

VIETNAM

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FIGURE & EVENT

TPP success depends on respect for commitments

The latest round of Trans-Pacific Partnership (TPP) agreement negotiations are underway, running from September 1-10 in Hanoi, and negotiators expect major breakthroughs, paving the way for the signing of the landmark agreement.

As TPP negotiations near an end, the focus of discussion is shifting away from the detailed negotiations to the capacity of the entities and their readiness to compete in the global marketplace.

Most prominently, the importance of mutual respect for international commitments is coming to the forefront of the dialogue, as a prerequisite to the successful

implementation of the TPP.

Economist Nguyen Tran Bat, Director General of Invest Consult Group, granted Radio Voice of Vietnam (VOV) an interview on these issues.

Following are key excerpts of the interview:

Lawyers must thoroughly understand TPP

To maximize the benefits from the TPP agreement once it comes into effect, what should entities be presently doing to participate prosperously in the greatly expanded economic space or marketplace?

We must first of all insure lawyers are trained in the intricacies of the law as it pertains to the TPP. When business disputes occur, lawyers must get involved and its critically

important

Vietnamese lawyers have a thorough understanding of the TPP in order to best serve businesses.

In addition, goods and services exporters must step up their

training to support the more rigorous quality control standards related to product quality, food hygiene, and safety which come into effect with the TPP.

They also must directly consider the consequences of their product and customer safety criteria as one of key standards for their product. In other words, they must produce products which are safe for customers to use.

Vietnamese businesses also must raise their self-awareness and restructure education and training programmers to train highly qualified workers who completely understand the TPP quality standards and how to implement them cost effectively.

One of Vietnam's target markets is outsourcing for larger retailers so more investors will place their outsourcing workshops in the country and create more jobs for local workers. Vocational training schools already train enough skilled workers to meet the needs of production.

What we are lacking however, are sufficient personnel capable of implementing quality control systems in business.

When the TPP agreement is signed there will be a series of trade barriers and sophisticated



FIGURE & EVENT

protection policies of TPP members. What should Vietnam prepare for the integration process?

The Prime Minister has signed a resolution on improving national competitiveness. It means that Vietnam must improve competitiveness comprehensively, by increasing Government management capacity to fully complying with society's modern industrial disciplines and business regulations.

A few experts mention the code of conduct in the TPP and its affect on business culture. How will business culture affect businesses' failure or success?

Business culture which affects trading has two main features:

First honesty and mutual trust is the most important thing as it is the core of business ethics. Without prestige all goods will be suspect, resulting in trading difficulties. So businesses must build honesty to gain the social trust on their products.

Second, business must have a strong capacity to keep commitments while implementing contracts.

In other words, they must be honest and respect signed agreements.

Stabilizing quantity and quality

When becoming involved in code of conduct in TPP economic space, what should businesses do to consolidate and develop their prestige in the long run?

It is critically important for products to be of consistent high quality. To gain a reputation on the market, a product must have both a high and consistent quality. Businesses have to develop plans to meet market demand within the constraints of quality control and their production limits.

They should build a comprehensive strategic vision in supplying a certain level of product that is within their capacity and not overextend themselves. If a business promises more product than it can produce then they will not be able to keep customers.

For instance if a Vietnamese business is producing shirts to supply to a retail chain, if it fails to fill the orders promised then the chain they will lose confidence and will take their business elsewhere.

Source: VOV

ECONOMY

Hi-tech park allocates area for Japanese firms

HCM CITY (VNS) — Twenty hectares of land have been earmarked in HCM City's Sai Gon Hi-Tech Park for Japanese companies in supporting industries.



Under an agreement between the park and the Department of Trade-Industry-Tourism of Japan's Shiga Prefecture on Friday, they will help companies from Shiga and HCM City link up with each other and provide support for research and development activities.

Vietnamese businesses will be helped with attending trade fairs and exhibitions in Japan, information about socio-economic development in both countries will be provided to businesses from Shiga and HCM City, and exchanges between them will be enabled.

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Speaking at the signing ceremony, the head of the SHTP management, Le Hoai Quoc, said Shiga is one of the most industrialised provinces in Japan, with many industrial and manufacturing companies.

Shiga leads Japanese provinces in

industrial growth rate.

Industry accounts for 41 per cent of its economic output, much higher than the average of 23.7 per cent in Japan.

According to the director of the Shiga Department of Trade – Industry – Tourism, Hazumi Hiroshi, businesses in his province, especially medium-sized and small ones in hi-tech supporting industries, have been looking for business opportunities abroad.

Viet Nam and HCM City are attractive destinations for Japanese investors, especially those from Shiga, he added. — VNS

High taxes hinder growth of Vietnam's auto industry

Vietnam's car and part manufacturers say the newly-approved automobile

development strategy won't succeed unless the government offers more tax and credit incentives to local car producers which are struggling amid fierce competition from imported products.

According to the strategy approved by Prime Minister Nguyen Tan Dung in July, local automobile firms will produce 227,500 cars by 2020, 237,900 by 2025 and 1.5 million by 2035. Though the strategy is considered conservative given that Vietnam's 2035 target is smaller than Thailand's current output, few believe Vietnam will achieve it. Shortcomings in tax policy remain a big obstacle to market development, car and part manufacturers said at a recent meeting organized by the Ministry of Industry and Trade on the nation's automotive strategy. Bui Ngoc Huyen, director of auto maker Vinaxuki, said the high taxes imposed on domestically-made cars make them too expensive for locals to afford. In Vietnam, cars are subject to numerous taxes and fees, including import tax, value-added tax, special consumption tax and registration fees. Up to 50 percent of residents in rural areas, and 90 percent in Hanoi and

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Ho Chi Minh City want to own automobiles, but few can afford them, he said. Automobile prices in Vietnam are 1.5-2 times higher than in other Southeast Asian countries like Thailand and Indonesia. "Without tax incentives to encourage local production and consumption, Vietnam will fail to realize the strategy," Huyen said. Tran Ba Duong, chairman of the Truong Hai Auto Corporation, said Vietnam needs to cut the special consumption tax imposed on locally made cars. Under current regulations, cars are subject to a special consumption tax rate of 15-60 percent. Imported cars are taxed based on their Cost, Insurance Freight (CIF) price, while domestic vehicles are taxed based on their retail price. "If the tax isn't cut, local producers will hesitate to expand investment, as they remain more expensive than imports," he said. Prices of locally-produced cars will be 20 percent higher than vehicles imported from Association of Southeast Asian Nations (ASEAN) countries when Vietnam eliminates import tariffs to meet its ASEAN Free Trade Agreement (AFTA) commitments in 2018, according to the Vietnam Automobile Manufacturers' Association (VAMA).

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Difficulties in credit access and a shortage of qualified laborers have also hindered the industry's development, said Huyen. Car makers can only access 1-3 year loans, while the industry requires long-term investment. Without careful preparation, insiders say, Vietnam will find itself in the same situation the Philippines did a few years ago, when producers began importing cars to meet rising demand, leading to a serious trade deficit.

The local auto market remains small compared to other countries in Southeast Asia, the institute said, adding that in 2012 it was half the size of the Philippines' market, one-fifth of Malaysia's, and one-24th of Thailand's.

Local producers churn out some 100,000 cars every year, meeting 60-70 percent of local demand, it said.



Supporting industries

Under the strategy, Vietnam aims to increase the percentage of locally-produced parts used in domestic automobiles to 30-40 percent by 2020. The rate currently hovers around 10 percent on average. Only a few manufacturers have exceeded 30 percent, despite the fact that these companies committed to a scheme that sought to gradually produce cars that were 100 percent locally-made.

Truong Hai's Duong said the government should create policies to encourage auto makers to help local small-and medium-sized enterprises manufacture parts. Local enterprises could establish joint-ventures with foreign automobile component producers, or buy technology from them to develop supporting industries,

Duong said. If Vietnam cannot develop its own supporting industries, it will continue to benefit only from providing labor and factory space, he said.

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A representative of part manufacturer 19-8 said the government should issue specific regulations that force auto makers to purchase spare parts from local firms. Without the regulations, local small and medium-sized enterprises won't be able to compete on the market.

Deputy Minister of Industry and Trade Le Duong Quang said car and part manufacturers should by all means cooperate, but Vietnam can't force auto-makers to buy components from local small and medium-sized enterprises.

The cooperation should be implemented on a voluntary basis, he said.

To lure customers, each part manufacturer should focus on producing a limited number of high-quality components, he said.

Duong agreed that it would be impossible to produce and sell an entirely made-in-Vietnam car, given that neighboring countries like Thailand and Indonesia have already developed their auto industries so well.

But, local businesses still have opportunities to provide components for famous producers targeting the ASEAN market, he said.

Vietnam is currently home to 18

foreign and 38 local car makers with a total annual output of some 460,000 vehicles, according to Nguyen Manh Quan, director of the Ministry of Industry and Trade's heavy industry department. However, their firms mainly focus on assembly, welding, painting and cleaning, he said.

Although the government planned to produce 50-90 percent of car engine parts by 2010, the industry failed to reach that goal. Quan said about 210 businesses participate in supporting industries, but they are small and medium-sized firms which mainly produce a handful of simple components.

Source: *Stockbiz.vn*

BANK & FINANCE

Banks move toward non-collateral lending

HA NOI (VNS)— Commercial banks and credit rating agencies are likely to take their first cautious steps toward providing loans without requiring collateral by evaluating company's portfolios and their leadership.

"If assessments of payment capacity and business plans come up with proper results, credit institutions may provide trust loans," said Nguyen Thi Hong, the State Bank of Viet Nam's deputy governor.

Do Hoang Phong, General Director of Credit Information Centre (CIC), a unit under the central bank, told baodautu.vn that many banks were building internal credit rating systems, but the number of companies involved in the process remained small.

CIC rates 25,000 companies (compared to 400,000 companies in Viet Nam) and 10,000 business executives every year.

PCB Viet Nam Credit Information JSC, the nation's first private credit rating agency, has partnered with CRIF – a global company specializing in credit ratings, to build a sound system for the Vietnamese market.

According to PCB, credit scores assist banks in managing risks and reducing costs, but also make it easier for individuals to receive bank loans.

Nguyen Van Huong, director of Minh Tam Co Ltd said that banks should thoroughly consider loans for companies that are performing well. "We are running a good input-output trajectory, but we can't receive bank loans because we have no collateral," he said.

Chairman of Ha Noi Supporting Industry Business Association (Hansiba) Nguyen Hoang said that although support industries were targeted as top priorities for bank loans, many companies were still not approved for trust loans.

Regarding the concern, Tran Dao Vu, deputy general director of DongA Bank, said that lending without collateral was a decision that could only be made following the completion of many successful transactions, and it was impossible to grant loans following a first meeting.

Further, enterprises might gain a bank's confidence if they improved transparency in their financial reports, Vu said.

In July, the State Bank of Viet Nam told credit institutions and rating agencies to improve their ability to

evaluate the credit worthiness of companies to allow for an increase in granting non-collateral loans. The move was made in a bid to assist Viet Nam in achieving a 12 per cent credit growth in 2014, which is likely to rest on loans granted in the second half of the year.

Observers note that there have been rumours that companies might prepare two financial reports, a true copy for themselves and polished reports for banks when they wish to apply for loans.

Officials have said that only 1 to 2 per cent of enterprises provide banks with audited financial reports. Under current regulations, only credit institutions, finance, securities and insurance companies, foreign-invested companies, and public companies must have reports audited.

There are only 1,200 public companies, out of 400,000 companies in Viet Nam.

In the situation of mounting bad debts, banks are more likely to insist on collateral, preferably property.

In the document No 5342/NHNN-TTGSNH dated July 24, the central bank urged commercial banks to develop solutions to help enterprises access more capital to finance production.

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Experts said that both banks and companies need the other to spend capital, but there might be much work to be done to develop trust before extending additional credit. — VNS

Overseas remittances continue to increase

Overseas Vietnamese have remitted nearly US\$2.8 billion through HCM City-based banks in the first eight months of this year, 6.2 per cent higher than in the same period last year, according to the deputy head of the State Bank of Viet Nam's city branch.

In August alone the amount was worth \$333 million, nearly double the July figure.

The full-year figure is expected to be \$4.8-5 billion compared with \$4.7 billion last year, the deputy head of the State Bank of Viet Nam, HCM City branch, Nguyen Hoang Minh, said.

The proportion of the remittances invested in housing is slightly higher this year at 21.5 per cent.

Most of the remittances were channeled into business, which accounted for 71-72 per cent of the total amount.

The amount used to support families in Viet Nam has shrunk slightly this year.

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The Viet Nam Economic Times newspaper quoted an analyst as saying that the Government's recent policies have created favourable conditions for Overseas Vietnamese to remit money home. The exchange-rates adjustment in June and the difference in interest rates between the dong and the US dollar have also helped attract more flows.

Minh said the Government has liberalised policies related to inward remittances.

Recipients do not have to pay income tax and can keep the remittances in foreign currencies and deposit them in banks.

The stability of the dong has also been a factor, Minh said.

Besides banks, many newly opened companies are also providing remittance services.

The deputy general director of a joint stock bank based in Ha Noi, who declined to be named, said banks have focused on diversifying remittance services, expanding distribution channels, and reducing the time to make payments, and

have launched attractive promotion campaigns.

Credit growth projected at 4.5% in first eight months

Viet Nam's credit is expected to grow by 4.5 per cent and its deposits, by 8.21 per cent, by late August, according to the State Bank of Viet Nam.



Nguyen Thi Hong, SBV Deputy Governor, revealed this at a conference held in the capital city yesterday that reviewed eight months of Vietnamese banking sector operations.

Hong explained that credit growth in August was 3.68 per cent higher than that in July but remained lower than that in the same period last year. She said this growth rate was below expectations in light of

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the Government's target of 12 to 14 per cent growth in credit for 2014.

The SBV Deputy Governor said she expected credit growth to reach 10 per cent by year-end but expressed hopes that it would exceed this figure.

As of August 21, the total means of payment rose by 8.86 per cent while deposit growth rate went up by 8.21 per cent, with deposit in dong rising 8.77 per cent and deposit in foreign currency going up by 4.2 per cent compared with the same period last year. The liquidity of credit institutions remained abundant and the interest rate of the inter-bank market was stabilised at a low level. Hong said the lending rate of credit institutions was expected to decline by 0.5 to 1.5 per cent in 2014.

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

Bad debt

Hong also revealed that Vietnamese commercial banks' bad debt ratio rose to 4.84 per cent

by late June 2014, representing a 3.61 per cent increase from that of the same period last year.

She attributed the increase to sluggish production and business, resulting in a delay in debt payments for a number of businesses, and the implementation of new debt regulations in SBV's Circular No 09/2014/TT-NHNN on the classification of bank risk.

The circular, which deals with the classification of bank assets, the setting up of risk provisions and the manner by which provisions against credit risks are to be deployed, will force an increase in risk provisioning, according to Hong.

It will also allow the banks to continue restructuring existing loans and retain them in the same debt group until April 1, 2015, instead of reclassifying them by using more rigorous standards by June 1, 2014, as previously planned.

At the conference, the Chairman of the Viet Nam Asset Management Company (VAMC) told reporters that since October 2013, his company had purchased VND58.9 trillion (US\$2.8 billion) worth of bad debts from 35 credit institutions.

In 2014 alone, VAMC purchased bad debts worth VND19.6 trillion,

but this indicated a decline in the number of such purchases.

The VAMC Chairman explained that the purchase of bad debts formed part of a roadmap and plan to restructure the non-performing loans of credit institutions. He added that VAMC had to consider the quality of bad debts before making the purchase.

Explaining why purchased bad debt was lower than total non-performing loans (NPLs) of the banking system, Hong said VAMC was not a "magic wand" to be used in the handling of NPLs

The SBV Deputy Governor explained that VAMC's handling of NPLs aimed to encourage credit institutions to offer more loans and reduce interest rates for lending in order to assist businesses.

Hong said the SBV would continue to boost the process of handling NPLs and would ask credit institutions to enhance risk provisioning and use it in handling bad debts.

Source: news.com.vn

INVESTMENT

Ha Tinh Accepts Nearly 3,000 Foreign Workers to Work in Formosa Project

National Times- The Ha Tinh provincial People's Committee on Sept 5 has written about the recruitment of foreign workers working for 9 contractors of Formosa Ha Tinh project.

In writing to the Hung Nghiep Formosa Iron and Steel Co., Ltd, the provincial People's Committee said that they agreed in principle to allow 9 contractors of Formosa Ha Tinh project to recruit 2,976 foreign workers to work as

Formosa' proposal.

Earlier, on July 29, 2014, the Company Formosa Ha Tinh sent documents to the provincial People's Committee for the proposal to allow contractors of 28 packages using 8,426 foreign workers, with 80 percent of them being Chinese and the rest coming from South Korea and Taiwan...

The Ha Tinh authorities will continue to consider giving approval to the recruitment of the remaining foreigners in the coming time. Currently, the zone has 25,155 workers in total, including 3,245 foreigners.

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Viet Nam attractive to US businesses

Viet Nam now ranks second among ASEAN's most favoured locations for US business expansion, based on a survey released in late August by the United States and American Chambers of Commerce in Singapore.

HA NOI (VNS) — Viet Nam now ranks second among ASEAN's most favoured locations for US business expansion, based on a survey released in late August by the United States and American Chambers of Commerce in Singapore.

Indonesia placed first and Myanmar placed third in the month-long survey, which polled 588 senior executives of US companies in all 10 ASEAN countries from May 5, to June 5, 2014. Brunei and Laos placed last in the survey, which included Cambodia, Malaysia, Myanmar, the Philippines, Singapore and Thailand.

The survey listed Vietnamese strengths, including positive sentiments toward the US, the availability of low-cost labour and the level of personal security.

But it also noted that the number of business executives who planned to

diversify some of their investments or businesses from China into ASEAN over the next two years had dipped slightly from last year.

This was most pronounced in Laos, where the number dropped significantly. On the other hand, Viet Nam had the highest number of respondents who planned to diversify their investments in the country, increasing by five per cent from that of last year.

A majority or 51 per cent of respondents in the region think that the Trans-Pacific Partnership (TPP) will help their companies' regional trade and investment activities, with those stationed in Indonesia, Malaysia, Singapore and Viet Nam leading the way.

According to the survey, about 95 per cent of expatriate employees in Viet Nam were generally satisfied with their assignments and 87 per cent attempted to extend their stay. However, respondents indicated that corruption was one of the biggest problems in Viet Nam, with 69 per cent of respondents indicating dissatisfaction.

In general, about 74 per cent of the respondents reported that their company's level of trade and investment in ASEAN has increased over the past two years, and an overwhelming 89 per cent of

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respondents expected it to increase over the next five years. The profit outlook also appeared solid, with 63 per cent of executives expecting profit increases this year and 81 per cent, next year.

"This survey underscored the confidence that US businesses have about ASEAN as it integrates economies, deepens its trade and investment relations with major trading partners and makes the region an important, attractive destination for US investment," said Tami Overby, the US Chamber of Commerce senior vice president for Asia.

Judith Fergin, executive director of the American Chamber of Commerce in Singapore, said: "These positive findings point to positive outcomes for ASEAN – more jobs, more exports, more commerce and more rapid economic growth. US companies are happy to be contributing to this good news story."

However, the survey also found substantial concerns and impediments to companies' growth in the region. As in previous years' surveys, corruption was the top issue across ASEAN and was cited by a majority of respondents in all countries except Brunei and Singapore.

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American companies also pointed to burdensome laws and regulations, poor quality infrastructure and the lack of transparency and the difficulty of moving products through customs in some countries as obstacles to greater investment.

The survey also revealed that US companies took advantage of regional economic integration efforts, including ASEAN's free trade agreements (FTAs) with Australia and New Zealand, as well as China, India, Japan and South Korea.

Nearly half or 49 per cent of respondents reported that they were using the FTA to export goods from ASEAN to China. American companies' use of other FTAs ranges between 43 to 47 per cent.

Of the 588 executives polled, about 55 per cent are in services while 31 per cent are in manufacturing and the remainder, in extractive and other industries. The companies surveyed had turnover ranging from below US\$50 million to more than \$1 billion. — VNS

Source: VNAgency

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ENTERPRISES

Power production up by 10.4% this year

Electricity output and imports reported by Electricity of Vietnam (EVN) in August were estimated at 12.41 billion kWh.



At the same time, electricity generated in the first eight months of the year posted a 10.4 per cent year-on-year increase to 93.66 billion kWh. Figures released by EVN yesterday showed that electricity supplies for agriculture in the period accounted for 1.5 per cent of the total, increasing 1.6 per cent over the same period last year. At the same time, electricity provided to industry rose 13 per cent and accounting for 53 per cent, while that for commerce, hotels and restaurants reached 4.7 per cent, rising 10 per

cent. Power generation from hydroelectricity plants made up 55 per cent of the total, along with 21 per cent from gas, 17 per cent from thermopower plants and the remaining from other sources. Further, EVN said it spent VND70.5 trillion (US\$3.35 billion) for power production from January through August to ensure sufficient electricity supplies for production and consumption. Its disbursement in the period reached VND65.4 trillion (\$3.1 billion). The group has also completed 25 power grid construction projects, including eight 500kV and 17 220kV operating plants. It also began construction of 22 power grids to transmit voltage of 500-220kV. Officials added that power supplies for Ly Son Island would be finished by the end of this month, as it has buried underground cables. EVN is also working to connect the second turbine in the Vinh Tan 2 Thermo power plant to the national power grid this month. The plant's first turbine generated power was supplied to the national grid in January, providing a considerable power supply for southern provinces during the dry season. According to the EVN, the Vinh Tan 2 thermal power plant consists of

two generators, with each having a capacity of 622 MW. The project, which began construction in August 2010, was developed by EVN based upon an engineering, procurement and construction (EPC) contract signed with Chinese contractor Shanghai Electric Group. Costing VND23 trillion, the plant is set to begin operating in June. The plant, fuelled by coal dust from northeastern Quang Ninh Province, is expected to supply some 2.7 billion kWh of power annually, helping to significantly reduce power shortages in southern provinces during the dry season.

Source: Stockbiz.vn

MARKET & PRICES

Biofuel sees potentials as Vietnam expands sale

Sales of bio-fuel have gone smoothly in the central province of Quang Ngai, the first locality in Vietnam to fully phase out the most common fuel type with E5.

The bio-fuel is 5 percent ethanol, made from cassava, and has been sold, since August 2010, at a small number of filling stations in 34 cities and provinces, including Hanoi, Hai Phong, Da Nang, Hue, Ho Chi Minh City, and Can Tho. On September 1, the central province of Quang Ngai became the first in the country to fully replace the popular 92-octane gasoline (A92) with E5. The province, which is home to the country's sole petroleum refinery and one of the three ethanol production plants, has been praised by energy officials for initiating the widespread sale of E5 three months before a national deadline.

A government plan requires major cities like Hanoi, Hai Phong, Danang, Can Tho, Ho Chi Minh City, Ba Ria-Vung Tau, and Quang Ngai to completely switch from A92-RON to E5 starting this December. A nationwide deadline for the E5 switch is set for December of next

year.

All 150 filling stations in Quang Ngai (mostly PV Oil or Petrolimex) now exclusively sell E5. Tuoi Tre reporters found that many stations in the province said 60 percent of their customers buy E5 and the rest chose 95-octane (A95) petrol.

Nguyen Thanh Tung, a local, said he's used the bio-fuel for a week and his motorbike has run just like it did on 92 or 95-octane gasoline. Another local, Ho Nguyen Thuy, said she felt safe so far. Nguyen Huu Ho, director of Petrolimex Quang Ngai, confirmed that E5 has accounted for more than 60 percent of sales at his stations, which he said is "rather surprising" given the early stage of its introduction.

Retailers reported their top customers are taxi drivers and people familiar with E5.

Looking for demand

Quang Ngai is one of the three places, besides Phu Tho Province in the north and Binh Phuoc in the south where the state fuel giant PetroVietnam has invested in biofuel refineries. Combined, they now have a capacity of 300,000 cubic meters a year. Le Xuan Trinh, deputy director of PV Oil, PetroVietnam's oil marketing

company, said the ethanol plants could produce six million cubic meters of E5 a year—equivalent to 94 percent of Vietnam's gasoline demand in 2014. But the plants' operation remains perfunctory given low demand, Trinh said. The Quang Ngai ethanol producer has had to export some of its output at VND13,000 a liter, lower than its planned domestic price of VND15,000 a liter. Prime Minister Nguyen Tan Dung suggested gasoline retailers create a pricing gap to boost consumption—discounting E5 prices and charging extra for A92 and A95.

Tests by the Directorate for Standards, Metrology and Quality showed that ethanol gasoline helps reduce emissions significantly. For example, using 10 percent ethanol gasoline almost halves CO emission compared to A92 RON—from more than 700 ppm to 400 ppm, the center found. Lab experiments from Hanoi University of Technology also found hydrocarbon emissions from vehicles using E5 are lower than those using A92. They found E5 allows vehicles to speed up faster and say that the fuel is better at maintaining engines.

MARKET & PRICES

Seafood imports rise to meet export demand

Viet Nam has imported a large volume of seafood products for export processing because of a lack of material from domestic sources, experts revealed.



Figures from the Viet Nam Association of Seafood Exporters and Producers (VASEP) showed that in the first eight months of 2014, Vietnamese seafood export enterprises registered a 73-per cent year-on-year increase in seafood imports to US\$72 million.

Truong Dinh Hoe, VASEP general secretary said that the increased import volume consisted largely of material for export processing because of the high demand for seafood exports in the world market. During the first eight months of the year, Viet Nam gained a year-on-year surge in seafood exports of

25.4 per cent to \$4.95 billion, Hoe said.

According to the General Department of Customs, in the first seven months of this year, Viet Nam imported seafood products worth \$203 million from India, \$42 million from Taiwan, \$34.8 million from Norway and \$33 million from Japan, as well as \$28.7 million from Indonesia.

Hoe revealed that seafood exporting enterprises had to import more material to expand their export customer base by year

end and meet domestic demand, especially for tuna and salmon.

According to the Ministry of Agriculture and Rural Development, Viet Nam's largest source of seafood imports is India, which accounts for 33.5 per cent of total seafood imports, followed by Taiwan, Norway, Japan and Indonesia. The main import is shrimp because disease has adversely affected the country's domestic shrimp production, said Nguyen Van Kich, chairman of Cafatex Seafood Joint Stock Company.

Kich added that the country's seafood export processors had to import shrimp from India, which was

cheaper at \$1 to \$2 per kilo, to ensure that they would meet the deadline for deliveries of exports.

Kich also noted that domestic factories' export processing capability remained high, so they decided to continue processing in spite of a lack of domestic material. In the future, domestic enterprises are expected to import more seafood as the Trans Pacific Partnership (TPP) agreement is signed by TPP member countries, said Kich.

The agreement is expected to create opportunities for domestic enterprises to export their products at zero tax rates. The anticipated high demand serves as a great challenge for the domestic seafood industry, added Kich.

Pham Anh Tuan, deputy director of the General Department of Fisheries, said that in the future, the country's fisheries industry would prioritise the review and adjustment of plans for growing and consuming key seafood products, including tra fish, shrimp, prawn and tilapia, as well as mollusks.

Source: VNS

LEGAL UPDATES

Updated new policies on foreigners in VN

A string of fresh policies on foreign-related elements were introduced in the first eight months including foreign strategic investors, sub-lease of job, preferential corporate tax, international goods trading activities with foreigners, temporary import for re-export, and indirect investment capital account.



Foreign strategic investors

A foreign strategic investor may hold 20% of the charter capital of a Vietnamese credit institution, according to Government's Decree 01/2014/ND-CP, dated January 3, 2014. The decree took effect from February 20, 2014.

Decree 01 adds financial joint stock companies and financial leasing companies to the list of organizations eligible to sell shares to foreign investors. This helps increase opportunities for foreign investors in Viet Nam.

Decree 01 maintains provisions on share ownership percentage of foreign investors as individuals and

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organizations. However, a foreign investors' share ownership percentage can be raised to under 15% of the charter capital of the Vietnamese credit institution.

The total share ownership level of foreign investors cannot exceed 30% of the charter capital of a Vietnamese commercial bank.

Guidelines for sub-lease of job

Circular 01/2014/TT-BLDTBXH dated January 8, 2014 (Circular 01) took effect from March 1, 2014 providing further details on the implementation of paragraph 3 of Article 54 of the Labor Code of the licensing the activity of labor sub-lease, the deposit and list of works permitted to be done in sub-lease of labor.

As a rule, foreign enterprises may enter into joint ventures with Vietnamese enterprises to trade in the sub-lease of labor. In addition to the meeting of capital requirements, foreign enterprises have to prove that their main business line is the sub-lease of labor.

Foreign enterprises should provide contracts to which they have conducted the business activity of sub-lease of labor, in which the operating time of labor sub-lease has been granted in accordance

with local regulations is represented and related to documents (if any).

Preferential corporate tax

The Government's Decree 154/2013/ND-CP, dated November 8, 2013 guides the management of concentrated information technology parks.

Accordingly, enterprises will enjoy corporate tax rate of 10% for 15 years (up to 30 years in special cases) and exempt from tax in 04 years and get 50% tax cut in the next five years.

In addition, they will be exempted from import tariff for goods imported to create fixed assets and serve for production of information technology products and services of enterprises.

Under Decree 154, concentrated information technology parks must employ at least 2,000 laborers doing specialized jobs in information technology, occupying at least 60% of total laborers working in the IT Park.

The Decree took effect since January 1, 2014.

Int'l goods trading activities with foreigners

The Ministry of Finance on January 27, 2014 issued Circular No. 04/2014/TT-BTC (Circular 04) guiding some regulations on international goods trading activities and agent

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activities of buying, selling, processing and conducting goods transit with foreigners.

Circular 04 stipulates four types of imported goods under tariff quotas including salt, tobacco, poultry eggs, refined sugar and raw sugar.

Used automobiles of all kinds shall satisfy condition that the vehicles were used less than 5 years old from the production year to the import year.

Temporary import for re-export

The Ministry of Industry and Trade on January 27, 2014 issued Circular No. 05/2014/TT-BCT (Circular 05) providing for the temporary import, re-export, re-import and transit of goods.

Circular 05 takes effect from February 20, 2014 and replaces Circular No. 05/2013/TT-BCT, dated February 18, 2013.

From February 20, 2014, enterprises trading in temporary import for re-export of used goods and goods subject to special consumption tax must have the security deposit of VND 7 billion. The security deposit must be paid to the State Treasury at provincial level or bank branches in the province or city where the enterprise is issued Certificate of business registration or Certificate of enterprise registration.

The deposit amount of enterprises trading in temporary import for re-export of frozen foods is VND 10 billion.

Regulations on indirect investment capital account

Circular 05/2014/TT-NHNN (Circular 05) of the State Bank of Viet Nam guides the opening and use of a capital account to carry out foreign indirect investment activities in Viet Nam.

Circular 05 only applies to investors who as non-residents perform indirect investment activities in Viet Nam, as well as the organizations and individuals involved in the indirect foreign investment in Viet Nam.

According to this Circular, all foreign indirect investment activities in Viet Nam by foreign investors must be done through one indirect investment account opened at one licensed bank and all indirect investment activities shall be made in VND.

The Circular took effect from April 28, 2014.

Management of foreign learners

The regulations of the Ministry of Education and Training on management of foreign students in Viet Nam will take effect on April 11, 2014.

HIGHLIGHTS

EIU forecasts strong growth for Vietnam's exports

London, September 6 (VNA) – Vietnam's exports are likely to keep a strong growth in the time ahead, according to the Economist Intelligence Unit (EIU), which is one of the reasons behind the EIU's positive forecast on the country's economic outlook in 2014 and 2015. The research and division of The Economist Group quoted statistics showing Vietnam posted an annual export growth rate of 24.1 percent for the period 2010 – 2013; and a year-on-year increase of 13 percent for the first eight months of 2014.

In addition, the EIU said Vietnam is on its way to realise the goal of trade surplus in 2014, the third year in a row. The US maintains its place as the top market for Vietnamese exports, buying 18.5 billion USD worth of Vietnam's goods in first eight months of this year, a 22-percent year-on-year increase. It is followed by the EU with 17.5 billion USD, the Association of South East Asian Nations (ASEAN) with 12.4 billion USD) and China with 9.8 billion USD. In the same period, China continues to be the largest exporter to Vietnam with 27.6 billion USD. The

EIU said Vietnam is making efforts to reduce its dependence on Chinese supply of materials, noting that imports from China in the 8-month period grew by only 17 percent, a remarkable drop from the 23 percent rise in the same period last year.

Source: VNA/VNP

Vietnam rises to 68th on competitiveness list.

Vietnam has jumped up two ranks to 68th place among 144 economies worldwide, according to the Global Competitiveness Report 2014-15 which the World Economic Forum (WEF) released on Wednesday in Geneva.

In the Southeast Asian region, Vietnam stands behind Singapore at second place, followed by Malaysia at the 20th, Thailand at the 31st, Indonesia at the 34th and the Philippines at the 52nd spot.

The country's inflation rate decreased to 6.6 per cent in 2013, contributing to the improvement of its macroeconomic environment which climbed up 12 ranks to 75th place.

Transportation, electricity and telephony infrastructure saw a slight improvement, climbing up one rank from 82nd spot in 2012 to 81st spot in 2013.

Two of the most remarkable points in the report were Vietnam's labour market efficiency, which was at the 49th spot, and its market size, at the 34th spot.

In terms of technological readiness, the country jumped three ranks to 99th place, with 43.9 per cent of the population having access to the internet. In spite of the increase, local enterprises seem slow in adapting to new technologies in their business and production operations.

Vietnam's banking and finance sector was found to be vulnerable as its financial market development took the 90th spot.

The number of researched economies in the annual report fell from 148 last year to 144 this year. Four countries were not listed in this year's report and placed lower than Vietnam in 2013, particularly Ecuador, Bosnia Herzegovina, Liberia and Benin.

Switzerland topped the rankings for the sixth consecutive year, followed by Singapore and the United States, which jumped from fifth to third place, overtaking Finland at fourth and Germany at fifth.

The report also shows that the world's largest emerging market economies, such as Turkey, Brazil and India, continued to face

HIGHLIGHTS

difficulties in improving competitiveness. China remains the highest-ranked BRICS economy, going up one rank to 28th spot.

The report's competitiveness ranking is based on Global Competitiveness Index (GCI) scores, which are calculated by drawing together 12 categories of country-level data that collectively make up a comprehensive picture of a country's competitiveness.

The categories include institutions, infrastructure, macroeconomic environment and health, as well as primary education, higher education and training, goods market efficiency and labour market efficiency. Also included are financial market development, technological readiness, market size and business sophistication and innovation.

Source: dtinews.vn

Thank you very much!

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