

VIETNAM

BUSINESS REVIEW

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ECONOMY

Vietnam set to post Q1 trade surplus of US\$1.0 billion

Stoxplus - VN could post a trade surplus of around \$1b in Q1 – 2014, led by steady growth in exports.

Exports in 3 months to March were estimated at \$33.35b, above imports of \$32.34b in the period.

In March, exports were estimated to have risen a robust 26% from Feb to \$12b that helped close the gap with imports at \$12.3b.

Rising exports in 2012 and 2013 have helped Vietnam's trade balance swing to the black.

US urged to recognize Vietnam's market economy

VOV - Vietnam expects the US will further support VN in TPP negotiations & soon recognise the country's market economy status.

PM Nguyen Tan Dung made the

FIGURE & EVENT

US\$10 mln

is Mercedes's additional investment into Vietnam in 2014. This is for an electrostatic coating factory, using its world-class technology.

US\$2.85 bln

is the total disbursement of FDI into Vietnam in Q1 – 2014, representing a YOY rise of 5.6%.

5.2%

is the estimated rise of Vietnam's IIP (index of industrial production) in Q1 – 2014, higher than 4.9% IIP growth of the same period last year.

proposal while receiving US President Barack Obama on the sidelines of 3th Nuclear Security Summit in Netherlands on Mar 24.

At another meeting in The Hague, Chinese President Xi Jinping said during Chinese Premier Li Keqiang's recent visit to Vietnam, both sides had outlined cooperation plans, and he hoped the Vietnam-China steering committee for bilateral cooperation will convene a meeting soon to boost relations.

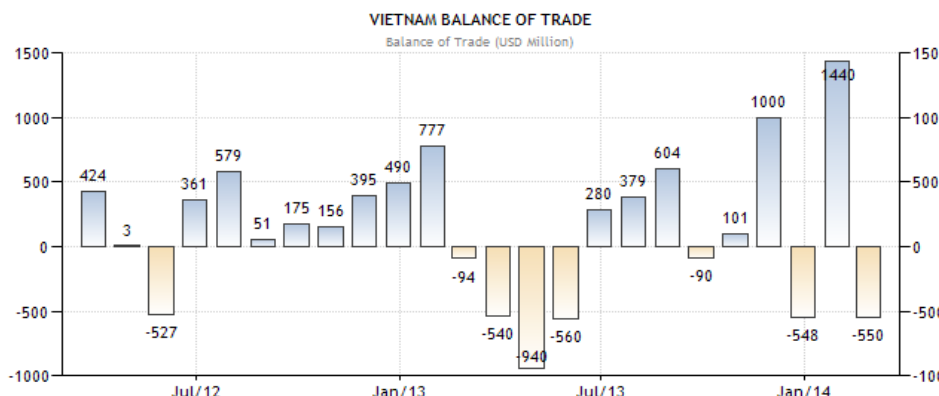
PM Dung said he had instructed the Vietnam-China sub-committee to make thorough preparations for the upcoming meeting.

The Vietnamese government leader also met with Japanese PM Shinzo Abe, Republic of Korean President Park Geun Hye, and Deputy Prime Minister of the Czech Republic Pavel Belohradek.

Japanese PM Abe spoke highly of the recent State-level visit to Japan by VN President Truong Tan Sang, and stressed both countries need to work closely together to realise the outcome of the visit.

Meanwhile, RoK President Park hoped the RoK and Vietnam will soon conclude FTA negotiations to help strengthen bilateral investment and trade ties.

Dung thanked the RoK for re-recruiting Vietnamese nationals to work in the country.



SOURCE: WWW.TRADINGECONOMICS.COM | GENERAL STATISTICS OFFICE OF VIETNAM

BANKING & FINANCE

SBV lowers interest rates on agri-loans

VIR - The State Bank of Viet Nam (SBV) has reduced maximum interest rates for 05 priority sectors, including agriculture, supporting industry, export, SMEs & hi-tech firms. The new rates, set at 8% yearly for short-term loans, is 1% lower than the previous rate and took effect on Mar 18.

Industry officials have expressed their enthusiasm for the assistance the new rate will provide.

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

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

The lending rates for supporting industries and exports in Viet Nam are still high, compared with rates in

other countries, resulting in it being difficult for some domestic enterprises to compete, according to Director of

CAFATEX Fishery JSC Nguyen Van Kich. "Therefore, we are still considering further cuts," Kich said. Lowering interest rates is SBV's attempt to encourage enterprises to take out more loans, and seeks to aid the economy, according to Nguyen Tri Hieu, a banking expert. However, several enterprises & farmers concern about the procedures to receive loans. The Government should closely supervise and monitor credit institutions to assure the process to receive loans remains uncomplicated, according to a director of a company trading in rice in Can Tho City.

The SBV has required that farmers and fishermen seeking loans must submit too many legal documents and procedures, causing farmers and fishermen to find it difficult to receive loans.



Sacombank to merge with Southern Bank

Reuters - Sacombank, Vietnam's ninth-biggest bank by assets, will merge with smaller local lender Southern Bank, following shareholders' approval, Sacombank said in a statement.

Unlisted Southern Bank, or Phuong Nam as it is known locally, is 20% owned by Singapore's United Overseas Bank .

On Tuesday, Sacombank shareholders also approved expansion of loans by 13% in 2014 to 124.6 trillion dong (\$5.9 billion). Its annual gross profit is projected to rise 6% from last year to 3 trillion dong, the statement said.

Sacombank shares ended up 0.96% on Tuesday at 21,100 dong (\$1) each.

INVESTMENT

JICA to give ¥100mln in ODA to vocational school in VN

Japanese Times - A vocational training school run by a Japanese firm in northern Vietnam will receive ¥100m in ODA, officials of a Gov't-backed aid agency said.

The school was established in 2012 by Tokyo-based builder Mukai Corp. to get people ready to work in Japan, which is dealing with a labor shortage at construction sites, said the officials from JICA.

To deal with the shortage, Japan is looking at importing a multitude of foreign construction workers to meet growing labor demand linked to reconstruction work in Tohoku and the 2020 Tokyo Olympics. The

legislative measures to be compiled by the end of the month.

The school trains about 240 people annually, enrolling 80 people each in its 4-month programs. Students learn to read and write enough Japanese to communicate at construction sites, in classes taught by experienced JP instructors.

After completing the course, each trainee can work in Japan at construction sites run by Mukai and its corporate partners for a maximum of three years.

Vietnam pushing stock market with ETFs, future derivatives

VIR - VN stock market is preparing to leverage ETF & would-be derivatives to lure more capital,

heard a workshop in HCMC Mar 25. Regulators are speeding up legal and technical preparations so that the first ETFs could start operations in the second quarter of this year, said Nguyen Son, head of market development department under the State Securities Commission.

ETFs are funds that track specific indexes and whose portfolios include a basket of stocks. To date, all operating funds in Vietnam are closed-end funds.

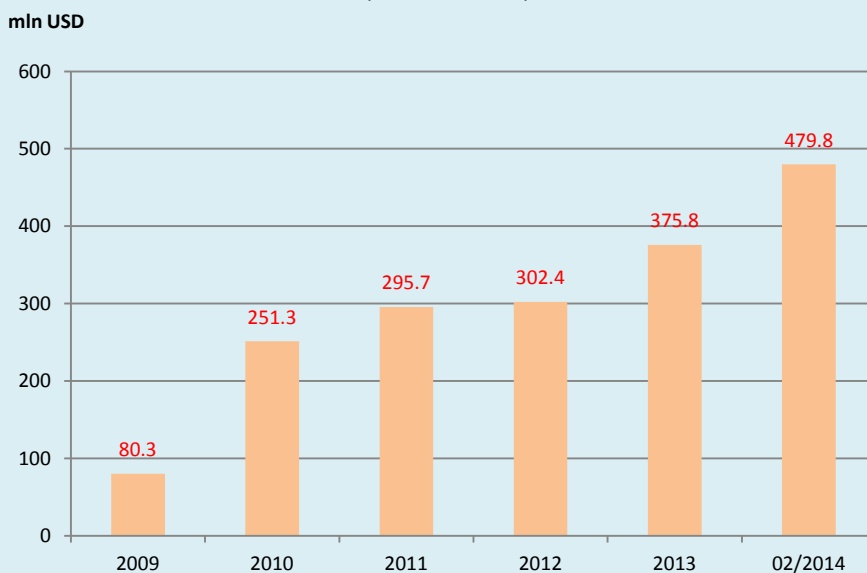
HCM Stock Exchange (HOSE) & Hanoi Exchange (HNX) are finishing rules for product design and trading mechanism of ETF fund certificates. VN Securities Depository is completing a project that allows clearing ETF products & deals with risks related to ETF transaction cancellation.

After all the steps are finished and piloted at stock exchanges, the first ETFs will be launched into transaction.

Also in order to leverage and better facilitate the market, the two bourses would become one in the coming time, before Vietnam's derivatives market was set to open in 2016, Son said. Gov't would soon make the final decision on merging the two stock exchanges.

Capitalized Value of ETF Funds in Vietnam

(Source: MBKE)



ENTERPRISE

SOEs struggle to find strategic investors

VNA - State-owned corporations and groups preparing to launch Initial Public Offerings (IPOs) as part of their equitisation process are finding it difficult to find strategic investors, industry insiders say.

Evaluation of assets, investment schedules and shareholders' interests have proved to be the main problematic areas, they add.

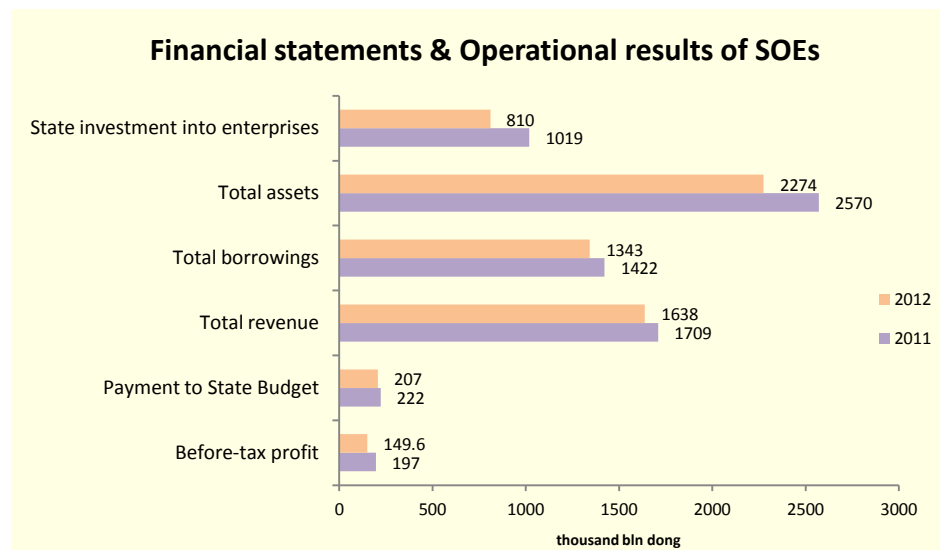
The Vietnam Motors Industry Corporation (Vinamotor) is looking for long-term strategic investors as it prepares for its IPO launch on the Hanoi Stock Exchange on March 27, but has met with no success so far.

Vinamotor attributed the difficulty to a lack of stability in local bourses as also the absence of a proper evaluation of the corporation's real value, based on its trademark, diverse business activities and member firms in different sectors.

Vinamotor is to offer 51 mln shares with an initial selling price of 10,000 VND (approx. 5 US cents) per share. The Vietnam Textile and Garment Corporation (Vinatex) is considered a business with strong potential to attract foreign investors, but none has been found yet.

Vinatex officials say the strategic investor should be able to ensure

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sustainable development of the garment industry in Vietnam.

Vinatex is awaiting the Government's approval for its IPO plan, which is expected to happen in the first quarter of this year.

Under the plan, the State will hold 51% of Vinatex's shares and offer the remaining 49% to its domestic and foreign investors. Its strategic partner can hold a maximum of 24.5% of the shares (half of 49%).

The Civil Engineering Construction Corporation 1 (Cienco 1) also expects to complete its equitisation in the first quarter of this year. The corporation obtained early approval of its IPO plan and has already chosen its strategic investor –Hassyu Company of Japan that will hold 7.7 million of Cienco 1's shares (11%).

modern management, Dung said.

Andy Ho, managing director of VinaCapital, said that to give themselves a better chance of finding foreign strategic investors, SOEs, should seek the services of qualified consultants who can help identify and overcome obstacles.

One main obstacle, Ho said, was the evaluation of an SOE's assets. Here again, the enterprises should consult with experts for fixing a reasonable selling price for their shares, as also seek advice on enterprise structure and management, he said.

Under the Government's plan, 432 SOEs are to be equitised this year and the next.

Between 2011 and 2013, Vietnam restructured 180 SOEs, bringing the grand total of equitised firms to 4,065.

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MARKET & PRICES

Public debt up, CPI down, consumers fasten belt

Vietnamnet – Economists have raised the alarm over the increasing public debt and the domestic production stagnation because of the weak demand.

Public debt per capita on the rise

The global public debt clock on The Economist showed the Vietnamese public debt was at \$80.070 billion on March 23, 2014, which was equal to 48% of the GDP, an increase of 11.2% from 2013.

The total public debts of Vietnam have increased by \$2.634 billion so far, which means that the debt borne by every Vietnamese has increased by \$27.31.

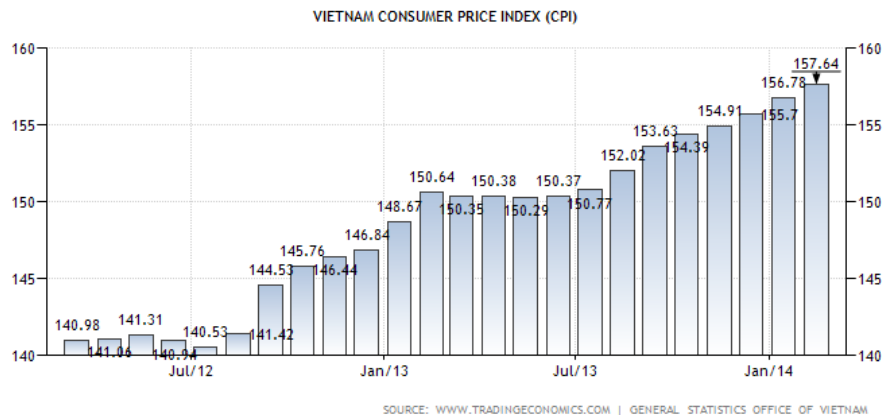
VN fasten their belt even more

The recent survey on the global consumers' confidence conducted by Nielsen showed that Vietnamese are the most economical consumers in ASEAN.

According to VnExpress, 74% of the surveyed Vietnamese said they would save money after covering the basic needs for their lives.

Indonesia ranks second in the list of the most economical countries with 72% of consumers saying the same thing. The third and fourth positions belong to the Philippines (68%) and Thailand (66%).

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90% of Vietnamese said they have changed their consumption habits to save more money. They have cut down the expenses on clothes, non-home entertainment, gas and electricity bills.

The Nielsen's report showed that the consumers' confidence index (CCI) of the Vietnamese reached 98 scores in the fourth quarter of 2013, an increase of 10 scores over the same period of the last year.

However, the index represented the sharp fall from the 119 scores in the second quarter of 2010. After reaching the highest peak, the index immediately dropped to 88 scores in the next quarter.

Analysts have found that the index has never exceeded the 100 score threshold since 2011.

The conclusions prove to coincide with the General Statistics Office's report that CPI in March 2014 decreased by 0.44% from the month before.

PM orders reduction on medicine prices

Saigon Times - PM Nguyen Tan Dung ordered agencies to tighten management for reducing medicine prices on March 21.

This order was made during a cabinet meeting about the draft of the pharmaceutical law.

Pharmaceuticals comprise of various components which the Ministry of Finance do not have knowledge of, said Deputy Prime Minister Vu Duc Dam. He believes there needs to be cooperation between agencies.

It is necessary to form a national council for price management, said Prime Minister Dung. Relevant ministries should meet to discuss this matter in the modified law how to ensure the people's right.

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LEGAL UPDATES

Decree on PPP to take effect in July

VIR - A decree on public-private partnership (PPP) will be submitted to the prime minister for approval in May and is expected to officially take effect sometime in July this year.

The news was announced by Le Van Tang, director of the Public Procurement Management Agency under the Ministry of Planning and Investment (MPI) – the decree's author – at the Consultation Workshop on the Draft Decree on PPP on Tuesday in Hanoi. According to Tang, the new decree would replace Decree 108/2009/ND-CP dated July 27, 2009 on the build-operate-transfer (BOT), build-transfer-operate (BTO) and build-transfer (BT) models and Decision 71/2010/QD-TTg dated November 9, 2010 on piloting PPP.

MPI Minister Bui Quang Vinh, head of the board who drafted the decree, said the major objective was to attract more and bigger investments, particularly from foreign investors to develop Vietnam's infrastructure network.

New guidance on VAT declaration and refund

Circular No. 219/2013/TT-BTC dated Dec 31, 2013 of the Ministry of Finance on guiding the implementation of the Law on value added tax (VAT) and Decree No.209/2013/ND-CP dated Dec 18, 2013 of the Government on detailing and guiding the implementation of a number of article of the Law on VAT.

In comparison with the current provisions, there are many changes in this Circular, esp the provision on VAT calculation methods.

Accordingly, from January 1, 2014, an enterprise with preceding year's revenue less than VND 1 billion shall determine VAT by the direct method if it does not register to voluntarily apply the credit method. For a newly established enterprise, it shall be eligible for calculating VAT by the credit method only when registering and belonging to one of the two following cases:

1. A new enterprise established from the project of an operating enterprise which is the subject of calculating VAT by the credit method
2. A newly established enterprise implementing the investment,

purchase of fixed asset, machines, equipment with the value of VND 1 billion or more, regardless of the purchase time is before or after the establishment. However, this value of VND 1 billion excludes passenger automobiles of 9 seats or less.

Besides the above two cases, a newly established enterprise must apply the direct method in the first calendar year. From the second calendar year, it may apply the credit method if the first year's revenue is at least VND 1 billion.

The time for submitting the registration notice to voluntarily apply the credit method is December 20 of each year (applicable to enterprises with the revenue less than VND 1 billion) and is the time submitting tax registration dossier (applicable to the newly established enterprises)

This Circular takes effect on January 1, 2014, replaces Circular No. 06/2012/TT-BTC dated January 1, 2012 and Circular No. 65/2013/TT-BTC dated May 17, 2013 of the Ministry of Finance.

The attachment is the List of businesses which are calculated VAT by percentage rate upon revenue

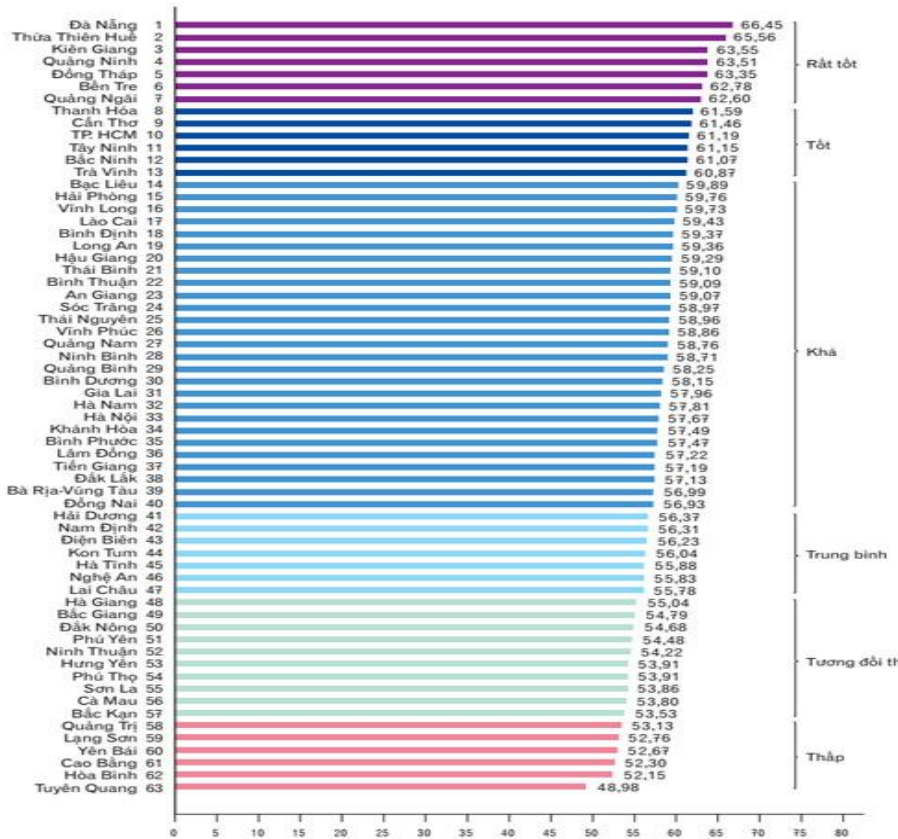
HIGHLIGHT

PCI 2013: Big changes

VCCI - 2013 was the 9th year that the provincial competitiveness index (PCI) was released. The PCI Report 2013 saw many significant changes like Danang City's returning to the top place or big shuffling in ranking order.

Lao Cai province, a Top 10 regular, slid to 17th out of 63 provinces and cities surveyed. Mr Trinh Quoc Vuong, Deputy Director of the Office of Lao Cai Provincial People's Committee said: "After we review PCI 2013 component indexes, the Office of Lao Cai Provincial People's Committee will work with departments & branches to advise the Provincial People's Committee to adjust solutions and measures to address issues that affect PCI component indexes."

Thua Thien Hue province jumped to 2nd from 30th in 2012. In 2008, it stayed at the 10th position, the second highest ranking to date. Mr Le Van Thu, Director of Thua Thien Hue Investment Promotion Centre, said: In recent years, seeing the constant decline in PCI rankings, the Provincial People's Committee has ordered departments, agencies and localities to study, build and issue programmes and activities to improve investment



environment and raise PCI. The PCI 2013 results proved and recognised the efforts of the provincial government. "Chairman of Provincial People's Committee Nguyen Van Cao is currently accompanying State President Trung Tan Sang in the working visit to Japan. After he returns, we will report to him and ask for instructions, solutions and measures to maintain high PCI," he added. In 2013, Haiphong City entered the Top 10 group for the first time from the 50th position in 2012 (It ranked 26th in 2007, ranked 48th in 2008,

36th in 2009 and 50th in 2012). Mr Pham Huu Thu, Director of the Office of the Haiphong People's Committee, said: The city is very happy to be ranked 15th out of 63 provinces and cities. This also reflects the investment environment of the city. In 2013, Haiphong strived a lot to improve the business and investment environment and support local businesses. The result of FDI attraction in 2013 was a testament to the city's efforts and PCI results will inspire the city to add more effort to public administration reform and investment facilitation.

HIGHLIGHT

Quang Ninh province made a significant progress with 16 steps up to the 4th position in 2013 from the 20th position in 2012. In the coming time, once the scheme on the construction of Van Don Special Economic Zone is ratified, the province will surely attract more FDI projects and PCI will be stably at a high level.

Dien Bien province also jumped 20 places to 43rd position from the bottom. The rankings of this province are typically very changeable year after year. For example, it ranked 63rd in 2008, 27th in 2009, 47th in 2010, 29th in 2011 and 63rd in 2012. Mr Tran Thanh Ha, Director of the Office of Dien Bien Provincial People's Committee, said, we have studied on the rapid changes year after year. Perhaps, this is a typical phenomenon of a mountainous province where most enterprises are small and lack of stability. Moreover, policy information in the province is not as fast as other localities because of terrain hardships; hence, assessments and feedbacks of enterprises are possibly changeable. Currently, Dien Bien has completed the scheme for investment business environment improvement and PCI

enhancement. He said to have steadily high PCI, Dien Bien will continue to focus human resources training solutions, reduce time costs for businesses (primarily administrative reform) and perfect the law - the weakest point of the province now.

Hanoi ranked 33rd in 2013, a frog leap of 18 places over 2012. The ranking decline in 2012 (plunging from 36th place in 2011 to 51st position in 2012) was actually a hot issue of the capital city. Politburo Member and Secretary of the City Party Committee Pham Quang Nghi also pressingly said other localities made changes, they changed but Hanoi stayed unchanged regardless of whatever we did. Hanoi had a lot of advantages in component indexes, particularly human resources training, and the 51st position on the ranking table seemed to be unacceptable. From commitment to action, the capital city of Vietnam implemented a series of measures to improve the business and investment environment and support the business community. The city's leaders hosted many direct dialogues with the business community and set 2013 the year of "administrative disciplines."

Jumping 18 places is perhaps not a big issue for localities but it is a marvel for Hanoi.

HIGHLIGHT

Toshiba – Hitachi – ITOCHU to offer ITS package for Vietnam's expressway

Hitachi - Japan's Toshiba Corporation, Hitachi Ltd. and ITOCHU Corporation just signed a contract to supply the Vietnam Expressway Corporation (VEC) with an Intelligent Transport Systems (ITS) package that includes electronic toll collection (ETC), traffic control and equipment monitoring systems. The order has an estimated value of JPY4 billion (\$39.6 million), and is the first for an integrated ITS package that Japanese companies have received from overseas.

The project will be supported by Japanese government loan

assistance, and commercial operation is planned to start in the first half of 2017.

The ITS package will be installed on the 55 kilometre Ho Chi Minh City-Dau Giay section of Vietnam's north-south expressway.

Under the contract, Toshiba will provide ITS equipment, Hitachi is responsible for construction and ITOCHU for related business affairs.

Installation of the ITS package on the Ho Chi Minh City-Dau Giay expressway will help cut traffic jams and improve logistics efficiency.

VEC, the project owner, evaluated the technical competence and installation record of companies that tendered for the order, and selected the Japanese companies on the basis of their competitive bid.

The north-south highway is currently under construction and will connect Hanoi capital with Ho Chi Minh City, crossing Danang in the heart of the country.

Once completed, it will be approximately 1,811km long.

To meet the country's rapid economic growth, the Vietnamese government drew up a master plan in 2008 for the construction of 22 expressways spanning approximately 6,000km, including the north-south highway.

Toshiba is a world-leading diversified manufacturer, solutions provider and marketer of advanced electronic and electrical products and systems.

The group was founded in 1875, and today operates a global network of more than 590 consolidated companies, with 206,000 employees worldwide and annual sales surpassing \$61 billion.

Hitachi Ltd., headquartered in Tokyo, is a leading global electronics company with approximately 326,000 employees worldwide. The company's consolidated revenues for fiscal 2012 (ended March 31, 2013) totalled \$96.1 billion.



HIGHLIGHT

Changes in Law on Construction: foreign contractors' concerns

Along with the latest amending draft of Law on Construction, the Standing Committee of the National Assembly (NA) also has made reports to explain controversial contents, including conditions for foreign contractors to do business in Vietnam.

According the Draft, the contractor who is a foreign legal entity and doing construction business in Vietnam must have a certificate of operation issued by the State agency.

After much discussion, this issue is still under controversial as this regulation has not been really suitable with Law on Bidding which just has been adopted by NA.

Making a request that NA should make no change to the above regulation, the Standing Committee of NA explained that according the regulation of Law on Bidding, only in the case of international bidding are the foreign contractors allowed to enter Vietnam. Meanwhile, as for other kinds of capital, the foreign contractors, mainly nominated

contractors, are free to enter Vietnam.

According to the Ministry of Construction, there are an average of 150 foreign contractors entering Vietnam to execute construction building, of which only 10% foreign contractors execute bidding package based on international bidding rules.

Thus, about 90% of foreign contractors who implement FDI projects and non-State Budget projects in Vietnam have not been managed by Law on Bidding.

The Standing Committee of NA also figured out that according to international common practice, a foreign contractor who wants to enter a country to implement construction projects or construction consulting projects must register to get a certificate of operation or a certificate of bidding.

This is an effective method to protect construction market, ensure jobs for domestic enterprises and limit the cash outflow.

The amending draft of Law on Construction will be reviewed and adopted in the 7th meeting of NA in May 20th.

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