam had 37 direct investment projects capitalized at \$2.02 billion in Cambodia's DTA provinces, accounting for 29.4 per cent of the total projects and 68 per cent of the total investment capital that Vietnam registered to invest in Cambodia. Sixty direct investment projects registered by Vietnamese investors in Laos' DTA provinces were valued at \$2.15 billion, making up for 26 per cent of the total projects and 47.6 per cent of Vietnam's total registered investment capital in Laos. Most of Vietnam's investment projects in Cambodia and Laos' DTA provinces are focused on rubber plantations, rubber latex processing, hydropower plants and mining.

With an aim to raising awareness and mobilizing aid from international donors for the CLV DTA, Vietnam took the lead in hosting a development partner forum in partnership with the Asian Development Bank (ADB) in the Central Highlands province of Dak Lak in April this year. Such forums were agreed by three chairmen of the 9th JCC meeting rotate every two years among CLV countries in the coming years.

Source: VIR

[Back to top](#)

## TRADE

### Peru seeks closer trade ties with Vietnam

*The Foreign Trade Association of Peru (ComexPeru) hopes to clinch a trade and investment deal with Vietnam in the near future*

ComexPeru cited WB statistics, saying that Vietnam economy has been developing dynamically in recent years with an average annual growth rate of 5.7% during the period from 2009 to 2013.



Peru exported more than US\$86 million worth of goods to Vietnam in the first eight months of this year, a year-on-year increase of 256%. Of which, seafood exports reached US\$59 million and agricultural and livestock exports hit US\$7.6 million.

Meanwhile, its import turnover from Vietnam gained US\$152 million, up 88% compared to the same period last year. ComexPeru said a trade agreement with Vietnam will foster trade exchange between the two sides, allowing Peru to diversify its export products.

Source: VOV

[Back to top](#)

### Canadian market offers opportunities

*Vietnamese companies have yet to exploit the full potential of the Canadian market, which was described as lucrative because of its significant import volume.*

At a conference held in the capital city yesterday, Hoang Van Dung, vice chairman of the Viet Nam Chamber of Commerce and Industry, said that ever since the two countries signed a bilateral trade agreement in 1995, trade relations between Viet Nam and Canada experienced a 20-fold increase, reaching US\$2.2 billion in 2013.

Last year, Viet Nam enjoyed an export surplus of more than \$1 billion using key items such as textiles and garments, agricultural and wood products, as well as footwear, seafood and computers.

However, Canada has yet to be included in the list of Viet Nam's 20 largest export markets and accounted for less than one per cent of exports, said Zaki Munshi, Project Manager Asia at TFO Canada, a non-profit non-government organization that facilitates access to the Canadian marketplace. Viet Nam's main exports to Canada were somewhat different from its global exports, which were focused on crude petroleum and rice, Munshi noted.

To increase trade with Canada, Munshi suggested that Vietnamese companies identify other exportable products and services with potential in Canada while seeking to maintain their competitive advantage.

The companies should also make greater efforts to explore the full potential of the seafood and electronics products segments, Munshi added. He also stressed the importance of registering companies' business profiles and export offers on TFO Canada's website, where less than 30 Vietnamese companies were currently registered.

At the event, participating Vietnamese companies also learned more about Canada's consumer and market trends, legal environment, tariff treatment and modes of transport.

According to the Ministry of Industry and Trade's American Market Department, exchanges of government and business delegations and trade information should be accelerated.

Source: VNS

[Back to top](#)

### Steel firms in meltdown

*Domestic steel firms are struggling as the market suffers from acute oversupply, while tariffs are set to fall on imported steel from Russia in the near future.*

The Vietnam Steel Association (VSA) recently filed a list of steel firms who have struggled to survive including 11 construction steel manufacturing and 10 steel ingot rolling firms.

Also according to VSA figures, Vietnam is able to turn out more than 11 million tones of construction steel, 9.29 million tones of steel billets, over 2.1 million tones of steel pipes, 3.28 million tones of galvanized steel and over four million tones of cold rolled steel per year. Yet domestic steel consumption equaled just 11 million tones last year. In addition to the acute oversupply affecting the domestic market, giants Formosa and Hoa Phat Group are about to commission major new steel plants.

VSA's former chairman Pham Chi Cuong noted the underlying weakness of the domestic market, claiming that steel firms had rushed into doing business based purely on a herd mentality. "Short-term and spontaneous investments in conjunction with the use of backward technology have put lots of local steel firms on the verge of going bust," Cuong noted.

Many localities have also exacerbated the situation by approving investment certificate in unnecessary projects. According to a Ministry of Industry and Trade report in January 2009 reviewing the implementation of the Vietnam steel industry for the 2007-2015 period, 32 projects had been approved by localities that had no place in the national sectoral plan.

As far back as late 2009, VSA figures already showed that construction steel production capacity of existing factories and those about to enter operation had reached seven million tones per year, yet local consumption was only around four million tones per year. In this context, VSA has proposed moratorium on casual construction steel plants.

If unplanned local over-production wasn't already a problem, falling per cent tariff rates for imported steel from Russia will also be another factor as Vietnam and the Customs Union of Russia, Belarus and Kazakhstan are expected to sign a free trade agreement this year.

Russia ranked fifth in 2013 in raw steel production with 68.7 million tones and exported 23.6 million tones while Vietnam was at 26th position with 5.6million tones being produced.

In another development, in early September the Ministry of Industry and Trade imposed tariffs ranging from 10.71 per cent to 37.29 per cent on stainless steel products imported from mainland China, Taiwan, Indonesia and Malaysia in a move to protect the domestic market.

*Source: VIR*

[Back to top](#)

### **Vietnamese enterprises urged to expand business in Russia**

Vietnamese enterprises should expand their operations and increase their presence on the Russian market despite the challenges involved, Deputy Minister of Industry and Trade Do Thang Hai said in a seminar in Moscow on September 15.

Russia is working to intensify production, gradually reduce its dependence on Europe and boost cooperation with Asian countries, including Vietnam, its comprehensive strategic cooperation partner.

Additionally, Vietnam and the Customs Union of Russia, Belarus and Kazakhstan are entering the seventh round of negotiations on a free trade agreement, which is expected to be signed early 2015, thus facilitating Vietnamese businesses' ventures in Russia.

Some 80 Vietnamese businesses operating at home and in Russia attended the seminar, which aimed to facilitate the exchange of opinions on the opportunities, potential and advantages of investing in and exporting goods to Russia. The seminar also came up with a number of effective measures to strengthen investment and trade between the two respective countries.

At the event, representatives of the Bank for Investment and Development of Vietnam (BIDV) pledged to provide a credit package worth 3 trillion VND (141 million USD) for export to Russia and another package of 50 million USD for a light industrial zone project in the country

Source: VN+

[Back to top](#)

### **Sugar production firms struggle with high inventory**

The total inventory of sugar stored in factories throughout Vietnam amounted to 280,000 tones on September 15 this year, 58,690 tones more than last year, according to statistics released by the Ministry of Agriculture and Rural Development (MARD).

Domestic sugar producers' monthly sales reached 50,000–60,000 tones, much lower than the average of 140,000 tones sold in 2013, MARD's Department of Processing and Trade for Agriculture-Forestry-Fisheries and Salt Production reported.

Although domestic sales increased to 92,000 tones during a month from mid August, the figure still falls short of the same period last year's figures by 10,000 tones, the department said. Chairman of the Vietnam Sugar and Sugarcane Association (VSSA) Nguyen Thanh Long attributed the situation to sugar smuggling, which is posing a challenge for domestic firms.

Meanwhile, Bui Thi Quy, Director General of the Con Long My Phat Company, said the Government has allowed some domestic factories to import as much as 70,000 tones of sugar, contributing to harming the domestic enterprises.

Long explained that the decline in sales is partly a result of Vietnam's commitments to the World Trade Organization. The VSSA leader proposed the country seek suitable measures to ensure equality. Regarding the control of illegally imported sugar, Long asserted that it is necessary to address the shortcomings of the license granting procedure for sugar producers and traders by strictly verifying their capacities.

In reality, many enterprises were abusing their license and selling sugar illegally, he added.

On top of this, improving sugar producers' access to capital and bank loans was crucial for their development and future existence, he concluded

Source: VN+

[Back to top](#)

## **INVESTMENT**

### **Russian firms seek to boost tech co-operation**

*Russian companies wanted to develop further co-operation with Viet Nam in the field of new technologies, a sector with great potential for both sides.*

This would be sought in addition to co-operation in traditional fields such as science and technology and education.

The statement was made by a delegation of Russian enterprises at a press conference held here yesterday, with co-operation being sought within the framework of the "Russia-Viet Nam: New economy" project. Strozhaeva Lubov Viktorovna, the project director, said more Russian enterprises had shown interest in the Vietnamese market and expressed a readiness for the transfer of modern technologies to Viet Nam.

The project, which began in 2012, aims to boost trade and investment relations, as well as, support enterprises of the two countries in transferring, developing and applying new technologies for production activities. Dialogues between technology companies of both countries have so far been positive.

Numerous co-operation contracts in trade, technology transfer, base establishment production and joint-venture activities were signed during this sixth working visit of the Russian enterprises. A total of 10 Russian high-technology companies taking part in the conference are into chip device production and manufacture, enhancement of electronic products' durability and clean water system manufacture, as well as shipbuilding and energy-saving equipment manufacture.

During the working visit, leading Russian high-technology executives will work with the National Assembly's Committee on Science, Technology, and Environment, as well as the ministries of Science and Technology, Public Security, Construction and Transport.

Also involved are the Ha Noi People's Committee, Viet Nam-Russia Tropical Centre, Viet Nam -Russia Bank and Research Institute for Medium and Small Enterprises, as well as the research institutes of the Viet Nam Academy of Science and Technology.

Round-table discussions between executives of leading Russian companies and their Vietnamese counterparts will be held at the Viet Nam Chamber of Commerce and Industry (VCCI) offices here and in Ho Chi Minh City and Sai Gon Hi-Tech Park. The visit will last until October 25, with a series of activities here and in Ho Chi Minh City.

*Source: TalkVN*

[Back to top](#)

## **Spanish interested in PPP deals**

*Spanish businesses are seeking to cultivate investment projects in Vietnam.*

Last week saw high-level representatives of Acciona, the world's biggest waste water treatment specialist, and energy and infrastructure development group come to Vietnam to work with the Ministry of Planning and Investment (MPI) and Ho Chi Minh City authorities on the possible construction of two waste water treatment projects.

**Acciona's international director Ortega-Loizaga Jose Maria said over the past months, the group had worked with the city's authorities about the possibility of working on the World Bank-funded \$450 million Nhieu Loc-Thi Nghe and \$230 million Western Saigon waste water treatment plants in Ho Chi Minh City, under a public-private partnership (PPP) agreement.**

Singapore's UE Newater Vietnam and locally-owned DPD Investment and Construction companies have also expressed an interest in the Western Saigon project under PPP.

Maria said Acciona had sought a South Korean investor for jointly implementing the Western Saigon project. The group stood ready to foot the bill for feasibility studies for the projects, and if the municipal authorities agreed to Acciona's proposals, the projects would be implemented immediately.

"We also want to engage in many other such PPP projects in Vietnam," Maria stressed.

"If these projects are implemented successfully by Acciona, they will be Vietnam's first PPP waste water treatment projects, and Acciona will have more opportunities to do many other projects in Vietnam," MPI Minister Bui Quang Vinh said.



Vinh said Acciona was just among many Spanish investors wanting to do business in Vietnam, after an investment promotion conference held by the MPI in Spain in April. The conference saw the participation of hundreds of Spanish companies.

“Within just three months, sixteen major Spanish firms have come to Vietnam to seek investment opportunities,” he said.

Tran Van Hung, vice president and general director of BPA Group that specializes in producing trains in Europe, told VIR that BPA was assisting Acciona and other Spanish groups like Sacys, OHL, Navantia, Tango, and Mondragon in placing investments in Vietnam in infrastructure development, agricultural plant cultivation, waste water treatment and building-oriented security solutions.

BPA has successfully invested in Vietnam in car spare parts and rubber exports in recent years. BPA is currently seeking investment opportunities in the northern province of Quang Ninh to make wind turbine blades for power plants, desalination plants and waste treatment.

“Vietnam’s need for infrastructure works is huge and BPA’s investments are quite suitable to the country. Vietnam is currently the world’s third largest producer of natural high-quality rubber and this is very attractive to the global car making industry, among other sectors,” Hung said. “Vietnam is also big producer of essential oil used for making perfumes.”

Hung added that Acciona and Tango’s leaders were set to visit Vietnam in the coming period to discuss their participation in PPP infrastructure projects. Vietnam currently has 38 Spanish investment projects with the total registered investment capital of \$36 million.

Source: VIR

[Back to top](#)

### **Vietnamese, German firms join hands to power Con Dao Islands**

*Vietnam’s Duc Long Gia Lai Group (DLG) will co-operate with Germany’s Merica Group (MGC) to provide electricity for the Con Dao Islands.*

The two firms signed a memorandum of understanding for the project on October 15, witnessed by Prime Minister Nguyen Tan Dung and German Vice Chancellor and Minister for Economic Affairs and Energy Sigmar Gabriel during the former’s visit to Berlin. The project, using German technology, is hoped to support the economic development of the islands and Vietnam in general.

After a successful pilot of this model in Con Dao, Duc Long Gia Lai will expand the use to the whole of the country, a representative of the firm said. Merica is one of the 10 largest independent providers of electricity and gas in Germany with its annual revenues topping \$1.5 billion.

Source: Baomoi

[Back to top](#)

### **Vietnam suffers support industry shortcomings**

*While many global corporations are trying to look for local suppliers in Vietnam to reduce manufacturing costs, Vietnamese companies are unlikely to be able to join international supply chain.*

Since Samsung Electronics built a \$670 million manufacturing plant in Bac Ninh province in 2007, beginning to turn Vietnam into its biggest manufacturing base in the world, the globe's biggest mobile phone manufacturers expected to develop nearly 100 local vendors by 2015.

After seven years, Samsung Electronics increased its total investment from \$670 million to \$8 billion with to large-scale manufacturing complexes in Bac Ninh and Thai Nguyen, but only seven Vietnamese companies became vendors of the South Korean corporation. None of them can supply electronic components for Samsung's smartphones, tablets, camera, TVs or hooovers. Shim Won Hwan, general director of Samsung Electronics Vietnam, said Vietnamese businesses so far had only proved capable of providing packaging and printed boxes.

At a seminar and exhibition held last week by Samsung Electronics Vietnam in Hanoi to look for potential vendors, the corporation found no company capable of meeting their requirements. The result reflects the fact that global corporations like Samsung are finding it nearly impossible to source original equipment manufacturers in Vietnam.

Last year, Samsung Electronics Vietnam spent nearly \$20 billion on importing electronic equipments and spare parts from overseas vendors. "If we can't develop support industries, we can't avoid reliance on overseas supply. This is a competitive weakness and means it is harder to develop a sustainable economy," said Hwan.

About 100 local companies attended an event last week, expecting to join the global supply chain of the world's biggest mobile phone manufacturers. But most of them admitted they could not currently meet Samsung's requirements at this time.

"Samsung's requirements are a major challenge. They include many criteria, including protecting the environment, R&D activities, delivery and working conditions that most Vietnamese companies can't satisfy," said Tran Anh Vuong, director of the Bac Viet Company, which already supplies products to Samsung Electronics Vietnam through an original vendor.

He added Samsung was not unique, as other global corporations also required similar criteria. "If Vietnamese companies want to join global supply chains, they must improve their production ability and become more innovative and competitive," said Vuong.

Source: VIR

[Back to top](#)

## Filipino Investors Do Roaring Trade In Vietnam

*Cash flow from the Philippines is gradually encroaching on the Vietnamese market, but its presence is not well known.*

Analysts say that the biggest investors from the Philippines, the hottest economy in Asia, have been heading for Vietnam, where they can see great business opportunities in essential sectors, including food and beverage, infrastructure, clean water and pharmaceuticals.

Vinh Hoan Company (VHC), a Vietnamese big seafood exporter, in late May 2014, unexpectedly announced it had transferred 70 percent of the stakes VHC held in Vinh Hoan 1 Feed Company (VHF) to a Filipino company, reaping \$19.6 million. The buyer was Pilmico International, a subsidiary of Aboitiz Equity Ventures, specializing in making animal feed in the Philippines.

Analysts noted that the sale of the fourth largest feed plant in Vietnam with the capacity of 130,000 tons per annum, brought high profits to Vinh Hoan, which built the plant with VND70 billion, or \$3.4 million only. The two sides agreed that the other 30 percent of VHF that VHC is holding will be transferred to Pilmico within five years at negotiable prices.

Prior to that, a Filipino fast food chain, Jollibee, spent \$25 million to buy 50 percent of Pho 24, a well-known pho (noodles served with beef or chicken) brand, and a famous café brand, Highlands Coffee. With the deal, Jollibee became better known to Vietnamese and the brand is mentioned with McDonald's and KFC when people list the big fast food chains in Vietnam.

Most recently, a large Filipino food group, Universal Robina Corp (URC), has taken big steps in its plan to expand its business plan in Vietnam. The group announced it will turn Vietnam, with 90 million consumers, into a key market which can bring \$1 billion.

URC emerged in the domestic food and beverage (F&B) market recently when it launched C2 bottled green tea, a product considered a direct rival to Tan Hiep Phat, and Coca Cola and Pepsi Cola. Analysts noted that Filipinos have also been keen on infrastructure projects. In late 2013, Manila Water South Asia Holdings Pte Ltd, a subsidiary of the Filipino Manila Water Company Inc, bought 18.37 million SII's stakes, a Vietnamese water infrastructure company, worth VND310 billion.

The fact that Manila Water injected money into SII was not a surprise at all. Analysts noted that infrastructure is one of the business fields Filipino investors are most interested in.

Ayala Group, the holding group of Manila Water, is a big infrastructure investor in HCM City which has poured big money into many infrastructure development firms, including CII, where it holds 10 percent of shares, SII (44 percent), Kenh Dong Water Supply Company (47 percent) and 49 percent of Thu Duc Water Supply Company.

Reuters has recently reported that Metro Pacific Investments Corp, another major Filipino infrastructure investor, is considering a transport infrastructure project in Vietnam. Analysts have noted that the investments by these major companies from the Philippines in Vietnam have been profitable, and have resulted in bigger market share.

*Source: BusinessTime*

[Back to top](#)

## **Japan's JFE edge out of \$4.5 billion steel plant deal**

*Japan's JFE Steel, one of the world's biggest steel makers, has officially announced to the Vietnamese government that it will not follow through on its plan to acquire an integrated steel mill in central Vietnam, due to concerns over market oversupply.*

“Last month JFE said that it was withdrawing its offer to buy a majority stake in the \$4.5 steel mill licensed to Taiwan's E-United Steel in Dung Quat Economic Zone,” said Le Van Dung, deputy director of the Dung Quat Economic Zone Management Authority, in an interview with VIR last week.

A senior official from the Ministry of Planning and Investment (MPI) also confirmed the decision with VIR and noted that the ministry and the government had received documents to this effect.

“JFE explained the decision as having to do with the downturn of the global steel market, and particularly the number of integrated steel mills in Vietnam and southern China,” said the official, referring to the projects by Formosa Plastics Group in Ha Tinh and Posco in the south of Vietnam.

Originally, in March 2012, JFE Steel announced it would acquire a majority stake in E-United Group's multi-billion dollar steel project, licensed in 2007. The Japanese steel maker submitted a pre-feasibility study on the project to the government and requested a permanent 10 per cent corporate income tax rate.

It also asked the government to cover the cost of site clearance for an additional 338 hectares, worth about VND800 billion (\$38 million). JFE Steel also requested that an adjoining access channel be dredged to accommodate vessels up to 50,000 dead weight tonnage, which would have cost around \$100 million.

Before it would decide on the incentives, the government requested JFE reaffirm its intention to acquire and carry out the project. "I don't think the government's delay on the incentives issue was the main reason for the company's withdrawal. I think it has more to do with poor market conditions," said the MPI official.

Dung from the economic zone authority noted that right after JFE confirmed it would be withdrawing from its offer, E-United sent a document confirming its intention to continue investing in Dung Quat. To date E-United has disbursed around \$73 million for site clearance and other initial works. The provincial committee has handed over 337 hectares to the investor.

Source: VIR

[Back to top](#)

### Locals protest hydropower plants

*Quang Ngai - Upcoming construction of new hydroelectricity plants threatens residents of the central province of Quang Ngai's Son Ha district.*

The district's residents have protested Quang Ngai province's decision to construct three new hydroelectricity plants, Son Tra 1, Dakdrinh 2 and Tra Khuc 1, said Phung To Long, the chief of office of the Son Ha People's Committee.

The province has already built 18 hydroelectricity plants. Over the past four years, two floods caused by the plants resulted in heavy damage in the communes, said Dang Ngoc Dung, the district Party Committee's secretary. To build the plants, contractors need to cut down trees. With less trees and soil up in the mountains, the communes have less protection from rain water flooding down the mountains and into their lower residential areas.

The Director of Quang Ngai's Trade and Industry Department, Nguyen Xuan Thuy, said the construction plans for the three new plants were still being drafted, and the province's People's Committee needed to evaluate the plans in terms of progress, environmental-social impacts and economic efficiency before approving them.

Di Lang town resident Dinh Van Cang said the last flood, in November, was the biggest yet. The water nearly reached his roof.

When finished, the three new plants would cause flooding in all four of the district's communes, affecting the lives of 20,000 people and destroying 18,000 hectares of forest, Dung said. "We shouldn't trade the people's security for new hydro-power plants," he said.

Nguyen Thai, deputy secretary of the district Party Committee, said the plants' investors and contractors were only concerned with making a profit. The investors would have to take full responsibility for any damage caused following the construction of the power plants, including floods and droughts, Thai said.

They would build the plants in forests that have existed for hundreds of years, according to the director of the management unit for Thach Nham's Riverhead Protective Forest, Doan Ngoc Thach. It would destroy the local ecosystem and a huge number of trees, Thach said. It would also help illegal loggers enter and damage the forest.

Source: VietnamBreakingnews

[Back to top](#)



## Thai Binh offers more incentives for investments

*This northern province has committed to luring both domestic and foreign investors by providing favorable conditions for them.*

At a trade promotion conference held here last week, Deputy Prime Minister Hoang Trung Hai urged provincial authorities to focus on infrastructure development in order to make the province more attractive to investors.

Hai said Thai Binh should upgrade Highway 39B and the road linking the province to the Cau Gie-Ninh Binh Expressway, as well as push through with administrative reforms to enhance the province's competitiveness. According to the authorities, the province is rich in natural resources, with coal reserves estimated at 210 billion tones and abundant stocks of mineral water and natural gas.

Its other advantages include vast rice fields with an annual output of more than one million tones and a coastline suitable for the development of eco-tourism and resorts. In 2013, the province attracted 736 projects worth VND102 trillion (US\$4.8 billion), creating 143,000 jobs and ranking ninth in terms of investment.

The province's gross domestic product reached VND27.7 trillion (\$1.3 billion), a 7.5-per cent year-on-year increase, while its total economic output was estimated at VND37.2 trillion (\$1.75 billion), an 8.8-per cent year-on-year increase.

The province is now home to more than 700 projects with investments worth more than VND75.8 trillion (\$3.56 billion). Major projects include the Thai Binh Power Centre with a capacity of 1,800 megawatts and an ammonium nitrate factory with an annual capacity of 200,000 tones.

By the end of last year, the province had 3,801 businesses with a total registered capital of VND24 trillion (\$1.14 billion) and 401 branches and representatives offices. The conference, which the province and the Viet Nam Chamber of Commerce and Industry (VCCI) jointly organized, was a forum for investors to exchange information and explore investment opportunities in untapped areas of the province.

At the conference, provincial authorities granted investment licenses for a number of projects worth more than VND28 trillion (\$1.32 billion) in the fields of electronics, auxiliary industry and mining, as well as agriculture, infrastructure, healthcare and the environment.

*Source: VNS*

[Back to top](#)

## Ha Noi plans 13 more industrial parks

*The capital will have 13 more industrial parks (IPs) spread over 6,000 hectares by 2020, a 300 per cent increase in comparison with the current number of parks.*

The latest report for the third quarter of the year, released by global property consultant Cushman & Wakefield, showed that the number of IPs in Ha Noi will increase in the near future.

In the first nine months of the year, the city got 10 new IPs spread over an area of 1,423 hectares. Four of these were fully occupied, while the land area left unused accounted for 31.5 per cent of the total, a 0.5 per cent decrease over the previous quarter. The IPs include the Hoa Lac High-tech IP, Phu Nghia, Noi Bai (the phase II), South Thang Long, Thach That – Quoc Oai and HANSSIP I. The highest unused land rate of 78 per cent was in the Hoa Lac High-tech IP.

The land rentals in the IPs in the third quarter saw a slight decline of 2.1 per cent to touch VND2.17 million (US\$102) per square meter, excluding taxes.

The management fee was \$0.2 to \$1 per square meter per month. However, the average rental in the city's IPs is the highest compared with the other cities and provinces in the north. Twenty-one countries and territories are investing in Ha Noi's IPs, focusing on support industries, mechanics and electronics which require high-quality human resources. Japan, mainland China and Hong Kong lead the investments in the capital.

By the end of June this year, the IPs had attracted 550 projects with a total investment of \$5.3 billion. Of these, 300 were foreign direct investment projects with a total registered capital of \$4.7 billion.

Cushman & Wakefield Viet Nam forecast that the demand for available warehouses will increase greatly in the near future as several foreign companies will come to Viet Nam to take advantage of the cheap labor costs.

It added that the IP supply in Ha Noi is relatively higher than in HCM City, which is estimated to have 12 new IPs spread over 3,000 hectares, an 85 per cent increase against the current number.

Source: VNN

[Back to top](#)

## **Ba Thien 2 Industrial Park aims for full occupancy**

*The Ba Thien 2 Industrial Park in the northern province of Vinh Phuc last week celebrated the opening of Japanese Nippon Paint's \$14 million third Vietnam-based plant, bringing the number of tenants in the park up to six. Hoang Thieu Son, general director of the park developer Vina CKP, a member of the asset management group VinaCapital, talked to VIR's Hoang Anh about investment opportunities in Ba Thien 2.*

**The construction of the Ba Thien 2 Industrial Park (IP) started in 2011. Could you shed some light on the park's development progress and current occupancy rate?**

Ba Thien 2 has split construction into four phases. The first phase is finished and is currently operational, with complete infrastructure and utilities. Six projects have been registered and are being carried out with the combined investment capital of \$90 million and occupying 70 per cent of our park's available area.

We are now developing the infrastructure for the second phase and we expect to complete this phase by the end of the first quarter next year, when investors can start leasing land.

In accordance with our investment certificate, Ba Thien 2 is capitalised at \$65 million. So far we have disbursed \$25 million.

**Vinh Phuc seems to be emerging as a motorbike and automobile manufacturing hub, with big names like Toyota and Honda already on the ground. Also, the province is in close proximity to Samsung and Nokia's electronics complexes in neighbouring Bac Ninh and Thai Nguyen provinces. Does Ba Thien 2 plan to attract firms to supply these industries?**

Yes, absolutely. We are developing the infrastructure network in accordance with the guidance set out by Vinh Phuc authorities. We have also organised investment promotion activities in Japan and South Korea to attract supporting industry firms, particularly those that supply spare parts to these big companies.

**Vinh Phuc-based IPs have reportedly reached a collective occupancy rate of 50-60 per cent. In this context, are you facing any challenges in competing with other IP developers in the province?**

The quality of infrastructure and customer services is our competitive edge. Vina CPK gives assistance and advice to customers throughout the administrative, procedural, construction, employee recruitment and operations processes. Our impressive occupancy rate in the first phase is the best indicator of this.

## When do you expect Ba Thien 2 to reach full occupancy?

Generally speaking it takes other IPs around seven to ten years to reach full occupancy. For Ba Thien 2 our target is five years.

Source: VIR

[Back to top](#)

## Cai Mep-Thi Vai authority proposed

*The Ba Ria-Vung Tau Provincial People’s Committee has proposed the Vietnamese government to establish a port authority to administer the Cai Mep-Thi Vai port complex in a bid to optimize its investment efficiency.*

The proposal complies with a recent prime ministerial decision approving a transport sector restructuring plan that will serve industrialization and modernization for sustainable development through 2020 in the province.

In the plan, the Cai Mep-Thi Vai port complex is specified as a top investment priority area to be developed into a modern port venue. Under the Ba Ria-Vung Tau Provincial People’s Committee proposal, the port authority will be a state management agency directly run by the provincial people’s committee which oversees the investment and operational activities of area seaports, as well as associated logistic centers.

Other functions such as land fund management, infrastructure investment for leasing services, and supply of maritime services at port venues and logistic centres will be assumed by a specific business under the direct management of the port authority.

If the proposal is green-lighted, the port authority of Ba Ria-Vung Tau will develop in two phases. First, in a five-year plan beginning in 2015, the Cai Mep-Thi Vai port complex management unit will be created to act as a state management agency under the provincial people’s committee direction. In the second phase, which starts in 2020, the port authority will be created through organizational change from the Cai Mep-Thi Vai port complex management unit.

According to Deputy Chairman of the Ba Ria-Vung Tau Provincial People’s Committee Ho Van Nien, through field surveys conducted throughout Asia and Europe, port authorities have proven to be quite effective models in respect to business management. They have brought multiple benefits to business communities, particularly with the application of a one-stop-shop mechanism for conducting administrative procedures.

“Applying the port authority model is a smart move, matching the world development trend,” Nien said.

Earlier this year, the Vietnamese government allowed the Vietnam Maritime Administration to pilot the model at some ports. Ba Ria-Vung Tau has lodged its proposal and is awaiting the government’s final decision before proceeding at its Cai Mep-Thi Vai port complex. In fact, Cai Mep-Thi Vai has become an international transshipment port venue in the last five years. Many problems, however, persist with local port system management, including the lack of consistency among diverse state management agencies.

The put-through cargo volumes at the Cai Mep-Thi Vai port complex remain rather low, at 550,000 TEUs in 2011, increasing to 950,000 TEUs in 2012 and 2013. In the first four months of this year, the port group only received 348,000 TEUs, meaning about 15 per cent of port capacity was tapped, causing great waste.

As the cargo volume is far below port capacity, there has been fierce competition among ports in this area to attract customers. Some ports have cut fee levels - an imprudent move that has lowered port investment efficiency. Current procedures still prove cumbersome, causing inconveniences to ship consigners.

Ba Ria-Vung Tau is currently home to 52 port projects worth VND134.2 trillion (\$7.06 billion) in the total committed investment capital. In the first nine months of 2014, the disbursed sum of the province's seaport projects mounted to VND1.516 trillion (\$72 million), bringing the total realised capital of seaport projects in the province to VND42.1 trillion (\$200 million) by September 2014, according to the Ba Ria-Vung Tau Provincial Department of Transport.

Source: Baomoi

[Back to top](#)

### **Yen Bai encourages concentrated processing tech**

*The northern province of Yen Bai is giving priority to mining enterprises that apply concentrated processing technology so as to raise the mineral content of extracted ores from 20-25 per cent to 65 per cent.*

The Yen Bai Provincial Department of Natural Resources and Environment deputy director Ha Manh Cuong announced this decision and said it was a response to the licensing of many mining projects that have been largely ineffective at removing anything but iron ores.

Cuong said the technology could help make full use of local mineral resources, reduce waste, and protect the environment. Furthermore, he underscored that Yen Bai would be more supportive of mining firms that have identified buyers. Yen Bai reportedly has iron reserves totaling 91 million tones.

Minh Duc Mining JSC is one of only a handful of firms that will benefit from this policy. Minh Duc opened a VND650 billion (\$30.9 million) mine that applies concentrated processing technology in Yen Bai in February 2014. "We went to China and found technologies that could help us boost the iron content of ore to 64.8 per cent," said Hien, the firm's general director. In 2012, after two years of exploration, Minh Duc was licensed to exploit 10 million tons of iron ores from Yen Bai's Mountain 300 iron mine over 30 years.

"The firm will soon be licensed to exploit additional six million tones. We are thankful for the support we have received from the provincial authorities, as we are not the only firm looking into this golden land," Hien added. The manufacturer runs a deep iron processing line with the capacity of over 80,000 tones of concentrated ores per year.

"We are waiting for the state's permission to import two similar lines, raising the total capacity to 250,000 tones per year," she explained. As of June 2014, Minh Duc had delivered 15,000 tones of concentrated magnetite iron ores to the Vietnam-China Iron and Steel Company, located 250 kilometers away, at a selling price of VND1.8 million (\$86) per tone.

However, tax policies are still burdensome to many mining firms like Minh Duc. According to the company's general director, at a mining cost of VND1 million (\$47.6) per ton, along with VND500,000 (\$23.8) in taxes and environmental protection fees, profit margins are thin. President of the Lao Cai Young Entrepreneur Association Nguyen Huy Long said that deep processing technology not only maximized the output of natural resources, but also reduced transportation costs.

"Instead of carrying 720 tons of low-quality iron ores, mining companies only pay for around 200 tons of concentrated ores. Concentrated processing has proven to be highly efficient and the state should get behind firms that apply this technology," he said.

As a northern mountainous province, mining is one of the leading industries in Yen Bai. The area is rich in minerals including one billion cubic meters of white limestone, 91 million tones of iron ores, and 150,000 tones of kaolin clay.



So far Yen Bai has licensed 36 iron mining operations for 27 companies, of which two were issued by the Ministry of Natural Resources and Environment to Development Number One Single Member Ltd, and Minh Duc Mining JSC. The other 34 were issued by the Yen Bai Provincial People's Committee.

Source: Vietstock

[Back to top](#)

### **South Korean firms explore Bac Ninh business potential**

*Oct,17-14, A delegation of South Korean companies from Jeongju City visited and studied the investment climate and business opportunities in northern Bac Ninh Province*

Cho Young Jun, head of the Korean Chamber of Commerce and Industry in Viet Nam, led the delegation. Nguyen Luong Thanh, deputy chairman of the provincial people's committee, said Bac Ninh had become one of the leading provinces in the country that were attracting more foreign investments.

Currently, a number of the world's largest companies have investments in the province, including Samsung. Thanh attributed this to the province's open policies and incentives to create an investment environment that was advantageous to foreign investors.

Figures showed that in the first nine months of this year, the province granted new investment licenses to 111 foreign direct investment (FDI) companies with a total registered capital reaching more than US\$1.3 billion. Of these, a total of 82 companies were South Korean, with a total registered capital of more than \$1.25 billion.

Thanh pledged to continue creating advantageous conditions for foreign investors and ensure the security needed for a safe and stable environment for their businesses operations. He also expressed hopes that Bac Ninh would continue to be a destination for South Korean investments.

Companies from Jeongju expressed appreciation for Bac Ninh's investment climate, adding that this was an opportunity for South Korean investors to better understand the province's investment policies and incentives.

This would also help promote investments between the province and Jeongju in particular and Viet Nam and South Korea in general.

Currently, more than 220 South Korean companies have invested nearly \$4.5 billion in the province, and this has largely contributed to the province's industrial production and created jobs for residents.

In the first nine months of this year, South Korea was the country's leading FDI source with \$3.55 billion, or 31.8 per cent, of the country's total registered FDI.

Source: GreetingVN

[Back to top](#)

### **PM kicks off construction of Ha Long-Hai Phong highway**

*Prime Minister Nguyen Tan Dung on September 13 kicked off a high priority road project to construct a highway connecting Ha Long city in the northern Quang Ninh province and Bach Dang bridge in the northern port city of Hai Phong.*

This is a key project linking Hanoi-Hai Phong highway to Ha Long with future plans to be extended to the Mong Cai international border gate. Once fully operational, the project should help reduce traffic time from Hai Phong to Quang Ninh as well as give a boost to socio-economic development in the northern key economic zone.

This is also a key factor which should help increase investment attractiveness of Quang Ninh and other localities in the region, thus intensifying trade exchange with ASEAN nations and China.

With a total investment of over VND6,400 billion sourced principally from Quang Ninh province's budget, the 20km long-highway is designed with four lanes capable of withstanding speeds of 100km per hour.

Addressing the ceremony, Prime Minister Nguyen Tan Dung emphasized constructing socio-economic infrastructure in a synchronized manner helps to develop the country sustainably, and provides a new impetus to the movement to a modern industrialized society.

He hailed efforts by local authorities and people in mobilizing resources to speed up the implementation of the project, finalize formalities, and carry out site clearance. He also asked provincial leaders, investors, and contractors to obey State regulations on construction investment to ensure timely and safe progress of the work.

PM Dung also directed the Ministry of Transport, Ministry of Planning and Investment along with other localities to work with the Japanese side to arrange capital resources to kick off a Bach Dang bridge project soon and strive to put the bridge into operation in parallel with the Ha Long-Hai Phong high way.

Source: TalkVN

[Back to top](#)

### **Saudi Aramco joins refinery project**

*Man Ngoc Ly, head of the Nhon Hoi Economic Zone Authority, told the Daily on September 11 that PTT and Saudi Aramco would contribute 40% of the required investment each. The project investor expects a Vietnamese partner to hold the remaining interest.*

PTT and the government of Binh Dinh Province earlier announced the project's investment amounted to US\$28.7 billion. The investment was then scaled down to US\$22 billion, prompting doubt about the feasibility of the project, especially when PTT did not reveal the partner and the financial advisor, though PTT is known as a giant oil firm.

But concerns have been eased after the participation of Saudi Aramco in the big-ticket project was announced. Ly said besides capital contribution, Saudi Aramco is also in charge of supplying crude oil for the refinery. On Monday, PTT and Saudi Aramco officially presented the feasibility study for the Nhon Hoi refinery and petrochemical project to the Ministry of Industry and Trade.

According to the pre-feasibility study released last year, the project in Nhon Hoi Economic Zone would have a processing capacity of 660,000 barrels per day, equivalent to 30 million tons of crude oil per year.

However, as mentioned in the feasibility study, the capacity has been revised down to 440,000 barrels per day, or 20 million tons per year. The investor said the downward adjustment aims to make the project more feasible.

PTT does not request any credit guarantee but expects to enjoy the incentives the Government has given to similar oil refining projects in Vietnam such as Dung Quat, Nghi Son and Vung Ro. According to Ly, the project is now only awaiting final approval from the Prime Minister.

After the feasibility study was presented to the ministry, PTT, Saudi Aramco and leaders of Binh Dinh Province had a meeting with the Prime Minister, who voiced support for the project, Nhon Hoi Economic Zone said on its website.

Source: TalkVN

[Back to top](#)

## Priority road project pushed forward to secure northern transport

*A high priority road project in Quang Ninh, the nucleus of the northern pivotal economic development area, will see construction kick-off in mid-September.*

As of this time, the main obstacle hindering the implementation of the road project was tackled by the prime minister when he gave the thumbs up to use local budget funding to build a stretch of the road linking Ha Long (the capital city of Quang Ninh) to Bach Dang Bridge.

Accordingly, Quang Ninh People's Council has proposed using at least VND1 trillion (\$47.6 million) each year from the provincial budget to fund the project. Also, local government bonds worth a total VND800 billion (\$38 million) have been earmarked to supply additional capital for the project. The Ministry of Transport has committed VND1.41 trillion (\$67 million) to help build the road.

“With a projected total investment of VND5.824 trillion (\$277.3 million), we are preparing the necessary finance to ensure the project reaches its timeline,” said Deputy Minister of Planning and Investment Nguyen Van Trung.

**The stretch of road is one of two separate projects being developed by the Quang Ninh Department of Transport that will ultimately connect Ha Long City with the Hanoi-Haiphong expressway.**

It will span 20km, consist of four lanes and has a designed velocity of 100km per hour. The total investment of VND5.824 trillion (\$277.3 million) includes VND3.9 trillion (\$189.5 million) for construction, VND197 billion (\$9.3 million) for land acquisition, and VND1.16 trillion (\$55.5 million) for provisionary funds.

The other project involves building the 3.05km long Bach Dang Bridge, and associated access roads for VND7.38 trillion (\$351.8 million). This project is being carried out by Japan's SE Group under the build-operate-transfer (BOT) model, which envisages sourcing preferential loans from the Japan International Cooperation Agency (JICA).

One of the main conditions required by SE in its implementation of the project is accelerating the construction of the road linking Ha Long city to Bach Dang Bridge. At present, preparations to start the first packages of the road projects have been completed and a ground breaking ceremony is planned on September 13.

“This is a crucial transport project of the northern economic area, helping to connect the Hanoi-Haiphong-Quang Ninh development triangle and tap into the advantages of border gates, seaports and airports in the region. So it needs immediate investment,” said Minister of Transport Dinh La Thang.

The road system connecting Ha Long city to Hanoi-Haiphong expressway is expected to go into use by 2016. Haiphong city and Quang Ninh province are important parts of the northern pivotal economic area and also belong to the Vietnam-China economic co-operation corridor.

Quang Ninh is regarded as a dynamic development area that is growing at a robust pace. However, the transport network of the region is lagging far behind development demands. At present, apart from National Highway 10, which links Quang Ninh to southern locations through Haiphong city, National Highway 18, which serves as the main route connecting Quang Ninh to other locations in the northern pivotal economic area and Mong Cai international border gate have proven they can only barely meet current transport demand.

Source: VIR

[Back to top](#)

## FINANCE – BANKING

### **BIDV teams up with Japanese banks to facilitate investment**

*The Bank for Investment and Development of Viet Nam (BIDV) has signed a memorandum of understanding (MoU) with two Japanese banks, namely Minato Bank and the Bank of Yokohama (BOY).*

The MoU aims to strengthen the support extended to Japanese customers in expanding investment and businesses in Viet Nam.

Under the agreement, Minato Bank and BOY will help their customers in getting better access to information on the investment environment, legal regulations and taxes in Viet Nam. In addition, the two banks in co-operation with BIDV will provide financial and banking products and services such as payment, foreign currency purchase and commercial funds. They will also provide credit, derivatives products and services to support the mergers and acquisitions by Japanese businesses.

BIDV established BIDV Japan Desk in Ha Noi in November and opened a branch in HCM City in July to accelerate the provision of banking products and services in the Japanese language. The bank so far has co-operated with 17 financial institutions in Japan to serve Japanese customers in Viet Nam, including Sumi TRUST Bank, Bank of Yokohama and Chiba Bank, as well as Shinkin Central Bank.

Minato Bank, established in 1949, is the 63rd largest bank in Japan and 513th in the world. It has 106 local branches with total assets of US\$32.3 billion and \$77.4 million in profits.

The bank provides wholesale and retail banking services, asset management and capital and monetary markets, as well as commercial banking and mergers and acquisitions. BOY is the 13th largest bank in Japan with 614 branches. Its total assets and profits are \$133.98 billion and \$624.74 million respectively.

The bank was given a stable outlook rating by Moody's last month.

*Source: VNS*

[Back to top](#)

### **PENM Partners bullish on Vietnam and Masan**

*PENM Partners, formerly the global fund management company BankInvest, is seeking new opportunities in Vietnam's robust consumer business following its successful venture with Masan Group.*

PENM Partners deputy managing director Lars Kjaer said he was excited about consumer businesses in Vietnam where the fund management company had much success in food and beverage related investments, such as with Masan.

"Besides looking at solid business fundamentals, we believe in investing in entrepreneurs who have vision and value partnerships. In an emerging market such as Vietnam, you are investing in not only the business, but also the people with transformational ideas that you can continue investing in and supporting," he explained.

"A great example is Masan Group, where we first invested in the food business, then the group's pre-IPO, and most recently, Masan Resources. It's a very scalable approach that both manages risks and open doors to more opportunities with people you already can trust," he said, adding that PENM Partners was also in discussion to partner with Hoa Phat on new opportunities.

PENM Partners has one of Vietnam's best private equity track records in the country. Their funds, including funds formerly managed by BankInvest and now directly managed by PENM Partners, have pioneered in dozens of value-



accretive investments. Their portfolio in Vietnam includes early stage investments in blue chips such as Hoa Phat Group (HPG), PetroVietnam Drilling (PVD) and Masan Group Corporation (MSN).

“We will continue to remain a big shareholder in strong companies such as Masan Group, as we has faith in its strategy, leadership and renewed focus on consumer related opportunities. More importantly, a lot of Masan’s initiatives and investments are only starting to show results, which is why we see additional benefit from remaining a major shareholder,” said Kjaer. “This explains why, at the AGM in April this year, I took a seat in the Board of Directors for another five year term.”

Given Vietnam’s “very promising” demographic trends, where a young population and growing middle class are spending more on brands and better services, Kjaer said companies such as Masan were well-positioned to take advantage of this trend. With 3 funds in Vietnam under management and the 3rd fund almost fully invested, PENM Partners hopes to raise more funds in future to increase its investments in consumption-oriented businesses.

Previously, BankInvest had been active in investing in Vietnamese companies of high potential over the past eight years. In 2013, the former management team and investment professionals of BankInvest’s Vietnam’s business established a new fund management company called PENM Partners.

“As part of the founding of PENM Partners, the Vietnam-focused funds, previously managed by BankInvest, were also transferred under PENM Partner’s management,” said Kjaer.

Source: VIR

[Back to top](#)

### **Techcombank appointed to support Metro No.2 project**

*On October 13 the governor of the State Bank of Vietnam (SBV) issued Decision No. 2054/QD-SB on appointing Techcombank to support the Sustainable Urban Transport project, namely Metro No. 2, sponsored by the Asian Development Bank (ADB).*

In the decision the governor ordered Techcom bank’s general director to carry out provisions set forth in Decree No.38/2013/ND-CP on managing and using ODA fund and preferential loans from donors and to closely follow regulations established in guiding documents issued by the SBV and Ministry of Finance as well as ADB provisions, to best serve the project.

The metro No.2 with a length of nearly 20 kilometers will start at Thu Thiem New Urban Area and end at the An Suong Station. The total investment capital for the project is \$1.37 billion.

In particular, ADB approved to lend \$540 million, the German Reconstruction Credit Institute (KfW) with \$313 million and the European Investment Bank (EIB) with \$195 million. The \$326 million remaining would be taken from the counterpart funds of Vietnam.

Source: Chao Buoi Sang

[Back to top](#)

### **State receives \$30.8b from developing bond market**

*After five years of operating separately from Viet Nam's stock market, the country's bond market has developed rapidly and provided the State with VND654.5 trillion (US\$30.8 billion) in value.*

Vu Bang, president of the State Securities Commission confirmed this at yesterday's press conference which the Ministry of Finance and the Ha Noi Stock Exchange organized.

According to Bang, the value represents nearly 18 per cent of the country's gross domestic product.

"The average market growth was 23 per cent per year during the period, the highest among emerging markets in East Asia and the ASEAN + 3," noted Bang.

Liquidity improved, with the average trading value of each auction increasing 7.5 times through the years from VND365 billion (\$17.2 million) in 2009 to more than VND2.7 trillion (\$127.3 million) so far this year.

In addition to market value, there were encouraging changes in the structure of investors. Although most buyers were commercial banks, the market received increasing interest from insurers, fund management companies and foreign investors.

"With an upgraded legal framework and improved liquidity and transparency, Viet Nam's bond market has lured more foreign buyers," Bang said. "Instead of being just a tool for savings, Government bonds have generated profits over the years," he added.

However, the bond market was still small compared to banking markets in the overall structure of the financial market, said Pham Thanh Ha, vice president of the Viet Nam Bond Market Association. Bond types were poor while the number of outstanding bonds remained large, with 536 codes traded on the Ha Noi Stock Exchange. "Meanwhile, derivative products have not been developed to reduce risks for investors when interest rates change," Ha added.

To attract more foreign investors, he suggested that the Ministry of Finance reduce or remove taxes until the market was more developed.

At the conference, the exchange signed a memorandum of understanding with financial news site Bloomberg to jointly develop the third version of the exchange's bond trading system. In the future, the new version will allow investors to trade online and use derivatives. The exchange also plans to connect with other foreign trading systems.

Source: VNS

[Back to top](#)

## **Bad debt threat continues to loom**

*Banks are continuing to struggle with fast rising potentially unrecoverable bad debts.*

According to Tran Du Lich, member of the National Financial and Monetary Advisory Council, the banking sector's bad debts accounted for 4.17 per cent of total outstanding loans.

By the end of August, the banking sector had resolved VND210 trillion (\$10 billion) non-performing loans (NPLs) with the remaining balance still at a staggering VND161 trillion (\$7.6 billion), and rising.

Statistics from the State Bank of Vietnam (SBV)'s Ho Chi Minh City branch showed that by the end of July, bad debts made up 4.65 per cent of the city's total outstanding loans. Potentially unrecoverable debts account for 70 per cent of the total.

At state giant Vietcombank, which is regarded highly for its resolution of bad debts, total NPLs were reported at VND9.031 trillion (\$430 million), coming to 3.09 per cent of total outstanding loans. Potentially unrecoverable debts (classified as Group 5 debts) rose 70.7 per cent in the first six months of this year to VND4.765 trillion (\$227 million).

These figures were gleaned from the bank's second quarter financial statement.

At Eximbank, potentially unrecoverable debts currently account for 61.7 per cent of total debts, reaching VND1.458 trillion (\$69.4 million), up nearly 36 per cent against early this year. Meanwhile, the bank's credit contracted 3.69 per cent in the first half of this year.

Similarly, Group 5 debts at Sacombank rose by more than 31 per cent in the first half, accounting for 1.51 per cent of the bank's total outstanding loans. Also, Sacombank's provisional funds more than tripled on-year in this year's second half to VND216 billion (\$10.2 million).

Deputy director of the SBV's Ho Chi Minh City branch Nguyen Hoang Minh attributed rising bad debts to banks' restructuring of debts and provisioning in light of new regulations on debt classification under the state bank's Circular 09, dated March 2014.

Minh also said that so far this year banks based in Ho Chi Minh City settled more than VND8 trillion (\$380 million) in bad debts, mostly through provisioning and selling bad debts to state-owned Vietnam Asset Management Company (VAMC).

Accordingly, in the January-August period this year, city banks sold more than VND1 trillion (\$47.6 million) in bad debts to the Vietnam Asset Management Company and are considering selling even more.

The rising volume of potentially unrecoverable debts has dampened bank profits as they have had to commit more capital to their provisional funds. Experts therefore predict that banks may not reach even their modest profit targets this year if the situation continues.

Source: *Tri Thuc Tre/VNN*

[Back to top](#)

### **SBV forecasts credit growth of 12%-14%**

*The country's total means of payment next year will increase roughly by 16% to 18% against December, according to the State Bank of Vietnam (SBV).*

News website Vneconomy.vn quoted SBV as saying that the credit growth will be between 12% and 14%. The forecast was based on a government report on socio-economic development in 2015, which plans a GDP growth of 6 to 6.2% and inflation at 7%.

The central bank said that it will continuously apply flexible monetary and fiscal policies to meet the Government's targets of controlling inflation and stabilizing the macro-economy. The exchange rate will be also managed flexibly to boost economic growth, increase foreign reserves and ensure the value of the Vietnamese dong. SBV will also implement credit policies to continuously remove difficulties for businesses to boost domestic production.

The central bank has so far applied monetary policies in accordance with the government's inflation control target.

According to SBV, the total means of payment by August 29 increased 9.09% against December last year, while capital mobilisation rose 8.52% and the credit growth was 6.21%.

SBV Governor Nguyen Van Binh attributed the low credit growth to weak capital absorption capacity of the economy, unsolved budget debts and the process of handling collaterals along with the loan underwriting mechanism for enterprises.

Binh anticipated that the credit will increase roughly 10% by the end of the year.

Cao Sy Kiem, chairman of the management board of DongA Bank, said that the capital demand may increase in the last few months of the year when businesses get busy, preparing for Tet festival. However, he added that the 10% target is achievable only if the government's programmes to bolster the total demand are laid out clearly with every single effective step and are taken seriously, while banks and enterprises are able to work co-operatively to pump and absorb capital.

Currently, credit institutions have adjusted the interest rate of old loans. As of August 14, the outstanding loans in dong with an interest rate of more than 15% accounted for 4.45% of the total number of loans, while the outstanding loans with an interest rate of more than 13% accounted for 12.45%.

Source: VNN/VNS

[Back to top](#)

## ANALYSIS – OPINION

### Solutions to mitigate M&A pitfalls

*Recently Vietnam has become a favorite merger and acquisition (M&A) destination among foreign investors, particularly from Japan, Korea and Singapore. Popular sectors include real estate, food and beverages, retail, and to a lesser degree, manufacturing.*

However, one problem at present is that negotiations are often lengthy and closing deals can be difficult. This article reviews the major obstacles and pitfalls facing M&A transactions, based on a recent case study, and proposes solutions that could make the process easier and more efficient.

### Law on Enterprises and Law on Investment - Effects on closing conditions

Under the Law on Enterprises (LOE), an equity acquisition is considered complete at the time the investor receives their share certificates and is entered into the shareholder registry.

Under the Law on Investment (LOI), the time at which a foreign investor is eligible to manage an acquired local company (officially under the definition of foreign direct investment (FDI) is when they are issued an investment certificate (IC). Obtaining an IC is often a cumbersome process and requires the signature of a provincial leader. The process can take months and needs to be well-advised and strategically carried out to avoid delay. That is one reason why Vietnam is currently behind other countries in terms of competitiveness. It is also a reason why major M&A transactions still occur offshore – investors take over a holding company that holds the acquired company's shares. This loses tax revenue and is not effective when the target company is already an FDI enterprise.

When the company to be acquired is a Vietnamese firm, an offshore transaction does not avoid the IC required to complete the transaction. One solution would be to use a local holding company. Recently however the government issued regulations prohibiting the establishment of a local 'holding company'. However, because there is no official definition of 'holding', foreigners are not restricted from setting up such an entity and it could in fact be used to streamline the acquisition process.

### The pitfalls of due diligence

Legal due diligence (LDD) in Vietnam differs from other countries in that foreign investment is restricted in certain sectors. The starting point of an LDD process would be to check whether the buyer is excluded from some areas of the target company's business. If so, the recommendation would be to clarify or remove those areas of business or use the holding structure as advised above.



Another issue could be the nature of the target company. Family businesses, for example, may use double book transactions and may not have their books audited before the transaction. It is therefore important that a buyer only trust audited financial statements and that any other ‘profit’ shown in a separate transaction book be considered with scepticism.

There are two risks that cannot be avoided through LDD in Vietnam. The first is the ‘non-litigation’ risk. There is no central database in Vietnam where one can look up who is suing whom. Therefore, most LDD reports simply state that the ‘target is not aware of any legal action pending’, which is a weak position. The second is tax risk. Under the Law on Tax Management, there is no time limitation on tax recovery. That means in theory a target company could be subject to tax arrears indefinitely. In fact, there have been cases where an LDD takes place and a company is acquired, only to have tax authorities return for arrears years later, and the due amount including penalties is actually higher than the purchase price. If the sellers have left the country then the company is the only entity available responsible for payment. One solution to this would be to request that tax authorities clarify any outstanding issues, or to withhold part of the payment until taxes have been finalized. Having said that, it does not fully mitigate risk. This is also the reason many buyers opt for asset deals rather than equity deals. This can be more practical with a pure M&A transaction, rather than private equity where asset deals are not an option.

### **Risks during negotiation**

Contract negotiations may be short or long, depending on how skilled both sides’ lawyers are and how detailed the memorandum of understanding (MoU) or term sheet is. More often, negotiations are drawn out because the MoU or term sheet was not drafted or lacks detail. Asides from fixing a purchase price, these preliminary documents are very important to limiting the expectations of both parties and familiarizing them with concepts such as right of refusal, a drag-along or tag-along clause, a non-compete clause, or reserved matters, which are often a source of tension.

Co-operation between lawyers from both sides in good faith and towards a win-win solution is vital. There is nothing more frustrating than an embattled negotiation, where one party has a presumed feeling that he/she has been treated unfairly by the other party, or that the lawyers have done nothing to protect their clients. If lawyers are apathetic with their clients, then both parties lose and the only winner is the law firm.

During negotiations, it is standard for both sides to have lawyers. In a case where only one side has lawyers, the other side may not understand basic concepts such as rep and warranties and put options, and may start feeling paranoid about the contract as a whole. That said, many sellers hesitate to engage lawyers because of the high cost, but this only prolongs negotiations and leads to frustration. If the seller doesn’t employ a lawyer, it is important for the buyer’s lawyers to use plain English or tone down their language so that their client can achieve their objectives. Regardless, it is much better that the seller has a lawyer for negotiations, and if not, suspends negotiations until one can be employed. Another option is for the buyer’s lawyers to clearly explain any and all points of contention.

What often happens is that foreign lawyers blame local lawyers for being uncooperative or not understanding the basics of M&A. But more often I encounter foreign lawyers that underestimate local lawyers or have colonial attitudes. Such attitudes lead to bullying and might be useful in some frontier markets, but not in Vietnam, especially when the other side is prominent local lawyers who have been involved in many international transactions. Both sides have to be realistic and have a win-win attitude. This is easier said than done, but small steps such as not arguing over ‘face-saving’ issues and avoiding the use of unsubstantiated threats can help to build trust between both lawyers and the involved parties.

## Post-closing issues

Closing a deal does not mean it is time to pop open the champagne. Apart from tax risks (mentioned above) there are also situations where a put option or convertible bond applies, and these issues need to be worked out. Recently there was a pending case at the Vietnam International Arbitration Centre between a buyer who wanted to enforce the put option and the seller who denied the validity of the option. A battle commenced where one side argued a strict interpretation of the words 'shareholder agreement' and the other side who defined it as the intention of the parties before the M&A transaction occurred. The solution, in either case, is to have a well-drafted contract and that both sides have a red-line and hedge against or insure that red-line.

There are numerous obstacles to M&A transactions in Vietnam, as in all emerging countries. But with an experienced advisory team, it is easier to build trust with the counter-party.

Source: VIR

[Back to top](#)

## 'We need a new mindset'

Chairman of the Viet Nam Association of FDI Enterprises Nguyen Mai talked to Ha Noi Moi (New Ha Noi) newspaper about the past and future of foreign direct investment in Viet Nam.

## Can you identify any major achievements in attracting foreign direct investments in the past 30 years?

Figures from the Ministry of Investment and Planning showed that valid foreign direct investment registered nationwide as of July amounted to US\$242 billion. What is important about this figure is that it accounts for 25 per cent of the nation's total investment capital. It is also important because it helps establish new leading industries for the country like oil refinery, automobile manufacturing and chemicals.

## Do you think that in previous years, Viet Nam wasted many opportunities to attract FDI because of complicated administrative policies and procedures?

Maintaining the same policy for attracting FDI for too long was our biggest shortcoming. In the beginning, our policy was to attract FDI in all fields, even in projects with investment capital worth \$100,000.

About 10 years ago, we began developing better potential but were slow in changing to new policies. We still focus more on the quantity rather than the quality of FDI projects.

I think the reason for this is that the administration has not caught up with reality. It is also true that administrative procedures are still complicated and lengthy. Recently, the Prime Minister has ordered that administrative procedures in the tax sector and customs procedures be cut down to the same level as that of other ASEAN member countries by 2015.

## You have cited shortcomings in the distribution of the authority to examine and issue licenses for FDI projects. Can you elaborate on this?

Many provinces and localities have been too lax about issuing licenses to FDI projects and have failed to consider the feasibility of such projects. There have been projects worth \$4 billion to \$5 billion that were suspended just a few months after local authorities approved them. This has seriously affected the image of Viet Nam's investment environment among international investors.



We should never pass on the right to choose what projects are good for the country. We respect investors who want to do business in Viet Nam, but we should refrain from attracting them using all means, especially in the current context when we want to focus on the quality rather than the quantity of projects.

### **How should we deal with that fact?**

To be honest, it's difficult to change that policy. Local authorities want to maintain their authority to approve FDI projects in their areas, while leaders at a higher level are sometimes generous with local authorities. The result is spreading and ineffective investment.

In order to ensure the country's interest in attracting FDI, we need to carry out certain adjustments. The Ministry of Investment and Planning should have the authority to examine and approve licenses for important projects, such as those on power, transport and manufacturing that are worth \$50 million or more. On the other hand, the local people's committees and the management of industrial zones should have the authority to examine and approve licenses for projects that are worth less than \$50 million.

There should also be a special mechanism for the big cities of Ha Noi and HCM City.

### **How do you evaluate Viet Nam's investment environment?**

The value of registered FDI projects as of end-July this year is 80 per cent of that in the same period last year. Some people see this figure as a sign that our investment environment is "having a problem." I don't think so.

The fact is that disbursed investment capital by end-July this year increased by two per cent compared with that of the same period last year. It is expected that disbursed investment capital for the whole of this year will increase by five to seven per cent compared with that of last year.

Recently, I worked with Samsung and Intel on major projects in Viet Nam. A CEO from Samsung told me that there are more than 40,000 workers currently working for his company in Viet Nam, and the number of people fired in previous years are too few to mention. Intel, as well, has moved its factories from Costa Rica to Viet Nam, making our country its biggest factory site. We can see that investors have a high regard for Vietnamese workers' skills.

Samsung will also invest in its biggest research center in Ha Noi, which is expected to attract more than 2,000 workers. We should give certain consideration to the shifting of capital from traditional commerce to the high-technology sector.

### **What can Viet Nam do to take advantage of this change?**

First, we need to make the proper adjustments to our policies. We need a new mindset when considering FDI projects. We should choose only projects that are good for the country.

Second, there's an urgent need to change the bureaucracy from the centre to the local level. Each person belonging to that machine must adapt themselves to the changes. We need to change to a for-service administration.

Source: VNN/VNS

[Back to top](#)

### **Business registration unification remains a question in draft LOI**

*Veera Mäenpää, senior associate, PwC Legal, Ho Chi Minh City looks at the current draft Law on Investment and notes the easing and tightening of registration procedures for foreign-invested companies evident in the various drafts so far released for discussion.*

Enhancing Vietnam's business and investment environment is a key priority for the government. An overhaul of company licensing processes is one of the means being worked on to bring this about. Revamping the licensing process will require large-scale changes to the current company and investment law regime.

The current Law on Investment 2005 is planned to be replaced by a new investment law, the first draft of which was prepared earlier this year. This draft Law on Investment (LOI) received a lot of interest when first published in April.

During the summer months, in a session which ended mid-August, the Standing Committee of the National Assembly discussed and raised issues in relation to the draft LOI. The Standing Committee stated that its key concern related to the regulations on investment in conditional sectors. Conditional sectors are listed in the current investment regulations as 'sensitive' sectors, such as trade and distribution, pharmaceuticals, banking and education. Given the concerns of the Standing Committee, it seems that the draft LOI will still have to undergo further, perhaps substantial revision before it is ready to be passed. The expectation is still that the National Assembly is likely to pass it in November 2014 and that it will take force from July 2015. Therefore any changes still required will need to be drafted, considered and agreed in quick succession.

The first draft of the amended LOI was published in April and the second in June. The latest draft was published in August. Some key content has changed radically between the April, June and August drafts. Whilst some changes are to be expected during drafting, it seems that the concept and detailed workings of the new licensing regime are open and still being developed.

Generally, under the current company licensing regime, domestic and foreign invested companies operate under different types of licenses. Domestically invested companies operate under Business Registration Certificates and foreign invested companies under Investment Certificates. The motivation behind the revamping of the licensing processes started originally from the desire to do away with this division and the differentiation between the processes which apply to foreign and domestic investors. This desire was well reflected in the first draft of the LOI and also in the draft new law on enterprises (LOE), which is concurrently being prepared to replace the Law on Enterprises 2005, as they proposed a unified license and unified licensing process for all investors, whether domestic or foreign. This would have effectively allowed the operation of 'general commercial companies' by foreign investors in Vietnam.

The first LOI and LOE drafts proposed a unified two-step licensing process for both domestic and foreign invested companies – as a first step, all investors were proposed to obtain an Enterprise Registration Certificate (ERC) to set up a company. As a second step, all investors, whether domestic and foreign, were to be required to obtain an Investment Registration Certificate (IRC) if their investment was in a conditional sector.

The June LOI draft then partly reversed this proposal to unify the process and introduced a concept of 'investment notice' in which only foreign investors would need to file for any non-conditional sector investments. The rationale for partial reintroduction of some procedural difference between domestic and foreign invested company licensing was presumably the government's historic and continuing desire to be able to track foreign investment streams into the country.

The August draft LOI is much more opaque in terms of its objective and the aim to unify the licensing processes is no longer self-evident.

The desire to track and also to control foreign investment to Vietnam is however more prominent in the latest draft. The concept of 'investment notice' has been removed, but instead, more stringent procedures are suggested for foreign investors.

Basically, the April and June drafts were essentially the same as to who would have needed to obtain an ERC – it would have been all investors. Similarly, the April and June drafts were the same as to who would have needed to obtain an



IRC – it would have been all investors who invest in any conditional sector. The August draft instead requires foreign (but not domestic) investors to always obtain an IRC. In addition to the IRC, if this draft is passed in this form, before submitting the IRC application, foreign investors will need to obtain in-principle approval if their investment is in a conditional sector, requires land allocation or a ‘scientific technological evaluation’ or is a large manufacturing project with investment (i.e., total) capital over \$15 million.

Under the August draft, domestic investors will need an ERC. They will also need to obtain an in-principle approval if their project requires land allocation or ‘scientific technological evaluation’ or is large manufacturing project with investment (i.e., total) capital over \$15 million, but not if it is in a conditional sector. They can, but do not have to, obtain an IRC. Overall the proposed licensing regime and the picture that emerges from the latest draft LOI seems somewhat similar to the current regime, where different registration requirements apply depending on the origin of the investor.

The eighth session of the current National Assembly will commence in October. Given the concerns of the Standing Committee and the substantial changes to the new licensing process proposed in the various drafts, as, for example, outlined above, the legislators will have their work cut out for them over the next month to finalize these new laws. Investors and advisors alike are waiting with interest to see whether the changes will take the licensing process towards further unification or whether they will in fact essentially retain the status quo.

Source: VIR

[Back to top](#)

### **ANZ is ‘skeptical’ of Vietnam’s economic growth surprise**

*Australia & New Zealand Banking Group Ltd. (ANZ) said it’s skeptical of official data showing Vietnam’s growth accelerated in the third quarter and will keep its full-year forecast below a target set by the government.*

“We are skeptical of the strong growth print as most economic indicators are pointing to weaker growth data compared to their expansion over the same period last year,” Glenn Maguire, chief economist for South Asia, ASEAN and Pacific and Eugenia Fabon Victorino, economist for ASEAN and Pacific, wrote in a research note yesterday.

Vietnam’s economy expanded 6.19 percent from a year ago in the third quarter, boosting growth in the first nine months to 5.62 percent, government data showed last month. The January-September growth figure compared with a median estimate of 5.4 percent in a Bloomberg survey. The government’s full-year target is 5.8 percent for a seventh year of growth below 7 percent, the longest such stretch according to International Monetary Fund records going back to the 1980s.

Vietnam’s year-to-date average inflation of 4.61 percent shows “persistent weak local consumption,” while retail sales growth is slower, ANZ said. Vietnam’s average growth in industrial production so far this year is also weaker, it said. Inflation (VNCPIYOY) eased for a third month to 3.62 percent in September from a year ago, the slowest pace since October 2009, according to government data.

Prime Minister Nguyen Tan Dung said the 5.8 percent growth target is “achievable” this year, according to a statement on the government’s website last month. The World Bank estimates the economy will grow 5.4 percent while ANZ maintains its forecast at 5.6 percent.

The benchmark VN Index (VNINDEX) of shares fell 1.4 percent yesterday, the biggest decline since Sept. 18.

Source: Vietstock

[Back to top](#)

## NEWS IN BRIEF

### Vietnam Ranks Second In ASEAN In Attracting US Investors

US firms consider Vietnam the second most attractive destination, after Indonesia, in the ASEAN region for investment, according to a recent survey conducted by the American Chamber of Commerce in Singapore (AmCham Singapore). Foreign investors cited the dynamism of the Vietnamese young highly qualified labor force as the key advantage for conducting business along with its stable socio-political environment.

The survey shows US investors have a positive assessment of Vietnam's ability to attract and retain businesses and foreign talent and they remain optimistic about the economic prospects in the region, said President of Amcham Singapore James Andrade.

Of the 588 enterprises surveyed, 74% of them said trade and investment activities within ASEAN have increased over the past two years while nearly 90% of them expect the trend to continue and burgeon over the next five years.

The establishment of the ASEAN Economic Community (AEC) and the Trans-Pacific Partnership (TPP) agreement in the coming time, will help further increase trade ties with big partners and enhance the region's appeal as an attractive destination, said Amcham Tami Overby Vice President.

### Deputy PM Minh attends CAEXPO in China

Deputy Prime Minister Pham Binh Minh on September 16 attended the 11th China-ASEAN Exposition (CAEXPO) and China-ASEAN Business and Investment Summit (CABIS) opening ceremony in Nanning. Speaking at the ceremony, Minh emphasized CAEXPO is a highly effective cooperative model between ASEAN and China. The Regional Comprehensive Economic Partnership (RCEP) which is currently being negotiated by ASEAN, China and other partners will bring about tremendous economic benefits for the parties, he said. The RCEP will greatly facilitate circulation of goods and services through member economies and boost the formation of an integration chain of value in Asia. He took the occasion to call on ASEAN and China to work closely together to maintain peace, stability and security of navigation in the East Sea. This year's CAEXPO has attracted 2,330 businesses showcasing their products and services in over 4,600 pavilions. Vietnam, the largest ASEAN exhibitor, has around 100 businesses displaying products and services in nearly 200 pavilions; nearly 100 others are participating in meetings and seminars. China is the largest trade partner of ASEAN while ASEAN ranks third among China's trade partners. Last year, two way-trade turnover between China and the 10 ASEAN countries hit US\$443.6 billion, a year-on-year increase of 10.9% and 5.7 fold the figure for 2003.

### Quang Binh approves 28 FDI projects

This central province has approved the business licenses of 28 foreign direct investment (FDI) projects with a total capital of US\$39.7 million. Le Van Phuc, director of the provincial department of planning and investment, said that investors were interested in developing the deep-sea Le Thuy port, apartment and car cable system at the UNESCO-recognized Phong Nha-Ke Bang tourist site. He said the province granted business licenses of 24 domestic projects worth VND7 trillion (\$334 million) in the first eight months of this year and approved 13 non-refundable aid projects of non-government organizations with a total capital of \$1 million.

### Pepper exports reach US\$1bln

According to Vietnam Customs statistics, Vietnamese pepper exports hit an record high of 136,000 tones valued at US\$1.022 billion in the first nine months of the year. Specifically, in the first half of September alone, pepper businesses shipped abroad 3,556 tonnes and earned US\$34 million in value. By mid September, the total amount and value of exported pepper exceeded the corresponding figures of the whole of last year by nearly 4,000 tones, and over US\$100 million. The US, United Arab Emirates, Holland, and India are the leading consumers of Vietnamese pepper. The average

black pepper price in key growing regions is currently hovering around VND200,000 per kg, VND60,000 higher than last year. The black pepper export price registers over US\$8,000 per ton while white pepper stands at US\$10,000 per ton. Vietnam makes up for nearly 30% of the world's pepper yield total and roughly 50% of the world's export volume

### **Government approves construction of Phan Thiet Airport**

Prime Minister Nguyen Tan Dung has agreed in principal to the construction of Phan Thiet Airport in the south central province of Binh Thuan. This build-operate-transfer (BOT) project, is part of the national aviation development plan for the 2020-2030 period. With the PM's approval, between 2020 and 2030, Phan Thiet Airport will become a civil airport, meeting all standards of the International Civil Aviation Organization. The runway will be able to serve large planes such as the Airbus A321.

The current airport is designed to serve search and rescue aircraft, and after 2030 it would be converted into a commercial airport. The detailed project plan for Phan Thiet Airport has been approved by the People's Committee of Binh Thuan Province, the ministries of Transport and National Defense and other related agencies. The next step will be the selection of contractors and the mobilization of capital in the form of BOT. To date, no airport in Vietnam has been built using the BOT model, which calls for the participation of private companies. So far in Vietnam, this model has only been used on certain road and seaport projects.

### **ASEAN members boost energy cooperation**

The 32nd ASEAN Ministers on Energy Meeting (AMEM) adopted a joint statement on strengthening cooperation among state members for sustainable energy development in Vientiane, Laos, on September 23. In the 20-point statement, the ministers reiterated the need to make concerted efforts to develop and use renewable energy resources and build power integration networks to safeguard the sustainability of energy resources. Earlier, they discussed reports on the energy cooperation in ASEAN between 2013 and 2014, particularly initial outcomes in realizing the ASEAN Plan of Action on Energy Cooperation (APAEC) in the 2010-2015 period and the development of the 2016-2020 APAEC. They hailed the initiative to carry out the power integration project, which is being piloted by Laos, Thailand, Malaysia, and Singapore. Delegates also expressed their hope to increase cooperation with international partners to address such issues as increasing demand for electricity, mitigating greenhouse gas emissions, and ensuring nuclear safety in the region. This year's event is following the theme "Power Integration for ASEAN Prosperity". The next meeting will be held in Malaysia in 2015.

### **Samsung clinches thermal power plant BOT agreement**

South Korea's Samsung Group last week signed a memorandum of understanding with Vietnamese authorities to build a coal-fired power plant that would help ensure stable power supply in the country. The group will begin construction on the 1,200 megawatt Vung Ang 3 thermal power plant under build-operate-transfer (BOT) agreement after a country-wide survey to seek an investment venue. Under a memorandum of understanding (MoU), Samsung C&T would complete a feasibility study report in early 2015 and start its construction in February 2018. The plant is expected to enter commercial operations by 2020. The 1,200 megawatt Vung Ang 3 project is a part of the 4,800MW Vung Ang thermal power centre in the central province of Ha Tinh, where PetroVietnam is building the 1,200 megawatt Vung Ang 1 power plant. According to the nation's power development master plan, the Vung Ang 3 thermal power plant would comprise two 600-megawatt turbines.

### **Cargill Vietnam wins prestigious industry award for best pig feed**

Cargill Vietnam, last week was presented with the best pig feed award for 2014 from Vietnam's Ministry of Agriculture and Rural Development's Livestock Department. The award, presented at the Vietnam Livestock Industry Awards 2014, honors individuals and organizations for initiatives and their great contribution to the development of Vietnam's

livestock industry. “We are honored to be receiving this respected industry award for our work with the Vietnam swine industry. This award is a testament to the great work our people do, and our relentless focus to provide the customers with high quality animal nutrition solutions,” said Jorge Becerra, managing director, Cargill Animal Nutrition Vietnam. “This award also reinforces our commitment to continue to provide great feed products and supporting field technical services to generate positive returns for our customers,” he added.

Cargill is amongst 14 enterprises acknowledged for excellent achievements in the management and development of livestock, poultry, egg production, feed production, and sales of livestock products in Vietnam. The award winning pig feed is grounded in science and research, and tailored to the unique needs of Vietnam feed manufacturers, retailers and livestock producers.

### **Ha Nam attracts \$1b in foreign direct investment**

The latest US\$17-million paper factory of Nittoku Company Ltd of Japan lifted the total amount of foreign direct investment (FDI) in this Northern Province to \$1,056 billion. The province has focused on policies creating favorable conditions for enterprises to attract FDI, said Nguyen Van Oang, director of the provincial planning and investment department. The province is now in the list of the top 10 provinces which have attracted the largest FDI nationwide

[Back to top](#)

## **COMING EVENTS**

### **Vietwater Ho Chi Minh City**

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

*Country:* Ho Chi Minh City, Vietnam

*Start Date:* **12.11.2014**

*End date:* **14.11.2014**

#### **Event Description**

Water & wastewater industry show

The trade fair Vietwater is one of the largest events for the water and wastewater sector in Vietnam and will take place in Ho Chi Minh City. Experts visit the fair to get updated on the latest trends and developments and to build valuable business relationships. Companies in the industry, consultants, contractors, professionals and decision makers are looking at the fair for cost-effective solutions and technologies. *Please kindly refer to [www.vietwater.com](http://www.vietwater.com)*

### **Vietbrew Ho Chi Minh City**

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

*Country:* Ho Chi Minh City, Vietnam

*Start Date:* **12.11.2014**

*End date:* **14.11.2014**

#### **Event Description**

Trade fair for brewing ingredients and technology

On the VietBrew in Ho Chi Minh City trade visitors and exhibitors from around the world meet to exchange about the latest trends and technologies for the brewing industry. Exhibitors have the opportunity to meet with buyers and decision makers and to present their products on the booming market for beer and spirits in Asia. Visitors can get an overview of the international market offering. *Please kindly refer to [www.vietbrew.com](http://www.vietbrew.com)*

### **VietDrink Ho Chi Minh City**



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

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

Start Date: **12.11.2014**

End date: **14.11.2014**

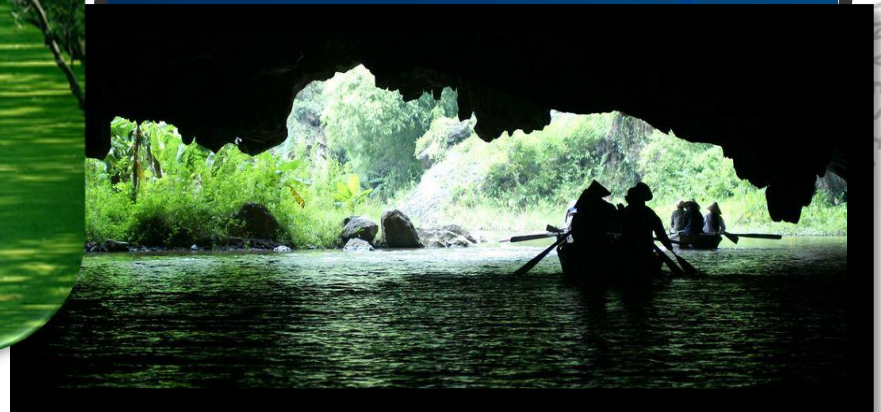
**Event Description**

Trade fair for beverage and brewery products. VietDrink in Ho Chi Minh City is one of the largest trade shows and conferences for the rapidly growing beverage and brewery industry in Vietnam. It brings together a number of trade visitors and experts, who can see the latest products and services of the leading producers from around the world. At the same time at the conference, experts will provide information on the latest technologies and solutions for the beverage industry. *Please kindly refer to [www.vietdrinkexpo.com](http://www.vietdrinkexpo.com)*

[Back to top](#)



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*Reviewed by: Huy Nguyen & Nguyen Minh*

