

VIETNAM

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Vietnamese coast guards on Paracel Islands



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ECONOMY

Vietnam to be among 20 biggest economies

Vietnamnet - Viet Nam and several other emerging nations will be among the 20 largest economies by 2050, a senior foreign business executive has said.

Raj Subramanian, executive vice president, marketing and communications, of logistics firm FedEx Services, said MINT (Mexico, Indonesia, Nigeria, Turkey) and CIVETS (Colombia, Indonesia, Viet Nam, Egypt, Turkey and South Africa) are "rich with possibilities, and these young, vibrant new players are just starting to flex their muscles,"

The US-based Subramanian, who spoke at an online seminar titled New Markets, New Opportunities held by Fedex on Monday, told Viet Nam News that "Viet Nam typifies the strength that nearly all MINT and CIVETS countries share: proximity to a huge market full of potential buyers, abundant natural resources and commodities to sell, as well as a young and increasingly well-educated population that is eager to work, and has money to spend.

FIGURE & EVENT

41,371

is the number of automobiles sold in the first 4 months of 2014, up 36% over the same period last year. Particularly, the number of cars and trucks sold increase 48% and 24%, respectively.

VND10.0 bln

is the minimum legal capital that an enterprise must have for multi-level marketing (MLM) businesses. Besides, a deposit equal to 5% of charter capital (but not less than VND5bln) is required at a Vietnamese commercial bank located at the place of its head office.

US\$2.0 bln

is the total trade surplus of Vietnam in the first 4 months of 2014 with export – import turnover of US\$90.97 bln, up 15.6% over the same period last year.

"These market are also better connected – both physically and virtually – to the world market."

He pointed out how the number of internet users in Viet Nam grew from just 200,000 in 2000 to over 31 million in 2012.

"This kind of change is opening up an abundance of opportunity, providing access to information and a vehicle for commerce. It is allowing businesses of all sizes – from established multinationals to budding entrepreneurs – to enter and participate in the world marketplace."

He said however that in many instances these new markets, including Viet Nam, still lack

infrastructure to safely and efficiently move products in and out, communicate effectively on the ground, or simply power equipment.

"There are often laws and cultural nuances that can be difficult for a new entrant to navigate. Goods can often be held up for substantial periods of time, or damaged in transit. Yet, there is resounding confidence in the future of these economies, and the role they will play in the global marketplace.

BANKING & FINANCE

SBV vows vigilance as forex, gold prices tumble

VNS - The price of gold at commercial banks declined sharply yesterday after the State Bank of VN (SBV) announced a commitment to stabilizing the gold and forex market.

After the market was affected by the current East Sea dispute between VN and China, the Central Bank confirmed that the gold and forex market would continue operating normally.

Central bank leaders stressed that they continued to monitor the situation of the gold and forex market closely and were willing to take any measures needed to stabilise the market.

Yesterday, the forex rate continued to decrease by VND30-40 per dollar. Currently, the rate is between VND21,150 and VND21,160 per dollar for selling while buying price hovers at VND21,070 to VND21,110 per dollar.

Vietcombank's morning rate sank between VND20 and VND30 to stand at VND21,100 per dollar for buying and VND21,150 for selling.

The dollar price at the Bank of Investment & Development of VN (BIDV) was listed VND 30-40 per

dollar lower, finishing at VND21.100 and VND21.150 respectively.

VietinBank also significantly reduced its buying price. Its greenback note was listed at VND21,100 for buying and VND21,155 for selling.

Similarly, Agribank's price was VND21,095 per dollar for buying and VND21,150 for selling.

Other commercial banks such as Techcombank, ACB and Dong A Bank also reduced their buying and selling prices. However, Eximbank and Sacombank did not. Their rates for buying and selling stayed at VND21.080/VND21.160 & VND21.080/VND21,170 respectively.

The average inter-bank exchange rate was maintained at VND21,036 per dollar and the Central Bank's interest rate also hovered at VND21,100 and VND21,246.

The nation posted a 19.5 ton increase in gold demand in Q1 this year, including 4.5 tons of jewelry and 15 tons of gold bullions with a value of \$810m, a 5% rise compared to the same period last year, according to the latest report of the World Gold Council.

Last year, the nation ranked seventh worldwide in terms of gold consumption, importing 92.2 tons of gold worth \$4.16b.

Banks slash salaries & cut jobs

Eximbank has slashed nearly 500 workers & cut salary for employees by 31.65% in Q1 this year. Eximbank average monthly income was VND10.8 mln (\$511) each in Q1, down 27.7% against Q4 last year.

In Q1, the bank spent VND204 bln (\$9.6m) for employees, decreasing VND94 bln (\$4.45m) from Q4.

Eximbank is definitely not alone in the move towards reducing employees in the banking system, which has gone through sluggish credit growth, high bad-debt ratios and painful restructuring process.

Dong A Bank laid off 168 jobs, bringing the total number of employees to 5,133, and trimmed monthly average income by 22.3% to VND7.45 mln (\$355) each.

SHB has also laid off 100 jobs but raised salaries by 24% from VND12.3 mln (\$586) each to VND15.2 mln (\$724) to retain good employees.

While Vietinbank employed an additional 410 workers, it slightly cut salaries to VND19 mln (\$905). Sacombank hired 102 people and raised income from VND13.56 mln (\$646) to VND13.7 mln (\$652).

Industry experts reported that these steps were necessary because talent source played a core role in doing business.

INVESTMENT

Nam Van Phong refinery still in infancy, 06 years on



VIR - Six years since being licensed, the Nam Van Phong oil refinery is still calling for investment capital as its scale has nearly doubled requiring a total \$8 billion investment.

Located in the Nam Van Phong Economic Zone in Khanh Hoa province, the refinery is on the list of 127 large-scale projects calling for foreign investment through 2020.

The local investor in the project is Vietnam National Petroleum Group (Petrolimex), which is calling on foreign investors to join under the joint venture model.

When the project was approved by the government in 2008 it had an expected investment of \$4.4 to \$4.8 billion with a capacity of 10 million tonnes per year. It was planned to start construction in 2011 and go operational by 2013.

After it received the license, Petrolimex was instructed by the government to conduct an

investment plan and feasibility study for the project.

The government also suggested the investor carefully conduct the environmental impact assessment, implement appropriate technologies, design a careful capital structure, and find appropriate partners who could supply crude oil over the long-term.

Near the end of 2011, it was reported that Korea's Daelim Industrial Corporation had negotiated with Petrolimex to invest in the Nam Van Phong project. The two sides also signed a memorandum of understanding on the investment. However, since then no further information has been released about co-operation between Petrolimex and Daelim.

To this day, the refinery is still calling on investors with total needed capital doubling since 2008 to \$8b.

The slew of refineries and petrochemical complexes in the pipeline has roused concerns from the public of excessiveness.

However, at the end of last year Prime Minister Nguyen Tan Dung confirmed that the government would strictly manage the efficiency of these projects.

The only refinery currently operational in the country is the

Dung Quat, while the Nghi Son started construction just last year.

The remaining projects are still in the preparation phase. Can Tho oil refinery is behind schedule and local authorities have proposed revoking its investment license.

Already in Vietnam there is another refinery, the \$28 billion Nhon Hoi, to be financed by PTT of Thailand and located in Binh Dinh province.

Meanwhile, also in the Nam Van Phong area, last year the Khanh Hoa People's Committee decided to put a stop to a \$1.3 billion oil service centre invested in by Sao Mai-Ben Dinh Joint Stock Company (under PetroVietnam) as the firm failed to source the needed capital.

Waste not, want not incentives offered

VIR - Vietnam has introduced an incentive policy for the first time which will encourage private investors to build waste-generated power projects in Vietnam.

A range of new incentives will encourage waste-generated power projects

"The mechanism, effective from June 20 this year, will be one of the most important pillars to support renewable power projects

INVESTMENT

generated from solid waste. It will help attract investors in this type of renewable energy," said Nguyen Duc Cuong, head of the Ministry of Industry and Trade's (MoIT) Institute of Energy.



The incentive feed-in-tariff for renewable power generated from solid waste-power plant will be 10.05 US cents per kilowatt hour. This is higher than the tariff of 7.8 US cents fixed for wind power plants.

MoIT's Deputy Minister Le Duong Quang said that the waste-to-power model contributed to Vietnam's environmental protection policy as well as its energy programme.

Le Anh Hung, chairman of Ecotech Vietnam, a technological and environmental solution provider, stated that investors in this sector were waiting for this mechanism to come online. He added that Ecotech Vietnam had a strong desire to contribute to the development of the waste-to-power sector as well as develop

environmental protection and pollution treatment facilities here.

He said his company was currently consulting on the establishment of waste-to-power projects in Hanoi, Ho Chi Minh City and Ba Ria-Vung Tau with the estimated investment capital of \$150 million for each project.

Although Vietnam is said to have huge potential for renewable energy, private investors have not yet invested much in this sector due to a lack of incentive mechanisms. Currently, the Vietnamese government is supporting small hydro-power projects, wind power projects and biomass power projects dating from 2008, 2011 and 2014 respectively.

In past years, several private investors proposed building renewable energy projects generated from solid waste, but most of them were not actually built due to a lack of support mechanisms. Australian-based Trisun International Development proposed a \$400 million waste-to-power project, as did Vietnam Waste Solutions Company, however neither of these projects made it off the ground. The \$30 million waste-to-power project in Hanoi, which is a

joint venture of Japan's Hitachi Zosen Company and Hanoi Urban Environment Company, is the only one being developed so far.

All investors have proposed a feed-in tariff of around 10 US cents per kilowatt hour. Trisun International Development even proposed a feed-in-tariff of 12 US cents per kilowatt hour.

Before the provision of support mechanisms for power generation projects using solid waste in Vietnam, Yoshioka Toru, director of Hitachi Zosen stated that the cost of investment in a waste-to-power plant was very high. He added that investors would hardly make a profit if they built renewable power plants in Vietnam due to the low retail price of electricity.

Its project is scheduled to go into operation in 2014 with the capacity to treat 75 tonnes or 30 per cent of Hanoi's daily industrial waste. The plant will use advanced Japanese technology, and the subsequent energy produced will be harnessed to generate power for about 4,500 households and a neighbouring industrial park.

ENTERPRISE

ITOCHU interested in building wharf to ship cereals

VNA - Japan's ITOCHU Corporation has proposed the construction of a wharf to transport cereals at Lach Huyen Port in northern Haiphong City. Capacity of the wharf would be about 3 mln tons a year.

The corporation suggested to the Ministry of Transport the project be carried out through a PPP model.

This project would cover 18ha and need backing of about \$150m. This would be for basic infrastructure worth about \$40m from an official development assistance loan.

Construction would cost \$110m, of which 30% would be from investors, and the remainder offered as a loan from Japan International Cooperation Agency.

Deputy Minister of Transport Nguyen Van Cong said the proposal of ITOCHU Corporation was appropriate for Gov't policies.

First Vietnamese business receives GTB Innovation Award

VOV - FPT Information System Corporation (FPT IS) was honoured at the 2014 Global Telecoms Business (GTB) Innovation Awards during the annual ceremony on May 16.



The GTB Innovation Awards, which celebrate innovative projects involving global telecommunications operators and their suppliers and vendors, were held in London and this is the first time Vietnamese company has been named a winner at the awards.

In the Business Service Innovation category, FPT IS won a 2014 Innovation Award for creativity and innovativeness in the development of a customer management and marketing computer software package designed specifically for a project in Laos.

FPT IS Global General Director Le Anh Tuan said the award is a tremendous honour affirming the creative capacity and IT qualifications of the company's engineers and employees.

It also affirms the company's commitment to

producing high-quality Made-In-Vietnam products and services, he added.

FPT IS has been developing software since 1999 and its products and sales have been gaining international recognition since inception. Its software products are now being used efficiently and effectively in Vietnam and numerous other countries around the globe.

Total cumulative revenues have surpassed US\$14 million and are forecast to reach

US\$200 million as the company expands its horizons into foreign markets such as the US, the EU, Singapore, Laos, Myanmar and Cambodia over the next few years.



MARKET & PRICES

Businesses eye rural market

VNS - VN's rural market holds great potential for the consumer industry, a new study has found.

The 2014 Nielsen VN Rural Study of 700 rural consumers nation-wide said the rural community, which accounts for 68% of VN's 90 mln population, is investing in education and enjoying similar income growth as its urban counterpart.

Vaughan Ryan, managing director of Nielsen VN, said, "There is increasing interest from the local & multinational business community alike around VN's rural consumers."

Rural consumers account for half of the domestic spending on Fast-Moving Consumer Goods (FMCG) – products that are sold quickly and at relatively low cost goods, yet they are not just purchasing the cheapest offering but looking for value for money, he said.

The rural consumer wants more and wants it fast, he said.

"They want their kids to live a better life than they did and they aspire for them to have more choices. They see education as a key vehicle to making this happen as more of them have regular incomes."

The study found that traditional channels continue to play a pivotal

role in rural regions though the number of modern retail outlets is increasing.

Wet markets are the most popular retail channel in rural VN with a person making 16 visits per month on average,

followed by fairs and street vendors. Modern outlets such as grocery stores experience between six and nine visits a month on average, while supermarkets trail below at just one visit every two months.

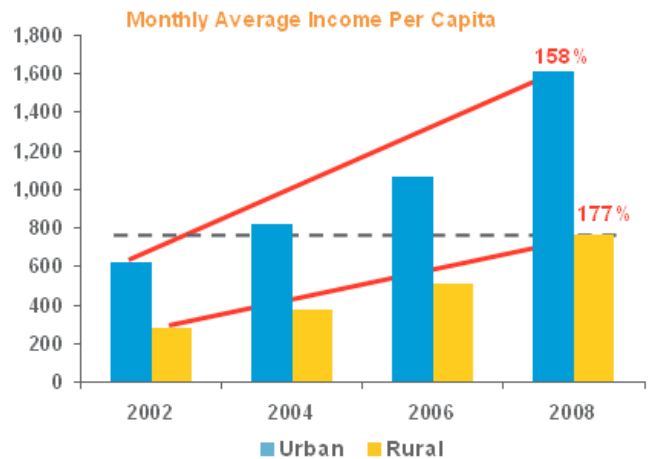
A shopper spends VND655,200 (\$31.2) a month on average at traditional outlets & VND175,000 (\$8.3) at modern outlets.

Shoppers tend to buy items such as personal and household care products, beverages, seasoning, and dairy products from modern trade outlets and fresh foods, seasoning, and some household items from traditional outlets.

The study also found that retailers' recommendations are a powerful brand endorsement as 90% of retailers recommend products to

Rural Market - Strong Growth

While income levels in the rural market remain well below those of urban areas, rural continues to grow at a faster pace.



shoppers and 31% of the latter follow the recommendations.

With rural consumers' aspirational outlook and fascination with urban lifestyles, there is opportunity for growth in categories that appeal to the desire for progress and lifestyle changes, in particular health and beauty and household cleaning products, according to the study.

Rural consumers also show a thirst for new products – 77% want to try new products and 95% appreciate having a wide range of products to choose from.

The study also pointed out that television is the key to reach and connect with rural consumers as 99% watch TV on a regular basis and 69% claim to obtain product information from this source.

MARKET & PRICES

Television viewing accounts for 88% of total media consumption. Vaughan said more and more consumers were willing to buy Vietnamese-made and -owned products. The perception of quality remained for certain internationally made products, but even this was changing, he said.

"The real concern for rural consumers is more around products imported from within the region with unclear origins and low quality, which are perceived to be far inferior or even a threat to the health and safety of their families." Fakes and copies are rife in VN, with one in four rural consumers having experienced fake and low-quality products, and as a result being cautious about their purchases.

Markets to stock organic goods

VNS - Organic vegetables grown under VietGAP (Good Agricultural Practices) standards will be sold at traditional markets in HCMC with the support of the city's Department of Industry and Trade. Late last week, the department met with 17 traditional markets and agricultural co-operatives to discuss ways to bring VietGAP to traditional markets in the city.

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VietGap certified vegetables are usually sold only at supermarkets and through other modern distribution channels.

At the meeting, Ben Thanh Market in District 1 was chosen to conduct trial selling of VietGap vegetables at 32 booths in June and July.

Le Ngoc Dao, the department's deputy head, said that if the trial at Ben Thanh Market succeeded, the model would be expanded to 16 other markets.

Under the plan, each market in the city would have at least one or two stalls selling organic vegetables this year. The goal is to replace vegetables with no label of origin.

Nguyen Cong Thua, director of the Anh Dao Agriculture Service Company that produces VietGap vegetables, said that prices would remain the same as other non-organic vegetables.



The price of VietGap vegetables at traditional markets, in fact, would be cheaper than the same vegetables sold in supermarkets because there is no middle-men

involved, thus effectively reducing costs.

Traders at traditional markets are expected to earn a profit of 10% over cost when selling VietGAP vegetables.

This year, organic and VietGAP vegetables have become popular, as shown by sales at supermarkets and co-operatives.

Pham Dinh Huy, an official of a company that grows and sells organic vegetables in Go Vap District, said that in recent years the sales had increased by three times.

Each day, his company's three stores sell about 50-90kg of organic vegetables. Because of good sales, his company plans to open five stores by the end of the year.

An owner of a store in Nguyen Dinh Chieu Street said she started to sell organic vegetables in mid-2013. Now, she has 30 frequent customers and each day she sells more than 50kg of vegetables.

Last year, Saigon Co-op signed a co-operation agreement with 16 units that plant VietGap vegetables & fruit. After one year, sales increased by 50% from 60 tons to 90 tons per day. About 80% of them were VietGAP certified, and another 20% were organic vegetables and fruits.

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LEGAL UPDATES

Regarding work permit requirement in case of foreign expert internally transferred within enterprises

Dispatch No. 953/TCT-CS dated March 24, 2014 of the General Department of Taxation on the tax policy applicable to foreign contractors.

The Dispatch is to reply to the two issues relating to the grant of work permits to experts who work in Vietnam in the form of internal transfer within enterprises and contractor tax in the case of foreign companies send experts to work in Vietnam and the Vietnam side must repay the amount "repayment for costs" including salaries, insurance premiums...for the foreign experts.

Regarding certification of conformity and declaration of conformity for fertilizer

Dispatch No. 1315/BNN-TT dated April 22, 2014 of the Ministry of Agriculture and Rural Development on guidelines for Decree No. 202/2013/ND-CP and Decree No. 187/2013/ND-CP.

During the time of having not promulgated Circular Decree No. 202/2013/ND-CP yet, on the basis of agreeing with the Ministry of Agriculture and Rural Development, the Ministry of Industry and Trade has issued document No. 2114/BCT-HT dated March 19, 2014 on deploying the implementation of the Government's Decree No. 202/2013/ND-CP dated November 27, 2013 on fertilizer management. In which, at the point 2 pertaining to the import and export of fertilizer guides the procedures for inorganic fertilizers, organic fertilizers, and other fertilizers under the management of both Ministries; two Annexes detailing the lists of fertilizers for which certification of conformity and declaration of conformity are compulsory are also enclosed therewith.

Criteria to evaluate production technology level

Circular No. 04/2014/TT-BKHCHN dated April 8, 2014 of the Ministry of Science and Technology guiding the evaluation of production technology level

This Circular guides the contents and process of evaluation of technology level in manufacturing industries, including: processing, fabrication, assembly and supporting industries; Other agencies, enterprises, organizations and individuals involved in evaluation of technology level shall comply with the provisions in this Circular; The result of evaluation of production technology level is the ground for the agencies, enterprises, organizations and individuals to propose solutions and policies to innovate and improve the production technology level of enterprises, sectors or localities

This Circular takes effect on June 01, 2014

HIGHLIGHTS

Vietnam's economy bounces
back from bottom: report

The economy has rebounded in recent months, said Dang Ngoc Tu, vice head of the commission's policy research and coordination department following the recent release of an annual report.

"The trend will continue this year, and this year's annual economic growth goal of 5.8% remains within grasp," Tu said.

The economy hit its nadir in the third quarter of last year following continuous slowdowns in the preceding quarters, according to the 2014 macroeconomic prospect report released by the National Supervision Commission.

The growth is supported by the expected increase in aggregate demand, private investment, FDI, and exports, government efforts to relieve business difficulties, the possible launch of TPP, and the Free Trade Agreement with EU, and the improvement of global trade.

However, the country is expected to face a lot of challenges this year, as aggregate demand continues its slow rise, agricultural products (esp rice) see lower sales and prices, and economic development continues to depend on the FDI sector, he said.

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Country	2010	2011	2012	2013	2014
US	2.51	1.85	2.78	1.56	2.59
China	10.45	9.30	7.70	7.60	7.25
Japan	4.65	-0.59	1.96	1.95	1.24
UK	1.66	1.12	0.17	1.43	1.87
Canada	3.37	2.53	1.71	1.61	2.16
Austria	1.77	2.83	0.87	0.39	1.64
Belgium	2.42	1.84	-0.28	0.09	1.04
France	1.73	2.03	0.01	0.19	0.98
Germany	3.86	3.40	0.90	0.49	1.40
Greece	-4.94	-7.11	-6.39	-4.2	0.63
Italy	1.72	0.37	-2.37	-1.78	0.71
Netherlands	1.53	0.95	-1.25	-1.27	0.31
Spain	-0.20	0.05	-1.64	-1.27	0.17

VN's Q1 GDP rose 4.96% YOY according to the General Statistics Office. That compares with fourth quarter growth of 6.04% in 2013.

WB estimates the economy will grow 5.4% this year, slower than a government target of 5.8%, & a 7th straight year of growth below 7%.

To improve the economy in the coming time, it is important to raise aggregate demand, Tu said.

Disagreeing with the commission on the issue, Acting President of the Central Institute for Economic Management Nguyen Dinh Cung said it won't be easy to increase demand, which remains weak in spite of the government's loosening of fiscal policy.

"In a country with low growth like Vietnam, increases in supply are

Country	2010	2011	2012	2013	2014
Australia	2.63	2.42	3.67	2.47	2.78
HK	6.79	4.85	1.50	2.98	4.38
India	10.55	6.33	3.24	3.80	5.15
Indonesia	6.22	6.49	6.23	5.30	5.50
Malaysia	7.43	5.13	5.64	4.70	4.90
Philippines	7.63	3.64	6.82	6.81	6.03
Singapore	14.78	5.16	1.32	3.54	3.43
S. Korea	6.32	3.68	2.04	2.84	3.68
Taiwan	10.76	4.07	1.32	2.19	3.77
Thailand	7.81	0.08	6.49	3.11	5.25
Vietnam	6.42	6.24	5.25	5.30	5.40
Brunei	2.60	3.43	0.95	1.45	6.22
Cambodia	6.10	7.08	7.30	7.02	7.24
Laos	8.13	8.04	7.88	8.35	7.80
Myanmar	5.35	5.91	6.36	6.82	6.88

more important to boosting economic growth," he said.

Echoing Cung, Nguyen Duc Kien, deputy head of the National Assembly's Economic Committee, said inflation is too high in Vietnam, compared to other ASEAN countries, reducing economic competitiveness. Singapore,

Malaysia and Thailand have seen inflationary hikes of 2-3% every year.

The commission's chairman Vu Viet Ngoan said VN economy will see long-term improvement only when supply, labor productivity & product competitiveness rise. However, it takes a lot of time to increase supply.

While waiting for supply to improve, VN needs to increase demand, he said.

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HIGHLIGHTS

To ensure economic improvement, it is necessary to maintain stable, low inflation in the near future, Cung said. This year's estimated 5% inflation is high. In 2005, VN saw inflation a little over 3%, he added. Ngoan said: "Five% inflation is reasonable given our priority of macroeconomic stability. In newly emerging economies, annual inflation of 4-5% is acceptable. In the coming years, we should keep it at 2-3%."

Economists at the meeting expressed concerns about Vietnam's slow credit flows, which could hinder development. They also raised objections about the fact that most of the loans have been allocated to inefficient state-owned firms.

"If most of loans keep going to state-owned enterprises, private ones will have less and less access to credit, shrinking Vietnam's potential for economic development," Cung said.

Interest rates fell some 12% in 2013 from 20% in 2011. Meanwhile, credit grew 12.5% in last year, compared to 9.8% the previous year, according to the commission.

Bad debts

The commission said bad debt accounts for about 9% of Vietnam's

total loans. "The bad debt is still high, but under control," said the commission's vice chairman Truong Van Phuoc. Actual bad debt remains well below the 15% estimate published by Moody's Investors Service, he noted.

Banks in Vietnam have managed to cut bad debt to 3.63% of loans at the end of 2013, from 4.73% last October, said the central bank after a Moody's report on Feb 18.

Economists at the meeting disagreed with Phuoc. Former Governor of the Central Bank Le Duc Thuy said: "It is too early to say bad debt has been under control."

"Banks' efforts and some existing measures are not enough to effectively deal with bad debts," he said. "We need more drastic measures to solve the debts."

In an effort to deal with nonperforming loans in the banking sector, the government has established the Vietnam Asset Management Company (VAMC), which is responsible for the purchase, recovery, and restructuring of bad debt.

Kien said he does not see how banks can reduce their non-performing loans.

Banks could use their reserves to eliminate bad debts from their balance sheets, he said.

"But actual bad debt will not decrease. We need to take comprehensive measures to deal with this issue," he said.

Other economist said Vietnam, in addition to cutting interest rates, needs to accelerate the restructuring of its banking system and reduce stockpiles of goods. "Bad debts won't go away unless these issues are addressed."

Price caps to make dairy products cheaper

VNA - The Ministry of Finance is planning to impose annual cap prices on dairy products for children this month after getting the Prime Minister's approval.

The ministry affirmed that the price cap is feasible and will help lower product prices.

Vietnam News Agency spoke to Nguyen Trong Nghia, director of the ministry's Department of Legal Affairs, on the issue.

HIGHLIGHTS



Nguyen Trong Nghia, director of the ministry's Department of Legal Affairs

The investigation report on five major dairy traders and producers has shown that the firms implemented price hikes in spite of making huge profits. Can you elaborate on the issue?

Through investigations of the price regulations and taxes at five milk producers and traders, namely the VN Dairy Joint Stock Company (Vinamilk), 3A Nutrition (VN) Ltd Company, Nestle VN Ltd Company, Friesland Campina VN Ltd Company and Mead Johnson Nutrition (VN) Ltd Company, from March 10 to April 10, the Ministry of Finance discovered some wrongdoings [related to the expenditure on advertising, discounts and marketing].

More importantly, the authorities have found that it is time to take

necessary measures to stabilise milk prices in general, especially those for children under 6 years of age.

The Ministry of Finance has agreed with the other relevant sectors to take a number of measures to stabilise milk prices, including the application of price caps on dairy products for children under 6 years of age.

Why did the ministry propose these price caps?

The inspection showed that the prices of dairy products sold by the five major milk traders and producers in the reviewed period only increased and never decreased. Particularly in 2013, some dairy products reported a very high price hike of up to 30.7%. In Q1-2014, Vinamilk and Nestle VN also raised their prices by 5 to 14%.

The ministry also discovered that the expenditure on advertising, discounts and marketing, which are part of the business costs, at four firms, except Vinamilk, exceeded the regulated level under the Law on Corporate Income Tax for milk products for children in the said age group. The high spending on these activities forced the prices of the milk products up by 2.18% to 16.39%. The move forced the

finance ministry to cap the prices of milk products.

The cap is in accordance with the Pricing Law, which states that the Government will decide and entrust the finance ministry to take measures to stabilise the market in case there is unexpected volatility.

The measures to stabilise the prices of milk products for children under 6 years of age include pricing registration and price cap regulation. The price caps will be imposed within 12 months of the approval of the regulation. Different traders and producers can list the same product at different prices, but these must be lower than the regulated ceiling prices.

Before making sales, the milk traders and producers will have to register their prices with the pricing management authorities in their locality.

Is the price cap regulation feasible as the domestic market has hundreds of dairy products traded and produced by several firms?

There are roughly 200 milk traders, importers and producers in the domestic market, who distribute many kinds of dairy products. Of course, it will cause certain difficulties when the price cap is applied.

HIGHLIGHTS

It will not be feasible if the price management agency caps the price of each kind of milk product. Therefore, we only need to determine the ceiling price of some products and consider it as the standard price for the remaining ones.

The ministry will also focus on milk traders and producers with large market shares, especially the five firms mentioned above. It will set the cap prices for the five firms' products, which make high profits and have a high consumption rate. If we adopt this method, I think the price cap regulation is quite feasible.

Local rice exports make running start to the year

Vietnamnet - The country exported 181,000 tons of rice in the first half of this month worth US\$79.87 million, lifting the shipment to date this year to 1.932 million tons worth \$845.38 million, according to data from VN Food Association (VFA).

The association stated that the average price for export rice this month reached \$441.51 per ton, down roughly \$21 per ton against the same period last month.

However, domestic rice prices were reported to have edged up in the

week through May 15, versus a week ago. In detail, in the Cuu Long (Mekong) Delta, the prices of dried rice with husk were from VND5,300 – 5,750 per kilogram depending on rice variety, up VND50-100 per kilogram. Prices of 5 per cent broken rice were from VND6,900 to 7,000 per kilogram, up VND100 per kilogram; prices of 15 per cent broken rice were from VND7,700 to 7,800 per kilogram, up VND50 per kilogram; and prices of 25 per cent broken rice were from VND7,400 to 7,500 per kilogram, up VND50 per kilogram.

The UN's Food and Agriculture Organisation (FAO) has estimated Viet Nam's milled rice exports to increase to about 7.2 million tons

this year, up about 8 per cent from about 6.7 million tons last year due to higher production and increased export demand from Asian countries such as Indonesia, Malaysia, China and the Philippines backed by low prices.

FAO has estimated Viet Nam's total paddy rice production at about 44.2 million tons (around 27.6 million tons of milled rice) in 2014, marginally higher than about 44 million tons (around 27.5 million tons of milled rice) produced in 2013. The UN agency, however, forecasts VN paddy rice production from 2014 winter/spring crop at 20.3 million tons, similar to last year's production, despite shifting part of the rice fields to other crops, due to



Sacks of rice are loaded onboard a ship at the Southern Food Company. The country exported 181,000 tonnes of rice in the first half of this month.

HIGHLIGHTS

higher yields, favourable weather conditions and adequate water supplies.

However, VFA last week lowered the country's 2014 rice export target to 6.2 million tons from the earlier target of 6.5 – 7 million tons due to heavy competition from India and Thailand.

Hanoi to become green city by 2030

VIR - Hanoi aims to become a green and clean city by 2030, with environmental pollution in the inner-city area to be solved, according to a recent plan approved by the municipal People's Committee.

Under the plan, which was publicised on May 15, the inner-city area will have 60 parks, including 18 new ones, by that year. The city will also renovate and upgrade the current 42 parks and flower gardens. Hanoi will be divided into two major areas. The historic area bordered by the Red River dyke and Ring Road 2, will comprise the districts of Ba Dinh, Hoan Kiem, Dong Da and Hai Ba Trung, and part of Tay Ho district.

In this area, in addition to upgrading and renovating the existing parks, the city will plant more trees in other areas.

The expanded area will lie to the west of the historic inner area, bordered by the Nhue River dyke and Ring Road 3. That space will include the districts of Cau Giay,



Thanh Xuan and Hoang Mai and part of Tay Ho, Ha Dong, Thanh Tri and Tu Liem districts. This area will form three centres - the West Lake and its vicinity, My Dinh and Yen So. In the core urban area, all roads will have trees along them, and many streets like Nguyen Du, Lo Duc and Phan Dinh Phung will be covered with specific trees.

An estimated VND270.4 trillion (US\$12.8 billion) will be invested in urban tree systems, including VND211 trillion for the city centre, VND51 trillion for satellite urban

areas and VND8.4 trillion for ecological towns.

The municipal Department of Construction said it will coordinate with agencies and localities in

building annual and five-year programmes and plans, and organising the effective implementation of projects.

Hanoi plans to encourage the mobilisation of all capital resources for the building of parks, flower gardens and lakes, said the department.

The capital city now has 280.17 ha of parks and 1,146 ha of lakes.

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