

VIETNAM

# BUSINESS REVIEW

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## ECONOMY

### ANA links Hanoi to Tokyo



VNS - All Nippon Airways Company Ltd (ANA), Japan's largest airline, launched direct flights between Noi Bai Airport and Tokyo's Haneda Airport on Sunday.

Flight NH857, the first ANA flight from Haneda, which is very close to Tokyo city, brought 208 passengers to Hanoi, and the return flight, NH858, left for Haneda on March 30 with 180 passengers on board.

The daily Hanoi-Tokyo direct flight is ANA's second flight service in VN and will contribute to increasing the number of ANA flights between the two countries and enhancing bilateral cooperation. The HCMC - Tokyo flight service has been operating since 2001.

Late last week, ANA placed its largest-ever order for 70 new planes from Boeing and Airbus, worth 1.7 trillion yen, or US\$16.6 billion, at listed prices, aiming to modernise and expand its fleet

## FIGURE & EVENT

**18,358**

is the total newly-registered enterprises in Q1-2014 with the total authorized capital of VND 97,983 bln. The most developing field is personal services.

**US\$1.0 bln**

is the estimated trade surplus of VN in Q1-2014 with the export turnover of \$33.4b, up 12.4% over the same period last year.

**US\$3.33 bln**

is the estimated total of FDI flow into VN in Q1-2014 with 252 newly-registered projects and 82 projects with additional capital.

### New PPP law can improve quality of public service delivery in VN: ADB

Dantri News - Creating a level of playing field for Public-Private Partnership (PPP) is key to improve inclusiveness & quality of public service delivery in VN, meaning VN should strengthen legal framework to engage more private investment in developing public infrastructure & services, making them affordable and accessible for people, esp the poor, says an ADB expert at the launch of Asian Development Outlook (ADO) 2014 in Hanoi.

ADO 2014, forecast VN's GDP growth to rise slightly to 5.6% in 2014, picking up further to 5.8% in 2015. Inflation is expected to average 6.2% in 2014 & 6.6% in 2015 as economic activity picks up.

ADO noted progress on financial sector reforms including stepped

up efforts by State Bank of VN to supervise bank lending, merger and restructuring of some weaker banks, & eased restrictions on foreign investment in domestic banks. It also acknowledged the new loan classification & provision standards intended to close the gap with int'l norms taking effect in June 2014.

ADO also discussed the potential of PPP to be considered as an efficient approach to developing physical & social infrastructure. The favored PPP structure often departs from standard int'l practice and most projects have not been awarded through competitive bidding. However, ADO commended Gov't efforts to develop a single legal framework for private sector investment in infrastructure, which is more conducive to facilitating PPP transactions.

## BANKING & FINANCE

### BVSC issues report on bad debts in banking sector

Stoxplus - Bao Viet Securities Co (BVSC) has recently issued an update report on banking operations, which gave assessments of bad debt risks of some listed banks.

The bad debt risk of **Vietcombank**- VCB is not high. If applying the Circular No 02/2013/TTNHNN strictly, VCB's current corporate bonds are worth about more than VND2.0 trillion (VND1.1 trillion as of the end of 2012 and about 1.5 trillion dong worth of bonds issued by VN National Coal and Mineral Industries Group-Vinacomin). VCB's debts to be restructured are worth more than VND7.0 trillion.

Ending the year 2013, **Vietinbank**- CTG's bad debt ratio fell to 1% (of the bank's total loans of VND373 trillion). The bank's LLC improved against 2012, reaching 87%. However, BVSC still remains concerned about CTG's risk of bad debts as the bank currently only applies the quantitative method in loan classification.

**BIDV**'s risk of bad debts in 2014 is not too worrisome. BIDV's bad debts as of the end of 2013 were VND7.296 trillion, equal to 1.9%, lower than the ratio of 2.7% as of

the end of 2012. In 2013, BIDV used about VND6.134 trillion in its provision to deal with bad debts.

**Sacombank** - STB's non-performing loans (NPL) ratio increased from 2.05% to 2.51%, the bank's LLC ratio decreased from 73% to 60% as of Sept 30, 2013. However, as of the end of 2013, the bank's bad debt ratio declined to 1.46% and at the same time, the bank's LLC ratio was also improved to 84% when STB used its provision source for bad debt settlement.

**MBB**'s NPL ratio in 2013 also surged from 1.9% to 2.6% as of September 30, 2013 and it fell to 2.2% as of Dec 31, 2013 after using the provision source to deal with bad debts. Meanwhile, MBB's LLC declined from 95% to 90% at the end of 2013. However, this is still a relatively high ratio compared to the average rate of the whole banking system.

**ACB** announced NPL ratio at 3.03% as of the end of 2013, higher than the ratio of 2.5% of previous year. The bank's provision costs also surged sharply 54% from the previous year to 1.085 trillion dong, of which, the spending on credit risks accounted for about 44% and the remaining part was interbank overdue debts and other issues. This showed the bank is striving for the

transparency in information with relatively high provision.

**EIB**'s bad debt ratio as of the end of 2013 was 1.98%, much lower than the average ratio of the banking system at 3.8%.

### Central bank adds to forex reserves

VIR - The State Bank of VN (SBV) purchased roughly \$7.7b worth of foreign currency for the national foreign exchange reserve in Q1-2014 thanks to stable foreign exchange rates, SBV Governor Nguyen Van Binh said.

The purchase had enriched the national forex reserve, which was reported to be more than \$30b at the end of last year, and would help stabilise the forex rate.

However, Binh noted that increasing foreign exchange reserves put a large amount of pressure on the VND, because the goal was to inject money without causing inflation and foreign exchange rate fluctuations.

Binh said that in the first quarter of this year, monetary & gold markets were also stable. Lending in Mar was up 1% month on month.

## INVESTMENT

### Lotte Mart expands chain footprint to the capital



VIR - South Korea's supermarket giant Lotte Mart inaugurated the first giant new shopping centre in the northern area in Hanoi's Mipec Tower last week as part of its aggressive expansion in the run-up to Vietnam opening the doors to foreign retailers.

Lotte Mart Dong Da is its 7<sup>th</sup> in VN. The \$25m 20,000 square-metre four floor leased outlet at Mipec Tower will offer a shopping experience including a range of entertainment services and supermarket.

### Vietnam works to facilitate foreign investment

VNS - FDI enterprises have asked VN Gov't to shorten the time and simplify procedures involved in granting investment certificates.

A representative of Pizza Hut, for example said the company had spent 14 months to get an investment licence to open its first branch in Hanoi.

Licensing agencies process necessary documents one by one, instead of together.

Le Manh Ha, deputy chairman of HCMC People's Committee, said the city had faced a lot of difficulties in granting investment certificates.

Last year, the city received 2,218 applications for new business licences. He attributed the situation to the time spent in consulting ministries, and completing other auxiliary procedures.

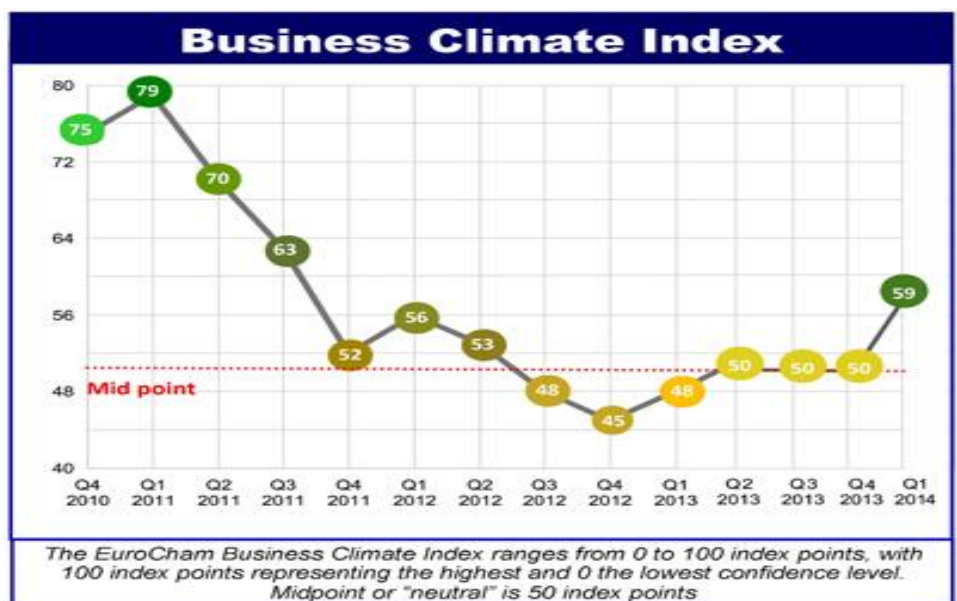
As regulated, ministries have to comment on an investment license within 15 working days, but in most cases, they reply after one or two months, he said.

To overcome the problem, he suggested that the Government

allow localities to ask opinions of ministries on investment projects, if necessary.

In addition, Ha said starting next month the city would make public the progress of handling investment procedures on the internet so that both management agencies and investors can follow.

Bui Quang Vinh, Minister of Planning and Investment, said after three dialogues held in the north, centre and south to collect opinions on amending the Investment Law, the ministry had received mixed feedback, with some foreign firms expecting the issuance of investment certificates to be scrapped but others wanting it to stay.



## ENTERPRISE



### Experts urge VN firms to build online profiles

VNS - Just 20% of VNese companies have registered international and local internet domain names, and the lack of web-based exposure could hurt other firms in the future.

According to VNNIC, only 20% of 500,000 companies in VN have their own website with registered domain names.

VNNIC deputy director Tran Minh Tan said internet domain plays an important role in business operations now as it helps companies advertise themselves in the cyberworld.

The centre informed the seminar that over 90,000 new ".vn" domains were activated last year, bringing the total number of national domain names to 263,900.

The increase has helped the country keep its number one position in Southeast Asia for national domain registration and activation.

Among these, domains with

VNese names accounted for 127,166, said the centre.

The VNNIC said it earned revenues of VND143 bln (\$6.8m) from domain activation & subscription fees in 2013, exceeding its annual target by 15%.

According to the Ministry of Information & Communications, internet service providers (ISPs) in VN earned VND15 trillion (more than \$714m) in revenues last year, with VND5 trillion (\$238m) coming from 3G network services.

Between 2009 and 2013, the number of internet users increased by 170%, and broadband availability climbed 7.5 times compared with 2005-09.

VN's internet penetration is at 35.6%, and 40% of the country's online population are aged between 15 and 24, the seminar heard.

The number of internet users is expected to reach 60 million by 2018, and total revenue from internet services and content is expected to climb to VND100 trillion (\$4.7 billion).

### More than 400 SOEs to be equitized by 2015

VGP - A total of 432 State-owned enterprises (SOEs) will be equitized during the 2014-2015 period, which means 216 enterprises will go equitization a year.

Criteria to classify 949 wholly foreign-invested enterprises operating in VN should also be adopted.

During the 2011-2013 period, 180 SOEs nationwide were rearranged with 99 equitized, which was said to be low. As the result, the target of equitizing the remaining SOEs became urgent.

SOEs have been asked to apply modern business administration standards and accelerate the application of scientific and technological advances in order to cut costs and improve productivity.

Within this month, the Government will issue a regulation allowing state-owned enterprises to sell stakes below book value to quicken the restructuring process.

## MARKET & PRICES

### Vietnam E-commerce market still has opportunities for new comers

Vietnamnet – No enterprise has obtained the dominant position in the e-commerce market in VN, meaning great opportunities are still awaiting new comers.

A report of PwC showed that the most popular business models now in VN re e-marketplace & e-retailers. According to PwC, the total value of the Vietnamese e-commerce market reached \$300m in 2011. Esp, the expected growth rates are very high, at 75% per annum in 2011-2015 which would allow the turnover to reach \$2.8b by 2015.

The number of Internet users is expected to rise from 30 mln in 2011 to 37 mln by 2016, according to BMI. Meanwhile, the rapid development of hi-speed Internet services would help Internet users more easily access online shopping services.

The report of VN E-commerce Association (VECOM) showed the strong development of the ways of online transaction B2B and B2C. It also pointed out the higher efficiency in businesses' email using. 83% of businesses got orders via emails, higher than the 70% in 2012. Search engines and e-newspapers continued to be the tool used by

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### B2C Ecommerce Sales Worldwide, by Region, 2011-2016 billions

	2011	2012	2013	2014	2015	2016
North America	\$327.77	\$373.03	\$419.53	\$469.49	\$523.09	\$580.24
Asia-Pacific	\$237.86	\$315.91	\$388.75	\$501.68	\$606.54	\$707.60
Western Europe	\$218.27	\$255.59	\$291.47	\$326.13	\$358.31	\$387.94
Central & Eastern Europe	\$30.89	\$40.17	\$48.56	\$57.96	\$64.35	\$68.88
Latin America	\$28.33	\$37.66	\$45.98	\$55.95	\$63.03	\$69.60
Middle East & Africa	\$14.41	\$20.61	\$27.00	\$33.75	\$39.56	\$45.49

**Worldwide \$856.97 \$1,042.98 \$1,221.29 \$1,444.97 \$1,654.88 \$1,859.75**

Note: includes travel, digital downloads and event tickets purchased via any digital channel (including online, mobile and tablet); excludes gambling; numbers may not add up to total due to rounding  
Source: eMarketer, June 2013

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most enterprises (43% and 40%, respectively).

Social networks have also been favored to advertise manufacturers' and distributors' websites, while the number of businesses using the tool (37%) is nearly equal to the %age of businesses advertising on e-newspapers.

However, VECOM has noted that 15% of businesses still did not use any method to advertise their websites. 12% of enterprises join e-trading floors in 2013, of which 33% said this brought high efficiency.

### VND8.3 trillion loans for enterprises to stabilize prices

Saigon Times - Eight banks have signed up for HCMC's market stabilization program this year, offering combined loans worth VND8.3 trillion (\$393.5m) for

enterprises to help stabilize the prices of dairy products, schooling items, essential foods, core pharmaceuticals & others in this city. This year's program will start tomorrow and be financed with the loans that are more than four times higher than last year's program.

This year, the program has attracted 64 entities. With their own capital & the loans from the banks, participating enterprises will have to prepare the goods volumes that are 20-30% higher than those of last year and account for 20-60% of the city's demand.

The program will last until March 31, 2015. The program was initiated by the HCMC People's Committee in 2002. Up to now, 50 cities and provinces across the country have carried out a similar market stabilization program.

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## LEGAL UPDATES

### Legal protection for trade secrets

A trade secret is highly confidential and sensitive information entrusted only to a select group of individuals within a company. A company may suffer significant economic injury if its trade secrets are disclosed or misappropriated.

#### **What constitutes a 'trade secret' in Vietnam?**

A trade secret is any valuable commercial information not generally known or readily attainable by the public that provides the trade secret's owner with a competitive edge. Such information is protected by the owner by necessary means to prevent its form being disclosed and easily obtained, and to prevent infringement of the owner's legitimate rights.

#### **Misappropriation**

Misappropriation involves:

Access or collection of information deemed 'trade secret' by circumventing anti-theft measures implemented by the lawful owner;  
Disclosure or use of information deemed 'trade secret' without the permission of its lawful owner;  
Breach of a confidentiality contract, cheating or abuse of trust by a

person with an obligation to maintain confidentiality with the intent to access, collect & disclose information deemed trade secret;  
Access or collection of information deemed 'trade secret' from another individual when such individual is conducting biz-related procedures as stipulated by law or procedures to distribute products;  
Infringement of trade secrets happens when anti-theft measures taken by State bodies are circumvented, or when such information is used for business purposes or for the purpose of applying for a business-related permit or a permit to distribute products.

#### **Penalties for misappropriation**

Any instances of conduct outlined above are punishable by fines from VND5-10mln (\$238.1-476.2).

Any person or persons having engaged in the acts described below will face fines ranging from VND10 – 20 mln (\$476.2-952.4):

- Use of a trade secret in order to produce and distribute goods or to provide services in two or more provinces or cities under central authority;
- Disclosure or provision of a trade secret to a competitor of the lawful owner of such secret.

In addition to the above-mentioned fines, the authorities may confiscate any material evidence or facilities used to commit the theft or misappropriation, and may order the disgorgement of all profits earned from the illegal act.

To prevent trade secret misappropriation, trade secret owners may take the following protective measures in VN:

- Enter into confidentiality or non-disclosure agreements (NDAs) with employees and third-parties;
- Restrict knowledge of any key information to a few trusted individuals;
- Require employees to wear identification badges or carry identification cards;
- Restrict the ability of employees to use tools such as storage devices, cameras, etc., when approaching confidential information.
- Carefully examine interviewees to prevent spying by competitors;
- Divide the company into separate departments;
- Keep all sensitive documents in a safe and undisclosed location;
- Install visitor control systems.

## HIGHLIGHT

**ADB forecasts slight growths in Vietnam's GDP**

The Asian Development Bank today forecast that VN's GDP growth would rise slightly to reach 5.6% in 2014 and 5.8% in 2015.

The bank said that this follows the progress made in addressing the weaknesses of the domestic banking sector, accompanied by the economic recovery in the US and the Euro zone.

In its Asian Development Outlook 2014 report released in Hanoi, the bank officials called upon the Government to create a level-playing field for public-private partnerships in order to engage more private investment in developing public infrastructure and services.

Dominic Mellor, country economist for ADB Vietnam, said the new Public Private Partnership decree needs to put greater emphasis on competition, which means projects must be awarded through competitive bidding and should follow standard international practices.

The outlook also forecasts that the growth patterns in Southeast Asia would be dominated by country factors and would be around 5% in 2014, as the gains made from

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better export markets are offset by moderate domestic demand.

**Talks to focus on tackling ODA fraud**

The first meeting of the Viet Nam-Japan Joint Committee, which will discuss measures to prevent fraud during the implementation of ODA projects alongside reforms for relevant policies, will be held on April 4 in Hanoi.

The committee will be chaired by a deputy minister of transport and the Charge d'Affaires ad Interim at the Japanese Embassy in Hanoi.

A working group from the Ministry led by Deputy Minister Nguyen Ngoc Dong visited Tokyo from March 25-28 to work with Japanese authorities investigating alleged bribery in a major Hanoi railway project, according to a press release by the Ministry of Transport.

The team worked with Japan's Ministry of Foreign Affairs as well as officials from JICA to look into the

allegations, first published by media in Japan.

Dong briefed the Japanese officials on the response of the Vietnamese side after receiving the information and asked Japanese authorities to investigate the charges and share news related to their conclusions.

Highlighting the Vietnamese side's prompt, positive and drastic response, the Japanese side said the case had been transferred to the judicial forces of Japan and requested close co-operation from Vietnamese ministries and sectors when it came to releasing information to the media.

They also asked the Vietnamese side to help put forth measures to prevent corruption, bribery and unfair competition during the implementation of ODA projects.

Dong proposed that JICA consider ways to renovate its lending mechanism to strengthen competition. He said his ministry had advised the Government to assign public security forces to work with Japan during the investigation.

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## HIGHLIGHT

### Coffee Farmers in VN curbing sales from record harvest

Bloomberg - Coffee farmers in VN, the biggest producer of robusta beans used by Nestle SA in instant drinks, are limiting sales from a record harvest before the Tet Lunar New Year festival as they expect higher prices.

Growers will sell 33% of their beans before the holiday starts on Jan. 28 compared with an average 43% in the past five years, according to the median of 12 trader and analyst estimates compiled by Bloomberg. Farmers have sold 25% of this year's 1.7 million-metric ton crop as of now from 33% a year ago, the survey showed. Growers usually accelerate sales to raise cash before the Tet holiday.

Robusta futures traded in London entered a bull market last month, rebounding from a three-year low, on the slow pace of sales from VN and a decline in stockpiles tracked by NYSE Liffe to the lowest since at least 2002. By contrast, inventories on VN's farms have probably climbed to a record, says Anh Minh Co., VN's top private shipper.

Workers sort through green robusta coffee beans for defects that cannot be removed... Read More

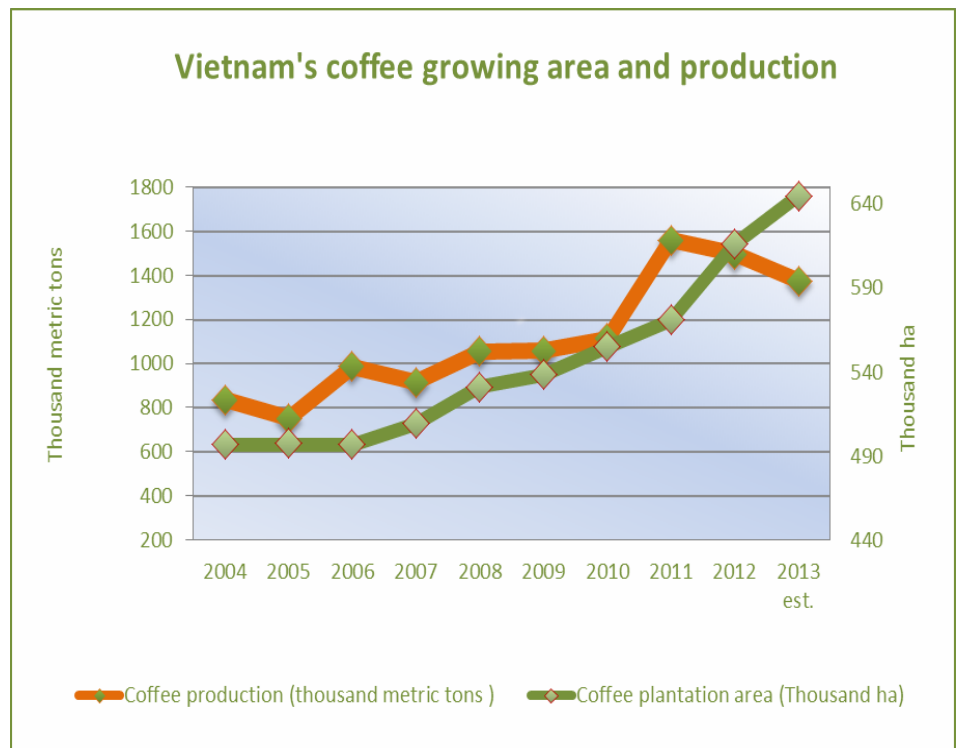
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Beans in Dak Lak province, which supplies about 30% of the country's crop, traded at 34,800 dong a kilogram today, data from the Trade & Tourism Center show. While prices increased 18% from a three-year low in November, they've slumped 24% from the 45,500 dong peak reached in March, which was the highest level in almost 18 months.

"I'll wait until after the holiday for prices to get better."

Rising stockpiles at farms in VN will probably limit a price rally after Tet, said Phan Hung Anh, deputy director of Dak Lak-based Anh Minh, the largest private coffee-exporting company by shipping volume.

"The amount unsold among farmers in VN of about 1.2 million tons to 1.3 million tons now is probably a



(Source: GSO, MARD)

### Unsold Coffee

"Prices are not good and are worse than the time before Tet last year, so I haven't sold much," said Huynh Van Phuoc, a 46-year-old farmer, who has four hectares in Dak Lak.

record level for this time of year," said Anh. "After Tet, farmers will sell more if prices go up and of course that flow of supply will put downward pressure on prices."

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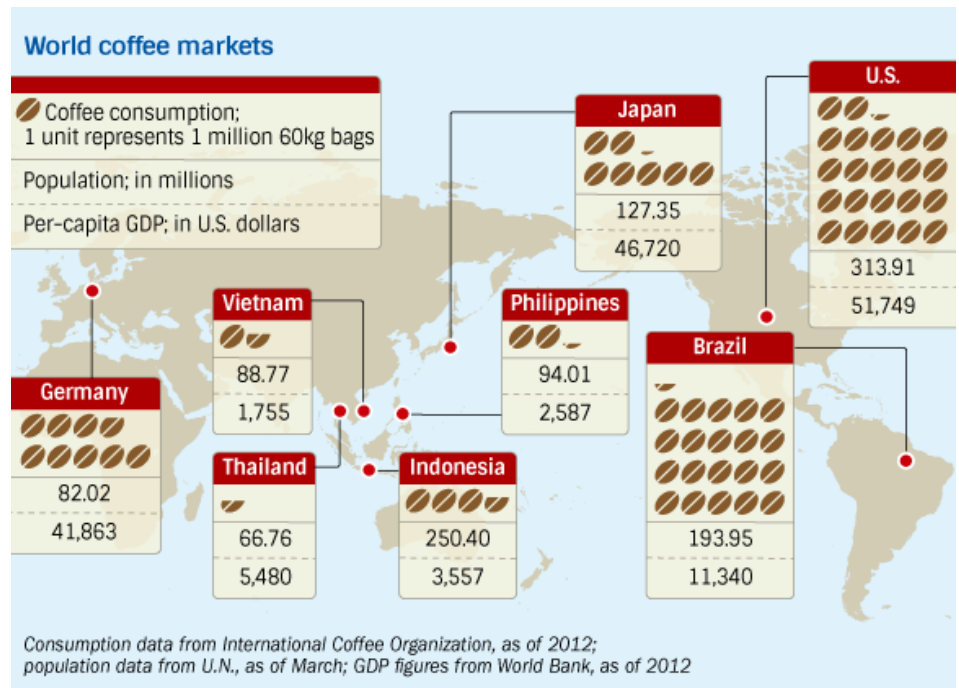
## HIGHLIGHT

**Record Harvest**

Inventories in VN will reach 3.82 million bags (229,200 tons) at the end of the year that started Oct. 1 from 1.97 million bags in 2012-2013, the U.S. Department of Agriculture's Foreign Agricultural Service said in a report on Dec. 13. The country will ship 24.5 million bags from a record crop of 28.5 million bags, it said. A bag of coffee weighs 132 pounds or 60 kilograms. Robusta advanced 24% to close at \$1,799 a ton on Dec. 13 from a 29-month low of \$1,447 on Nov. 14, meeting the common definition of a bull market which is an increase of 20% or more. Futures gained 2.1% to \$1,718 this year, after a 13% drop in 2013.

VN exported 1.29 million tons last year, 26% less than in 2012, the General Statistics Office estimates. Stockpiles monitored by NYSE Liffe were 28,200 tons on Jan. 6, according to exchange data.

"VNese movement, while picking up, is still slower than what is typically seen," said Sterling Smith, a futures specialist at Citigroup Inc. "We do expect demand to



improve as nervousness mounts over the Brazilian crop."

**World Shortage**

Global arabica and robusta supplies will probably trail usage by about 5 million bags in 2014-2015, Volcafe Ltd., the Winterthur, Switzerland-based coffee-trading unit of ED&F Man Holdings Ltd., said in a report e-mailed on Jan. 6.

Brazil's arabica production will be 35 million bags and robusta 16 million bags, Volcafe said. That compares with 40.7 million bags and 16.5 million bags a year earlier,

data from the trader released in November showed. The country is the world's biggest grower of arabica beans, favored by Starbucks Corp., and ranks as the second-biggest supplier of robusta. Arabica futures jumped 17% to \$1.19 a pound in New York from a seven-year low in November. That boosted the premium arabica commands over robusta to 40.76 cents a pound from a five-year low of 27.95 cents in Dec.

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