

# VIETNAM

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# BUSINESS REVIEW

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*Vietnam trade surplus for 2014 hits \$2b*



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## ECONOMY

### Rice exports earn \$2.5b, prices fall



VNS - VN exported 5.55 mln tons of rice worth \$2.56b in the first 11 months of 2014, according to VN Food Association (VFA).

In the first 20 days of Nov, the nation shipped 190,000 tons of rice, and from the first day of this year until November 20, it exported 5.55 mln tons of rice worth \$2.56b.

The average export price in the first 20 days of this month stood at \$474.5 per ton, which was lower than the \$486.6-per-tonne price in the same period last Oct.

At the domestic rice market, VFA reported that rice prices dropped sharply from Nov-14 to 20, by VND300 to VND450 per kilo to VND8,450 per kilo for rice with 5% broken grains, VND8,100 for rice with 15% broken grains & VND7,700 for rice with 25% broken grains.

This year, Vietnam expects to export 6.5 to 7 mln tons of rice, worth about \$3b, revealed VFA.

Traditional export markets for Vietnamese rice include Singapore, mainland China, Hong Kong, Cote d'Ivoire, Algeria and Indonesia.

VFA has also predicted 2015 to be a tough year for VN rice exporters in the face of fierce competition from their Thai rivals because Thailand has concentrated on recovering traditional rice markets in Africa and expanding its markets in Asia, especially the Philippines, Indonesia and China.

### CPI falls on lower transport cost

VNA – VN's CPI fell in Nov 2014 by 0.27% month-on-month largely because of decreasing transport costs, the General Statistics Office (GSO) revealed yesterday.

This is the second time VN's CPI has decreased since last Mar, when prices fell by 0.44% from Feb.

CPI increased in Nov by 2.6% YOY, which was lower than the 3.23% YOY increase last Oct but still the lowest CPI in the past 10 years.

Do Thi Ngoc, deputy head of the GSO's CPI Department, attributed the decline to the 20% fall in the

retail prices of petrol, leading to a sharp reduction in transport costs of up to 2.75% month-on-month, thereby contributing to a 0.24% CPI decrease.

"Transport costs will continue to fall in the future," Ngoc said, adding that gas prices likewise posted a remarkable decrease. In addition, the prices of building materials and housing fell by 0.74%.

Notably, the food and restaurant services groups, which account for the biggest portion of the CPI basket of goods and services, decreased by 0.03% while the telecommunications group decreased by 0.01%.

Seven of 11 goods in the basket saw a slight increase of 0.03 to 0.34%. In particular, shoes, garments and textiles increased by 0.34% because of a rise in demand for clothing during the cold season.

Entertainment and tourism increased by 0.1% while education increased by 0.03% and health care services, by 0.04%.

Ngoc observed that the CPI this month reached its lowest level since 2009. This is abnormal because the index usually increases during the year-end months.

## BANKS & FINANCE

### SBV sets new rules to prevent big companies from dominating stock market

VNN - The stock market has been stirred up with the news that credit institutions' loans to investors to fund their stock investment must not be higher than 5% of the institutions' chartered capital.



The State Bank of Vietnam (SBV) is about to issue a new circular, setting the limits and conditions for commercial banks in providing credit to fund stock investments.

Some analysts commented that the central bank will tighten lending to fund stock investments.

They cited the current regulation as saying that commercial banks can provide loans to securities investors if the loans are not higher than 20% of their chartered capital. Meanwhile, under the new legal document to be released in some days, the proportion is 5% only.

However, Pham Huyen Anh, a senior official at SBV, denied the fact that credit limits for securities investments will be cut.

"You should not confuse the current regulation quoted by analysts with the regulation to be issued in some days, because these are quite different concepts," Anh said.

The current regulation says that banks can provide loans worth up to 20% of their chartered capital to fund securities trading deals.

"Securities" here include stocks, government bonds, corporate bonds, investment fund certificates ... etc. Meanwhile, the regulation to be set in some days will only cover investment in shares.

The total chartered capital of operating credit institutions in Vietnam, including foreign bank branches, is about VND435.5 trillion, which means that banks can provide loans worth up to VND20 trillion (5%) to fund stock investments.

The figure, according to Anh, is relatively high, so one cannot say the central bank has tried to tighten lending to fund stock investments.

Anh has also denied that the new regulation would affect stock market performance, saying that the daily trading volume in the stock market is just VND3 trillion.

Stock market reactions

The VN Index fell just two days after the news about the new regulation. On Nov-19, the VN Index of the HCMC bourse decreased by 1%, while the HNX Index of the Hanoi bourse dropped by 0.68%.

A report from BIDV Securities Company says that once the new regulation officially takes effect, banks will have to urge customers to pay debts in order to reduce the lending index to below 5% of chartered capital.

If so, customers will have to sell stocks to get money to pay debts to banks, which will affect the stock market in the short term.

### Vietnam banks to trim bad debts by year end

Reuters - Bad debts in Vietnam's troubled banking system could fall sharply by year-end to 2.5 to 2.7 percent of total loans thanks to debt restructuring and tighter supervision, Prime Minister Nguyen Tan Dung said on Wednesday.

## BANKS & FINANCE

Toxic debt eased to 3.88 percent of bank loans in September from 3.9 percent in the previous month, compared with 17 percent in September 2012, Dung told the National Assembly in a televised session, citing banks' reports.

Dung's government has been battling with high levels of non-performing loans that have hurt the property market and stifled efforts to boost private sector businesses and stimulate credit growth.

The State Bank of Vietnam, the central bank, projected bad debts would amount to between 3.7 percent and 4.2 percent of total loans at year end, as it "supervised and reassessed more tightly the debt classification," Dung said.

The Vietnam Asset Management Co (VAMC), the central bank-run firm formed to deal with bad loans, has resolved 4 trillion dong (\$187.97 million) worth of bad debt, or 4 percent of the 95 trillion dong of debt it has bought from banks, Dung said.

"Resolving bad debts in Vietnam faces many difficulties and needs time due to an incomplete legal framework, a lack of state budget and experience," Dung said.



*A man on a bicycle rides past the State Bank of Vietnam in Hanoi. The State Bank of Vietnam, the central bank, projected bad debts would amount to between 3.7 percent and 4.2 percent of total loans at year end. Photo credit: Bloomberg*

The government aims to trim bad debts to around 3 percent by the end of 2015.

Dung also said Vietnam's annual inflation would likely to stay under 3 percent, the lowest since 2003 based on government data.

The annual credit growth in 2014 may surpass 12 percent, up sharply from a sluggish 4.5 percent rise in August, Dung said.

Fitch Ratings and Moody's Investors Service have raised Vietnam's sovereign ratings, citing improvements in the economy and stronger position in its balance of payments.

But independent economists still cast doubts on Vietnam's economic performance and reported levels of bad debts.

"The figure (given by the prime minister) does not reflect a real picture of bad debt ratio right now," said Do Thien Anh Tuan, a lecturer and research associate with Fulbright Economics Teaching Program.

"VAMC's bad-debt solving regime basically moves bad debts from banks' balance sheets to its own."

## INVESTMENT

### Investors flock to Vietnam as e-commerce market expands

VNN - Foreign-run online shops in the past have been less popular than Vietnamese-run ones, which understand local customers, but that trend is changing as more retailers invest in Vietnam.



Last year, the German Rocket Internet announced a huge investment deal of \$250 million in Lazada, and Rakuten, an online retail group from Japan, is reportedly considering the possibility of cooperating with a Vietnamese e-commerce firm.

Observers commented that now is the right time for foreign investors to gear up their investment plans in Vietnam. Most market reports have predicted there would be an online boom in the near future.

Tran Trong Tuyen, director of DKT, which owns the e-commerce solution Bizweb, forecasted that the Vietnamese e-commerce market in

2014-2015 would be double that of 2013.

Vietnamese customers use online shopping through smart mobile devices such as smartphones and tablets.

A 2013 report of Epinion, a market survey firm, showed that 50% of VN internet users use online shopping. VN expects to have an online Black Friday this year.

Lazada's CEO Alexandre Dardy thinks that shopping online through smartphones will be the tendency in the future, which will be favored by young customers.

Flurry Analytics, a market survey firm, has reported that Vietnam ranks second in the world in terms of an increase in the number of smartphone users. This gives one more reason for e-commerce firms to open more online retail channels through mobile apps like iOS or Android.

Large traditional retailers in Vietnam like FPT Shop, Nguyen Kim and The Gioi Di Dong last year began to increase their investments to develop online retailing.

According to Nguyen Thi Bach Diep, CEO of FPT Retail, the retail revenue through the online channel FPT

Shop grew by 600 percent in the first half of 2014.

Some companies like Lazada and Zalora Vietnam have shifted from B2C to C2C, while Tiki.vn, which specializes in trading books and cultural products, has expanded its business scale by trading digital products, electrical equipment and fashion products.

### Payment problems

Though Vietnamese often surf on the internet and place orders online, making payments remains a problem for online shopping.

Pham Tien Dung, chair of Banknetvn, noted that troubles occur more regularly with payment from domestic cards than int'l credit cards, causing consumers to hesitate to buy goods online.

Nguyen Ngoc Dung, chief representative of VECOM's HCM City Branch, the Vietnam e-commerce association, noted that the problem does not lie in technological solutions, but in consumers' habits.

Vietnamese want to see products in person before buying. Therefore, e-commerce firms now have to accept payments after delivery of goods to customers.

## ENTERPRISES

### Vietjet Air and CFM Int'l ink \$300m deal

VNN - The budget airline Vietjet Air and CFM Int'l on Nov-24 signed a 12-year engine maintenance agreement in France, at the witness of Deputy Minister of Transport Pham Quy Tieu & VN Ambassador in France Duong Chi Dung.



Under the \$300m agreement, CFM Int'l, a venture between General Electric and Snecma, a unit of France's Safran SA, will provide technical assistance for 45 engines installed on 21 Airbus A320 aircraft of Vietjet.

Based in HCMC, Vietjet Air has been a CFM client since it commenced operations in late 2011 with 18 leased A320 aircraft. Earlier this year, the airline placed an \$800m order to purchase CFM56-5B engines to power 14 additional Airbus A320ceo and 7 A321ceo aircraft.

As a result, the airline's fleet of CFM56-5B engines is up to 39. Vietjet took delivery of its first purchased aircraft on Nov-25.

"With this agreement, we are looking to CFM to help us keep our maintenance costs in check. They have proven themselves to be a real partner in our operations and will continue to be an asset to support our continued growth," said Managing Director of Vietjet Luu Duc Khanh.

"We are very happy to bring all of our expertise to Vietjet and help them keep their operating costs low. This airline has accomplished a great deal in a short amount of time and we are thrilled to be such an integral part of their team," said Mr. Gaël Meheust, Vice President of Sales and Marketing for CFM parent company Snecma (Safran).

All of Vietjet's new engines will be the CFM56-5B Performance Improvement Package (PIP) configuration. The PIP became the new production configuration for the CFM56-5B in 2011. The improvement, which is providing a 0.5% improvement in fuel burn, includes hardware changes to the core, including new high-pressure

turbine blades, as well as manufacturing changes to the fan and compressor blades and vanes to improve performance retention. The engine maintains the same noise signature as the current production engine and meets current International Civil Aviation Organisation (ICAO) Committee of Aviation Environmental Protection standards (CAEP /6) requirements. Vietjet Air, the first privately-owned airline in Vietnam, is applying the operation model of a new age airline. With the fleet of 18 Airbus A320 aircraft, Vietjet operates 150 flights per day, transporting eight million passengers in total so far. The airline is covering 28 local and international routes across the country and the region to Singapore, Thailand, South Korea, Taiwan, and Cambodia.

In accordance with the business development plan, Vietjet will take delivery of 6-12 Airbus aircraft every year. The airline is considering ordering from world-leading aircraft manufacturers new wide-body aircraft in order to launch international routes to Europe and expand its flight network across the Asia Pacific region.

## ENTERPRISES

### Vinamilk names in top ASEAN 100

VNA - The Vietnam Dairy Products JSC (Vinamilk) is 1 of the 5 Vietnamese firms named in the Top ASEAN 100, which features the 100 most powerful and influential companies around Asia.



The list, made by Nikkei Asian Review magazine, also includes 25 companies from Singapore, 22 from Malaysia, 25 from Indonesia, 22 from Philippines, 25 from Thailand.

In the first 10 months of this year, Vinamilk posted revenue of over 26.9 trillion VND (\$1.28b), up 8.7% over the same period last year.

According to Nikkei Asian Review, Vinamilk is Vietnam's biggest dairy company that makes up half of the local market share. Its market capitalisation amounts to \$5.5b, ranking 2<sup>nd</sup> in VN.

Forbes magazine recently selected Vinamilk as one of the top 50 listed enterprises in VN.

[www.seiko-ideas.com](http://www.seiko-ideas.com)

### Why did Panasonic shift to Vietnam?

Panasonic has opened its first electrical equipment factory in Vietnam after 20 years importing products into Vietnam.

Previously, Panasonic products sold in VN were imported from Thailand and Malaysia. According to this company, the demand for its products in VN has increased by 140% in recent years so the firm decided to build a \$19m factory in VN to produce electric equipment.

In Southeast Asia, Panasonic is known for products such as rice cookers, irons, washing machines, and refrigerators. In the segment of wires, sockets, circuit breakers ... Panasonic products do not have much advantage over Korean brands and even Chinese products. Thus, the investment in the plant in Vietnam shows a shift in the company's strategy to compete for market share in this segment.

### In the eyes of investors, is Vietnam's advantage only cheap labor?

Mr. Takashi Ogura, Director of Panasonic Vietnam, said Vietnam's market is very promising, with increasing demand for high-end

household electrical products. However, except for labor, Panasonic has to import the entire machinery and raw materials so the selling prices will be only slightly lower than imported products of the same kind.

Until Vietnamese enterprises can provide raw materials to Panasonic, the firm will give priority to purchase domestic raw materials to increase the proportion of local content and reduce production cost. It is a polite commitment from Panasonic but its implication is very clear: except for cheap labor, Vietnam does not have anything to respond to the needs of Panasonic.

### More opportunities

For over 20 years, the local household electrical equipment market of Vietnam has developed slowly in the segment for wires, sockets, voltage stabilizers and circuit breakers. If Korean circuit breakers and electrical switches have prevailed as the best, then Vietnamese voltage regulators and power sockets have gained the upper hand, with Lioa and Standa as popular brands.

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## MARKET & PRICE

### Ad market: imperial power bends to suit rural customs

VNN - The Advertisement Law, which was considered a major reform in the industry, has turned out to cause many difficulties for ad firms.

Nguyen Thi Thu Phuong, director of Kim Minh Ad Firm in HCM City, said her company had had problems since the law went into effect on January 1, 2013.

The HCM City Department of Culture, Sports and Tourism asked Kim Minh to show a building permit for billboards which Kim Minh set up before the ad law took effect.

However, the city's Construction Department refused to grant building permit for the billboards, saying that the billboards were installed before the ad law took effect.

However, the ad law not only conflicts with the construction law, but also with the transport law and the land law.

"In another case, though we obtained the building permit from the Construction Department, we still could not get the ad license because the transport department



said the billboard installation did not accord with the standards set up by the transport department," Phuong said.

As a result, Kim Minh now cannot use the two billboards on Hanoi Highway. Meanwhile, according to Phuong, it takes at least VND500 million to install a billboard.

"The more the policy makers try to amend laws, the bigger difficulties they put for enterprises," she commented.

Nguyen Xuan Hung, director of Sai Gon Viet Ad Firm, noted that businesses still meet many troubles when following administrative procedures.

Under the current laws, the ad license granted by the HCM City

Department of Culture, Sports and Tourism is valid for six months.

"The contracts signed between ad firms and customers are valid for one year at least. Therefore, we have to have the licenses renewed every six months, which is really a big waste of time and money," Hung complained.

Ninh Thi Thu Huong, a senior official of the Ministry of Culture, Sports and Tourism, said she does not think the problem is in the advertising law.

"The policymakers tried to create an open legal framework to develop the ad industry, removing a lot of unnecessary administrative procedures," Huong said.

"However, the spirit of the open ad

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law was not understood by local management agencies."

"It is really absurd when the HCM City culture department asks ad firms to renew ad license every six months," he added. "This is not stipulated in the ad law."

Huong said that local watchdog agencies make mistakes when implementing the ad law, setting up regulations which are contrary to the ad law's spirit.

Tran Hung, deputy chair of the Vietnam Advertisement Association, said while the ad law "laid the red carpet" for enterprises, regulations set up by local authorities "laid sharp nails" for them.

### Thai investors eye Vietnam beverage market



VNN - The big brands in the beverage industry of Vietnam are becoming an investment target for foreign investors.

According to Business Monitor Int'l (BMI), VN's food and beverages market has an annual growth rate of 9.43%. Sales of carbonated beverages have risen by 6.9%.

Deputy Minister of Industry and Trade Ms. Ho Thi Kim Thoa said the prospect of this industry was very bright because beverages are an indispensable item for daily consumption. It is forecast that sales of beverage in 2016 will show a two-digit percentage increase.

Many foreign investors have eyed Vietnamese beverage companies. Most recently, ThaiBev, owned by the 3rd richest billionaire in Thailand, revealed intentions to buy major stakes of the Saigon Beverage Corporation (Sabeco). Earlier, ThaiBev's officials met with Vietnamese government officials to present their intentions. ThaiBev evaluated Sabeco's value at \$2b.

Sabeco is planning to set up a restructuring council and sell up to 53% of shares to one or several strategic investors. The government currently owns 89% of this company. Mr. Phan Dang Tuat, Sabeco Chairman, said the firm had known about ThaiBev's proposal but the

Ministry of Industry and Trade must make a final decision.

According to Euromonitor, Sabeco currently holds 46% of VN beer market with brands such as 333 or Saison Beer. The financial statements of Sabeco show that in the first half of 2014, the company sold 649.8 million liters of beer, an increase of 4% over the same period last year. Its revenue during the period increased 6% from last year to \$680m.

This year Sabeco aims for VND29.322 trillion of revenue and pre-tax profit of VND3.672 trillion, 3% up for both compared to the same period last year.

Several domestic beer brands are owned by foreign investors. In late 2011, Carlsberg (Denmark) bought Huda Beer. Carlsberg also owns 55% of a beer factory with a capacity of 50 million liters a year in Ba Ria-Vung Tau province.

In the Halida joint venture with Viet Ha Beer Company, Carlsberg owns 60% and 30% in the joint venture with the Ha Long Beer Company. With Habeco, Carlsberg owns 17.23% of the charter capital and it has proposed to increase that amount to 30%.

## LEGAL UPDATES

### MOIT regulation on foreign retailers contains loopholes

SGT - National Assembly deputies have expressed their concern about the dominance of foreign retailers in the domestic retail market, but the Ministry of Industry and Trade (MOIT) disagrees with their sentiments.



Nguyen Ngoc Hoa, a National Assembly's deputy, chair of the Saigon Co-op, one of the largest Vietnamese retailers, said on November 18 that he fears the domestic retail market will be controlled by foreign groups, and that domestic production will be seriously affected because the distribution network would not be in the hands of Vietnamese.

Minister of Industry and Trade Vu Huy Hoang tried to reassure the public that there was no need to worry about the dominance of foreign retailers in the domestic

market, saying that the watchdog agency is "using necessary tools to control the foreign retailers' network development".

Hoang said there are only 70 foreign-owned retail points out of the total 900 points throughout the country. Meanwhile, foreign retailers are estimated to make up only 3.4% of the total retail revenue of VND3,000 trillion in 2014. The proportion is even lower than the 3.8% recorded 5 years ago.

Also, foreign retailers do not have the right to distribute nine essential products.

However, Hoa said that the figures released by Hoang do not truly reflect the current retail market.

Hoa said though foreign retailers only have 70 retail points, the scale and revenue of the retail points are four to five times higher than that of domestically owned ones.

Meanwhile, retailers, thanks to their powerful financial capability, can locate their retail points in advantageous positions.

He said that foreigners' small market share of 3.4% is true, taking into account the revenue from petroleum, gold and jewelry – products that only Vietnamese can

distribute. Excluding these products, the foreign retailers' market share would be much bigger.

Hoa also denied that foreign retailers are not allowed to distribute nine essential goods.

The Ministry of Industry and Trade often mentions the ENT (economic needs test) as a tool to bar foreign retailers from entering Vietnam.

With ENT, foreign retailers must get the nod from the watchdog agencies' to open second and subsequent retail points. Vietnam has the right to refuse the foreign retailers' proposal to open more retail points, if it finds it unreasonable to set up too many retail points in the same locality.

A lawyer noted that the ENT is just a "vague" principle, with no clear criteria to determine whether foreign retailers can set up more retail points.

He noted that this is a barrier with holes, because it is questionable why Big C can set up two retail points, including one on Tran Duy Hung Street and the other at The Garden building in Hanoi, just one kilometer from each other.

## HIGHLIGHTS

### ADB loans \$50m for tourism infrastructure

VNS - The Asian Development Bank (ADB) & the Vietnamese Government yesterday afternoon signed a \$50m loan agreement to upgrade VN's tourism infrastructure.

The upgrade is expected to boost tourist spending and create more jobs for the poor and ethnic minorities, especially women.

At the signing ceremony, State Bank of Viet Nam Governor Nguyen Van Binh represented the Government and ADB Country Director for Viet Nam Tomoyuki Kimura represented the bank.

"Tourism development projects are an effective way of creating jobs, developing work skills and reducing poverty," Kimura declared at the ceremony.

"A core goal of this project is to promote inclusive economic growth by creating income-generating opportunities to benefit poor and ethnic minorities, women in particular," he revealed.

Tourism plays an increasingly important role in VN economy. In 2013, VN received more 7.5 million international tourists, a 10.6% YOY



increase. Last year, the sector directly contributed 4.5% to GDP and sustained 2.3 million jobs or more than 9% of the country's total employment.

The agreement with ADB aims to boost tourism competitiveness in five provinces within the Greater Mekong Sub-Region economic corridors. The provinces are Dien Bien, Ha Tinh and Kien Giang, Lao Cai, and Tay Ninh.

The upgrade of 45 kilometers of rural roads in these provinces will open access to tourist attractions in underdeveloped areas with large ethnic minority populations.

More than 30,000 people will benefit from better access to markets and social services while environmental conditions at tourist sites will be improved.

Projects in these provinces are expected to lift annual tourism revenue from \$190m in 2012 to \$480m in 2019. They are also expected to help to create 85,000 additional tourism-related jobs, about 60% of which will go to women.

The projects will also support regional co-operation and integration by helping Viet Nam implement regional tourism

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standards and promote multi-country tour circuits.

Based in Manila, ADB is dedicated to reducing poverty in the Asia-Pacific region through inclusive economic and environmentally sustainable growth and regional integration.

Established in 1966, the bank is owned by 67 members, of which 48 are from the region. In 2013, ADB assistance totalled \$21b, including co-financing worth \$6.6b.

### Vietnam has the lowest wages in ASEAN

Thanh Nien News - The salaries of Vietnamese workers are among the lowest of all Southeast Asian countries, according to the Ministry of Labour, Invalids and Social Affairs (MoLISA).

Country	Annual Minimum Wage (US\$)	Hourly Minimum Wage (US\$)
China	2,472	1.19
India	689	0.28
Indonesia	1,087	0.52
Malaysia	3,107	1.24
Philippines	1,515	0.73
Thailand	3,012	1.21
Vietnam	1,296	0.64

The information was announced at the national conference on "Vietnam wage policy in the context of a market economy and economic integration" organized in Hanoi on 25-26 November.

[www.seiko-ideas.com](http://www.seiko-ideas.com)

Co-hosted by the Ministry of Labour, Invalids and Social Affairs and the International Labour Organization (ILO), the event emphasized the necessity of a good balance between promoting enterprise development and providing workers with a fair share of enterprise productivity gains.

The average monthly wage in Vietnam is estimated at VND3.8 million (USD181). One reason for the low pay, according to Nicola Connolly, head of the European Chamber of Commerce in Vietnam, is that Vietnamese workers lack "soft skills".

She said, "They have the degrees and theories but lack some skills for the jobs, so we often need to train them again." She suggested changes in curriculum and introducing more technology into schools.

Deputy Minister of Labour, Invalids and Social Affairs, Pham Minh Huan acknowledged the problem. As of the second quarter, Vietnam had 53.7 million workers, with just under 50% skilled.

However, Huan said that another reason Vietnamese workers are paid less is that companies simply

take advantage of the policies in the country. When the government sets a minimum wage, many firms see it as a standard.

Le Dinh Quang, from the Vietnam General Confederation of Labour, said the practice of collective bargaining has not caught on in Vietnam. Most agreements do not deal with salaries in detail. He said, "We've made a survey on collective agreements at 10 wood workshops in Binh Duong Province and found numerous of violations."

According to the International Labour Organization, in 2013, workers in agriculture, forestry and fisheries had lowest salary, VND2.63 million per month. Workers in the business, banking and insurance sectors had highest; VND7.23 million per month.

### Port equitization attracts foreign investors



VOV - Vietnamese seaports are attracting more interest from

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## HIGHLIGHTS

foreign investors following the Government's decision to sell bigger State stakes in these companies.

More than 90 percent of Nha Trang Port Company's stakes went unsold after its IPO in May, while Quang Ninh Port Company and Haiphong Port Company sold only six to seven percent each. Vietnam National Shipping Lines (Vinalines) IPO also witnessed disappointing results. Experts blamed the failures on the fact that the State still holds majority stakes (75 percent) in the equitised companies, making them unappealing to investors, particularly foreign partners.

However, the Ministry of Transport has ordered Vinalines to build a plan to reduce State capital invested in these firms. All seaports in the country will be equitised. The State will only retain majority stakes in seven big ports: Haiphong, Quang Ninh, Danang, Saigon, Can Tho, Nghe Tinh and Cam Ranh.

Regarding the four key ports (Haiphong, Quang Ninh, Danang and Saigon), the State will only hold 51 percent of total capital instead of 75 percent. For the other three

ports, the State holding will be reduced to 49 percent.

The State will also sell all of its capital invested in port companies.

Le Anh Son, General Director of Vinalines, said many investors were approaching the company and showing interest in buying stakes in the five large port operators for which Vinalines plans to launch IPOs by the end of the year.

"Some investors registered to buy up to 90 percent of Danang Port Company, or even the entire offering of Quang Ninh Port Company, and 49 percent of Haiphong Port Company," Son was quoted as saying in Giao thong van tai (Transport) newspaper.

Many investors were willing to buy shares at competitive market prices, so there would be no more disappointing IPOs, he added.

Vietnam Oman Investments Joint Stock Company, a joint venture between the State of Oman and the State Capital Investment Corporation of Vietnam, recently sought to buy nearly 20 percent of State capital in Haiphong Port Company.

Previously Sigmund Stromme, Chairman of the Nordic Business

Association, suggested the Vietnamese Government allow foreign investors to buy 70-100 percent of stakes in shipping companies and port investment projects. As foreign shipping companies were the main clients of Vietnamese ports, they would want to direct the course of port management.

Moreover, foreign ownership in waterway logistics, forwarding and related activities must be increased following Vietnam's WTO commitments.

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