

VIETNAM

# BUSINESS REVIEW

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*Will Vietnam become the world's footwear production base?*



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## ECONOMY

### Minister confident of 5.8% GDP growth for 2014

VOV - In a keynote address at the Vietnam Business Forum (VBF) in Hanoi on December 2 Minister of Planning and Investment Bui Quang Vinh revealed with confidence that economic growth for the year will reach 5.8%.

There is consensus in the government that most targets approved by the National Assembly have been fulfilled for the year Vinh said, adding that achieving these goals is an important milestone.

Inflation has been constrained and the nation's consumer price index (CPI) in November increased only slightly more than 2%, business failures are down and the number of new business registrations is on the upswing.

All of these statistics provide assurance the economy is solid with more robust economic times in the offing and the country can move forward with plans for further development, Vinh concluded.

The VBF has served as a structured dialogue between the government and the business community



targeting an improved economic environment in Vietnam.

This year's business forum takes place against the backdrop of the economy showing optimistic signs of growth on the back of successful implementation by the government of several key resolutions and reforms.

Key among them were the government's Resolution 19 focused on key solutions and tasks to improve business environment and national competitiveness, Resolution 15 on State-owned enterprise reform and Circular 119 on tax reform.

In addition, the National Assembly adopted a revised Enterprise Law and Investment Law, which aims to create an environment more

conductive to increased transparency.

This presents a very encouraging signal to the business community that it can have full confidence in the government's commitment to take further action in order to take full advantage of new free trade agreements (FTAs) that Vietnam currently and will engage in.

It also definitely has a very positive impact to restore business confidence in doing business and to realize the achievable goal of more favourable investment climate for Vietnam.

The two-day forum has six main issues on the agenda – public debts and bad debts, measures to boost the development of the private sector (including small-and

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medium-sized enterprises and State-owned enterprises), labour, acceleration of SOEs' equitisation, administration reform, and arising issues when joining free trade agreements.

At the event, Virginia Foote, co-chair of the VBF, in turn said FTAs would bring about huge opportunities for Vietnam and a number challenges. Therefore it is critical for the country to thoroughly prepare.

Foote said businesses at the forum should not hesitate to put forth their suggestions on measures they believe would help the country grasp opportunities brought about by FTAs.

Especially those focusing on reforming investment environment, financial and banking system, administration procedures, and SOEs, and raising productivity, Foote said.

Earlier, the General Statistics Office of Vietnam (GSO) reported that GDP rose by 5.62% in the first quarter, 5.09% in the second and 6.19% in the third quarter.

Leading economists have forecast that if the GDP for the fourth quarter is higher than the previous

three quarters, Vietnam would have fulfilled its growth target for the year.

That would make it the third consecutive year in a row, the country has done so, they said.

For her part, Wendy Werner, International Finance Corporation (IFC) Regional Business Line Manager, spoke about Vietnam's success in stabilising the macro-economy.

This is clearly evidenced by the nation's rising credit rating and the government's recent successful issuance of US\$1 billion international bonds in the international bond market, Werner said.

Werner further opined that although local businesses have shown their great effort to overcome difficulties in recent times, many local enterprises are simply too small to compete at international market.

Low productivity and underdevelopment of the support industry are other obstacles that must be overcome, Werner said noting Resolution 19 is an important step in the right direction.

Echoing Werner's views, Chairman of the Vietnam Chamber of

Commerce and Industry (VCCI) Vu Tien Loc said the Resolution 19 is a refreshing breath of fresh air for stimulating reform, ironing out snags and creating trust in the Gov't.

He hoped that the Gov't continues to remove obstacles in public reform.

### Vietnam spends nearly \$3m on animal imports

VOV - Vietnam spent nearly \$3m on import of cattle & poultry breeds in the 8 months leading to Sept, announced Ministry of Agriculture & Rural Development (MARD)'s Dept of Livestock Production.

The latest report by the Dept of Livestock Production showed that in the eight-month period, Vietnam imported more than 1,600 piglets worth \$1.52m in total, up 89% from a year earlier, mostly from Canada, Thailand, Denmark, and the US.

Nearly 1 mln fowl were shipped to VN at a total value of \$3.29m, mostly from New Zealand, the US.

In recent years, Vietnam bought around 14 poultry breeds from overseas markets for State-owned farms, & a number of foreign direct investment projects, such as CP Group, Japta Comfeed and Topmill.

## BANKS & FINANCE

### Overseas remittances to hit \$12b in 2014



VOV - Banks predict that remittances from overseas VN will reach \$12-13b this year.

Over the past 3 years, VN has seen a sharp increase in remittances, from \$9b in 2011 to \$11b in 2013.

Head of HCMC branch, State Bank of Vietnam, Nguyen Hoang Minh said VN would remain in the list of the world's top 10 remittance recipients with \$12.1b, up about 10% compared to a year earlier.

Similarly, the Bank for Investment & Development (BIDV)'s also forecast a 10% increase in overseas remittance to \$12b by the end 2014. Meanwhile, General Director of the Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank) Le Duc Tho expected the figure to hit \$13b in 2014. The rising remittances, together with strong inflows of FDI & ODA will make VN's balance of payments more optimistic, he noted.

Tho also revealed that overseas remittances channeled through VietinBank mostly to Hanoi, HCMC & provinces having large numbers of people working abroad, accounted for 15-17% of the country' total value.

HCMC People's Committee also reported that overseas remittances to the city in the 11 months leading to Dec were estimated at \$4.4b.

### Banks ready to cash in on rising year-end demand

SGT - Banks in HCMC have set aside a combined VND46 trillion to meet the increasing demand of corporate borrowers for cash to scale up business and production for a year-end shopping spree.

Lenders said they see the year-end as a good opportunity to improve sluggish credit growth. As of the end of October, HCMC-based banks reported credit growth of 7.5% compared to late 2013.

Nguyen Hoang Minh, deputy director of the central bank's HCMC branch, said demand for cash accelerated at the end of the third quarter and early the fourth quarter as enterprises needed to boost production and business

activities for the year-end sale season.

Banks in the city added around 1.4 percentage points to credit growth in each of September and October. Local banks are expected to post a credit expansion rate of 11% at the end of this year, Minh said.

However, most banks early this year found it hard to provide loans to customers as businesses scaled down activities due to the protracted economic malaise. Despite many measures to inject capital into the economy, the city may miss the year's credit growth target of 12%, he added.

But, local banks still have made around VND46 trillion in loans available for the year-end business season, up 10% against 2013. Phan Huy Khang, general director of Sacombank, said the bank has slashed short-term lending rates for enterprises in need of working capital. The lender now offers annual short-term rates of 7-10% and long-term rates of 10-12%.

Sacombank hopes that the competitive lending rates will help lure more corporate borrowers. The lender has reported a credit growth rate of 13% in the year to date and

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expects to reach around 14% at the end of this year.

Pham Linh, deputy general director of VietABank, said credit has picked up strongly in recent times.

VietABank currently applies short-term lending rates of around 10% per annum. However, to attract borrowers, the bank has launched a preferential credit program with an annual interest rate of 7% for loans with tenors of less than 6 months.

With the credit program, VietABank is pinning high hopes that it will obtain higher credit growth at the end of this year, Linh said.

An entrepreneur in the food industry said bank loans have become more accessible now and many banks have launched preferential loan packages for customers.

However, the businessman will not take out huge loans for the upcoming sale season given the current state of the economy.

Ending October, the nation saw credit rise 8.63% compared to late last year, a strong improvement compared to the 6.62% recorded on September 22, according to the State Bank of Vietnam.

### Mobile banking transaction surge



SGT - The number of banking transactions made via mobile phones has grown strongly in Vietnam and doubled that of Internet banking transactions, according to a recent survey conducted by Smartlink and the news site VnExpress.

Based on replies by more than two million respondents about services of 29 banks, the survey found that though revenues from mobile banking transactions are lower via the Internet, the first channel holds huge growth potential.

Mobile banking services will become a vital transaction channel in the coming time as 20% of Vietnam's population is using smart phones, said Nguyen Tu Anh, general director of Smartlink Card Services Joint Stock Company.

Anh added that the survey indicated mobile banking service is diverse in technology and features.

Mobile banking has grown strongly and the number of active users is higher than that of Internet banking service customers.

The number and the value of mobile banking in the first half of this year were seven million transactions and VND50 trillion. These were still much lower than 24 mln & VND311 trillion of banking transactions made via Internet.

She noted there are some banks having synchronized their mobile banking and Internet banking systems to offer their customers with various services and conveniences.

Basic functions of banking services like money transfer, account balance check, bill payment and online saving have been provided via Internet banking and mobile banking. All banks have set up their call centers and some have offered webchat and voice mail services so that customers can directly interact with them to take care of their customers & improve service quality.

Though most banks offer Internet banking, the intensity and the diversity of their services differ and the number of users is still low with around 30% on average.

## INVESTMENT

### Japanese investment in Vietnam reaches \$36.5b

VNA - Direct investment from Japan to Vietnam hit US\$36.5 billion by October 2014, according to statistics of the Japanese Business Association (JBA).

Shimon Tokuyama, a JBA representative, said at the Vietnam Business Forum 2014 in Hanoi on December 2 that the number of Japanese-invested projects in Vietnam has increased over the last three consecutive years.

According to him, the JBA has 1,388 members in VN, second only to Thailand in Southeast Asian.

Shimon Tokuyama said the revision of the laws on Enterprises and Investment has improved the business environment and businesses' competitiveness, but some issues still need more amendments.

He also suggested Vietnam should focus on further developing the support industry and small and medium-sized enterprises.

The expert said the formation of ASEAN Economic Community (AEC) by the end of 2015 will create a regional large market with over

600 mln consumers but VN will also have to cope with fiercer competitions from regional countries.

Therefore, Vietnam should develop production through attracting foreign investment, thus improving its competitiveness, he said.

Official government statistics show that between 2011 and 2013, Japan topped the list of 101 countries and territories investing in Vietnam. Especially in 2012, Japanese investments accounted for half of the total foreign direct investment in the country.

### Chow Tai Fook Enterprises eyes \$4b Vietnam casino project



Bloomberg - Chow Tai Fook Enterprises Ltd., a Hong Kong company with businesses from property to jewellery, is ready to invest in a \$4b casino project in VN. "We are interested," Henry Cheng, a director at the closely-held investment company, said in a Nov.

28 interview about the casino resort in the central Vietnam province of Quang Nam. "We are doing something now to secure this project."

Chow Tai Fook, controlled by the family of Hong Kong's fourth richest man, Cheng Yu-Tung, is looking to tap a boom in gaming demand as more Chinese travel overseas. Vietnamese policy makers are seeking to replicate the success of Singapore and Macau in attracting gaming resorts and tourism.

VinaCapital Group, Vietnam's largest fund manager, is developing the Quang Nam project and had almost completed negotiations with an unnamed foreign partner, according to an October report by the Vietnam Investment Review.

In June, Chow Tai Fook, Hong Kong-based property developer Far East Consortium International Ltd. and Echo Entertainment Group Ltd. joined hands to bid for a contract to build a casino in Brisbane, Australia. The two Hong Kong companies will each take 25 percent stakes in the project, according to a June 23 statement from Brisbane-based Echo.

## ENTERPRISES

### Vietnam's state-owned firms owe banks, foreign donors \$71b

Thanh Nien News - State-owned corporations are sinking deeper into debt & few believe they'll ever see much of that money again, according to a Gov't report.

The most recent Gov't figures submitted to the National Assembly indicate that state-funded companies were VND1.515 trillion (\$71b) in the red by the end of last year, up 9% from 2012.

The sum amounted to around 1.45 times their equity. Nearly VND490 trillion (\$23b) of the debts were owed to foreign & domestic banks. The fuel giant VN Oil and Gas Group, known as PetroVietnam, held the largest portion of bad debt, followed by the monopoly Electricity of VN (EVN), the VN Coal & Mining Group (Vinacomin) & shipping giant Vinalines.

The ironic aspect of all that debt is that it's held by companies that are reporting record profits.

PetroVietnam and its subsidiaries reported VND23.6 trillion (\$1.1b) in after-tax profits for the first half of

this year in July -- 19% beyond the company's financial projections.

EVN, which hikes its prices several times a year, announced a revenue increase of 19.8% in 2013 to VND172.4 trillion (\$8.1b).

That same year, Vinacomin also reported a VND3 trillion profit, up around 20% from the previous year.

Nearly VND326 trillion (\$15.24b) of the debt was obtained through official development assistance loans backed by a Gov't guarantee.

The report does not specifically explain who holds the remainder of the debt to whom. Experts said it included debt owed to the State Bank and, ultimately, the Vietnamese taxpayer.

The 796 SOEs also have their own debtors, the report said.

Debts owed to them rose 1.6 percent in 2012 to VND298,645 billion (\$13b) by the end of 2013.

Of that debt, VND10,329 billion (\$483m) or 3.46% was described as difficult to recover -- 15.8% more than in 2012.

PetroVietnam was owed the largest portion of the distressed debt -- VND2,856 billion (\$133.7m) -- followed by Vietnam Coal and

Mining Corporation (Vinacomin) VND890 billion (\$41.6m), the country's sole airport manager Airports Corporation of Vietnam VND678 billion (\$31.8m), Vietnam Northern Food Corporation VND430 billion (\$20.2m), and the shipping giant Vinalines VND417 billion (\$19.5m).

The government said some companies did not owe much, but were still unlikely to repay large portions of their obligations.

The VN Motor Industry Corporation, for example, is not likely to pay back VND11 billion or 59% of its debts.

Also, 59% or more than VND29 trillion of debt owed by the Vietnam Tea Corporation was described as "hard to recover."

Several construction corporations were reported to have borrowed amounts equivalent to more than half of their equity.

For example, the Civil Engineering Construction Corporation 8 (Cienco8) has lent more than VND1 trillion or 73% of their asset value.

Two Hanoi-based construction companies, Truong Son and Thang Long, has lent 64.7% and 58.4% of their total equity, respectively.



## MARKET & PRICE

### Car imports speeding to historic high of \$1.5b

VNS - Viet Nam is likely to spend US\$1.5 billion on auto imports for the entire 2014, the highest level so far in Viet Nam's history.

Figures from the General Statistics Office (GSO) showed that from January to November this year, total car import value reached \$1.23 billion, a 100.7-per cent year-on-year increase.

The figures also showed that in November alone, as many as 8,000 cars worth \$155 million were imported, which was similar to that of last September.

"With this momentum and the anticipated year-end shopping peak, the import value for this year could reach \$1.5 billion," Do Ngoc Quang, a car analyst at [www.caronline.com.vn](http://www.caronline.com.vn), told Viet Nam News.

"If you look back at car import figures over the last five months, import volume and value climbed gradually from 6,000 units worth \$133 million last June to 8,000 units worth \$155 million last month," Quang said.



Meanwhile, the success of the recent Viet Nam Motor Show 2014 which ended late last month and witnessed record sales, with 560 contracts signed, will also contribute to overall car imports this month.

"The delivery time of a car contract is always within a month, which means more cars will be imported in December," said Luong Dinh Hung, general director of ASC Group, a prominent car importer in Viet Nam.

Hung noted that most of the sales contracts signed at VMS were luxury and high-end models such as the BMW 428i Gran Coupe, Mercedes S500 Coupe, Audi A3 Sportback and Lexus GX460.

A marked increase in the number of imported cars likewise took place in 2013. A total of 34,500 cars worth \$709 million were imported, marking an increase of 25.9 per cent in volume and 15.2 per cent in value year-on-year.

Also, according to the Ministry of Finance, several types of vehicles will enjoy import tariff cuts beginning next year in line with Viet Nam's commitment to the World Trade Organisation on tax reduction.

In addition, under commitments to the ASEAN, auto import taxes will be completely abolished in 2018.

About two million cars and 37 million motorcycles are on the

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roads of Viet Nam, which has a population of more than 90 million.

### Falling world oil prices pose new challenges: PM

VNS - The Government yesterday admitted that the Vietnamese economy could face new challenges from the ongoing fall in world crude oil prices.

At a monthly cabinet meeting held yesterday in Ha Noi, Prime Minister Nguyen Tan Dung urged the finance ministry to calculate State budget income in order to avoid a deficit.

Oil prices fell from US\$105 per barrel at the end of July to \$68.53 at the end of November. This is the lowest in about four years.

Viet Nam exports crude oil, but it has to import finished petroleum products.

The PM also called for tighter control of prices and markets as well as combating contraband and low-quality goods as the New Year is approaching.

During January-November, the macro economy continued stabilise, while growth recovery was reported in all fields. GDP growth was higher than in the two previous

years and is expected to exceed the set target of 5.8 per cent.

In the period, inflation was kept under control, the consumer price index (CPI) increased by 4.3 per cent, while the index of industrial production rose by 7.5 per cent - and FDI disbursement increased by 6.2 per cent.

PM Dung also requested ministries, sectors and localities to speed up economic restructuring in line with the changing growth model, while boosting the restructuring and equitisation of State-owned enterprises as planned.

He asked for more efforts to stabilise the macro economy, remove business obstacles, and hasten the processing and disbursement of projects, especially those involving infrastructure.

Meanwhile, the State Bank of Viet Nam was requested to implement measures to deal with bad debts, and re-organise credit institutions, making it easier for businesses to access loans.

The PM asked ministries, sectors and localities to continue implementing administrative reform and improving the business climate.

They were also urged to strengthen inspections over law enforcement and corruption and prevent wastefulness.

The Government leader stressed the need to focus on sustainable poverty reduction, new-style rural areas and job generation. He also asked for concerted measures to combat social crimes, and ensure social order and traffic safety.

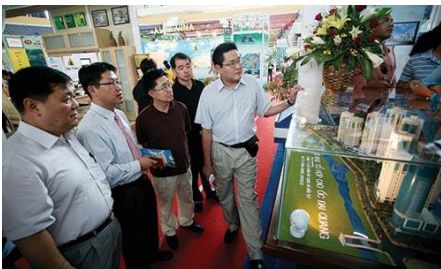
PM Dung also agreed with a proposal from the labour ministry that State cadres and public officers have four days off from January 1 to 4 to celebrate the New Year; nine days off from February 15-23 to celebrate Tet (Lunar New Year) and six days off from April 28-May 3 in observance of the Hung King's Festival, the Reunification Day and the Labour Day.

At a following press conference, head of the Government Office, Nguyen Van Nen, praised the decision for Thua Thien-Hue to end a controversial resort project at Hai Van Pass. The provincial government said the decision was made following public outcry over the project's planned location.

## LEGAL UPDATES

### New law widens foreign-home rights

VIR - With a majority of 77% vote the National Assembly last week passed the long-awaited amended Law on Housing which would expectedly make positive changes to home-ownership rights for foreigners. Bich Ngoc reports.



According to Nguyen Manh Ha, head of the Ministry of Construction's (MoC) Housing and Real Estate Market Management Department, the revised law was the most liberal policy yet in terms of home-ownership rights for foreign individuals and organisations.

One of the largest changes Ha said was that properties owned by foreigners could be sub-leased, traded, inherited and used as collateral. This marked a major change on the previous policy that restricted ownership to purely being used as habitation.

The revised law, which will take effect from July 1, 2015, states that

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

all foreigners who have been granted a visa to Vietnam are allowed to buy property in the country. All foreign investment funds, banks, Vietnamese branches and representative offices of overseas companies are also eligible to buy properties.

Foreigners will now also be allowed to buy any kind of properties, whether apartments or houses, but with the proviso that such property is in already designated commercial housing developments. More importantly, there will be also no limit on the number of houses a foreigner can buy, but the total number of units owned by foreigners must not exceed 30 per cent of the total units in one building, or not exceed 250 houses in one particular administrative area.



In addition, there will be no cap on the size of properties foreigners can buy. However the tenure remains at a 50 year leasehold period with an

apparent with renewal possibility. Foreign individuals married to Vietnamese citizens are entitled to freehold tenure.

The revised law attempts to make the market more attractive to foreigners who have been working and living in Vietnam for a long time and wish to have stable ownership.

According to Dung Duong, head of research department under CBRE Vietnam, the relaxation of foreign ownership restrictions is more significant than previously anticipated and marks a strong step towards opening up the Vietnamese real estate market to overseas investment.

"This recently passed law makes the market more attractive to Vietnam-based expats seeking an investment in residential properties in Vietnam and clears away the initial barriers to create a level playing field. It should be noted that the implications may not be felt immediately, it will definitely benefit the already improving residential market. Generally, it will provide another boost to the strengthening of confidence and market sentiments, which is

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## LEGAL UPDATES

currently much needed for Vietnam real estate investment after it lost its lustre post 2008," Dung cited in her latest report on foreign ownership in Vietnam.

She further commented that this long awaited change would help create a more balanced, transparent and sustainable residential property market in Vietnam and was expected to play a major role in correcting, to some extent, the above-mentioned issues, but the participation of private sector players would also play a big role.

The revised Law on Housing is the latest government move to help bolster the property market, following a housing stimulus programme and a low-cost home loan package.

The home property market is showing signs of recovery, mostly in the mid-range, whereas few high-end residences are attracting buyers. Therefore, Deputy Minister of Construction Nguyen Tran Nam believed that the new house-ownership policy would encourage more capital into the market.

The expansion of the housing purchase regulations for foreign

individuals and organisations may encourage foreign investors to own houses in Vietnam.

The existing Law on Housing was based on the content of Resolution 19/2008/QH12 issued by the National Assembly in 2008 which piloted allowing foreign individuals and organisations to buy homes in Vietnam.

According to figures from the General Department of Land Administration under the Ministry of Natural Resources and Environment, as of the end of November this year, just 780 overseas Vietnamese and foreigners had registered home ownership in 22 provinces and cities nationwide, with less than 200 non-Vietnamese being noted.

Industry insiders said that Vietnam had lagged behind other countries in providing home-ownership rights for foreigners. According to the MoC, home-ownership rights have been open for foreigners in countries such as South Korea, China, Thailand, the Philippines, Malaysia, and Singapore for a long time.

Christopher Piro, director of sales and marketing at Indochina Land said that from a regional

perspective this made Vietnam unattractive as investors from Hong Kong, Singapore, or China typically survey key destinations such as Malaysia, Thailand, and the Philippines and compare the ownership laws as the first step of their due diligence.

"Upon further review this does not bode well for Vietnam given that in Malaysia foreigners are permitted to own property on a freehold basis (subject to terms and conditions) while in Thailand ownership is offered up to 90 years," he said.

But the passing of the amended Law on Housing, would be good opportunity for developers to sell their products, Piro said, adding that through Vietnam Sotheby's International Realty, Piro's sales team had received hundreds of inquiries from foreign buyers. Firstly clients ask about foreign ownership laws and specifically the duration of ownership, and whether or not they can rent out the property.

## HIGHLIGHTS

### Vietnam records 10.6% increase in public debt

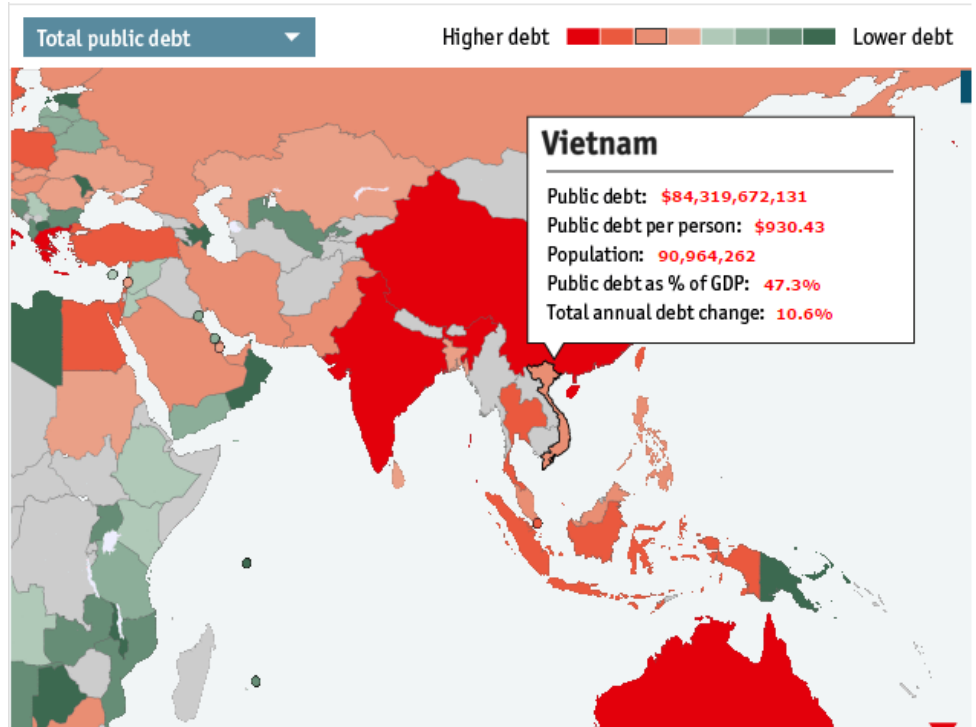
Dtinews - Vietnam's per capita rate of public debt has increased by 9.9% or VND 1.8 million over the past year, according to a recent report by the Economist.

According to the Economist, as of October 1, Vietnam's total public debts reached USD84.32 billion, accounting for 47.3% of the country's GDP, up 10.6% from a year earlier.

With a population of 90.96 million, each Vietnamese citizen would have to bear USD930.43 in public debt, were it to be divided evenly.

Speaking at the government's regular meeting on the afternoon of September 30, Chairman of the Government Office Nguyen Van Nen said the prime minister recently asked the Ministry of Finance to review the country's public debt along with a few other economic indicators.

Nen said that there is still a lack of consistency in the current methods of calculating public debt in Vietnam, and the ministry must work out standardised and accurate calculation methods, file



a report to the Party and National Assembly and then announce it to the public.

Currently, the ministry is providing information about public debt by bulletin, but these are not always up to date. The second bulletin was released last October.

According to the latest bulletin, the ministry claimed that Vietnam's public debt accounted for only 55.7% of the country's GDP, which is lower than the NA's ceiling rate of 65%, and is still at manageable level in accordance with recommendations of the World Bank and the International Monetary Fund (IMF).

However, according to estimates by Dr. Pham The Anh, Vietnam's public debt accounts for as much as 98.2% of its GDP when taking into account debts held by state-owned companies that are not guaranteed by the government and accumulated debts for construction of infrastructure.

### EuroCham releases White Book on Vietnam trade, investment

The European Union is committed to providing 400 million EUR for Vietnam over the next six years, according to the 2015 White Book on Trade, Investment Issues and

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Recommendations that was released in Hanoi on December 1.



The launch of the book, the seventh edition of its kind, is the end result of work conducted over the course of the year by the European Chamber of Commerce in Vietnam (EuroCham) and its members, to identify investment and trade issues affecting Vietnamese business climate & give recommendations. The content of the book covers a number of major industries that EuroCham's almost 800 members operate in, including agricultural business and food safety, banking and finance, fast-moving consumer goods, information technology, tourism and hospitality.

The book remarked that the EU is the second largest trade partner of Vietnam with a total trade of 24.2 billion EUR.

Over the last 12 months, EuroCham has observed and welcomed effort and reforms that have been initiated by the Vietnamese

government, yet there is more to be done to both secure the achievements and realise further investment and trade in the market, its press release said.

The 2014-2015 World Economic Forum (WEF) report showed that Vietnam improved its overall global competitiveness ranking from 70th place to 68th this year.

### Low inflation gives high hopes to businesses

VNN - Stable prices are believed to be good news for national economy and businesses, but economists say government policies are even more important.

CPI often increases in the last months of years, but CPI in Nov decreased by 0.27% as reported by the General Statistics Office (GSO).

Dr. Le Dang Doanh, a renowned economist, commented that this was good for the national economy, which shows more stable macroeconomic conditions. The high inflation in the past was described as an "intangible tax" imposed on consumers & biz.

Doanh pointed out that the sharp fall of global oil prices was the main reason behind the low CPI increase.

The oil price decrease has led to a drop in petrol price, which influences prices of other kinds of goods & services.

Vietnam, as a big importer, has also benefited from the import of fertilizer and products made of oil as the prices have decreased.

Dr. Nguyen Hong Son, president of the Economics University, an arm of the Hanoi National Economy, believes that the inflation rate will be low in 2015 as well.

However, he said in VnExpress, it is difficult to say how the low inflation will impact the national economy. "Whether businesses can benefit from the low inflation depends on the policies the government sets up in such conditions," he said.

The lower inflation rate will widen the gap between the nominal and real exchange rates, which would attract the foreign capital flow to Vietnam.

"The dong/dollar exchange rate has been stable. It is now necessary for state management agencies to apply measures which can both help stabilize the macro-economy and narrow the gap between the interest rate and the exchange rate," he said.

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Dr. Doanh also noted that Vietnam cannot “rest on the low inflation rate”, because there are too many things which still need to be done.

Dau tu chung khoan reported that some economists have called on commercial banks to ease the interest rates now that inflation rate is low. The CPI in November decreased by 0.27%. Meanwhile, the CPI increase in the first 11 months of the year is 2.08 percent only, a 10-year low.

The experts said the ceiling deposit interest rate should be eased by another 0.5% to pave the way for lending interest rates to be lowered. Nguyen Tri Hieu, a renowned banking expert, has also urged slashing the interest rate, which is a prerequisite for the interest rate floating. “It is now or never,” he said.

### Vietnam minister signals U-turn on Uber ban

In a surprise twist, Transport Minister Dinh La Thang said Tuesday his ministry would consider legalizing Uber Technologies Inc., the online car-booking company that competes with traditional cab services, one day after his deputy declared the the taxi service illegal.

Thang told Thanh Nien News Tuesday that he has instructed his agency to consider adjusting regulations to manage Uber's taxi operations.

“Laws and regulations should be amended for the sake of the public interest,” Thang said. “The 2013 Constitution also stipulates that people and companies are allowed to do what is not against the law.”

Thang announce just one day after his deputy Nguyen Hong Truong said at a press briefing Monday that the mobile application-based service has no legitimacy to operate as a cab provider in VN.



The San Francisco-based company has faced fierce opposition in Southeast Asia. According to a Bloomberg report, Thailand said it will fine drivers using private cars to provide commercial services and warned users against the app, which could dent Uber's global expansion plans that underpin a

valuation of the company of as much as \$40 billion, making it worth more than Twitter Inc. or Hertz Global Holdings Inc.

A team of inspectors from the Ho Chi Minh City's transport department and traffic police officers launched an inspection into Uber last week, following complaints from the city's Taxi Association.

Uber looks “forward to meeting with local authorities to discuss how we can work together to help transform and modernize the country's transportation,” Bloomberg quoted Karun Arya, Uber's South Asia communications head, as saying Tuesday.

Uber, which began services in Vietnam on July 31 and has started operations in more than 200 cities since its founding in 2009, faces legal battles in countries including Germany amid complaints about unfair competition and lack of customer safety, according to Bloomberg.

The city of Oslo reported the company to the police for lacking permits to operate there, and Toronto has also asked a court to shut down Uber, the newswire said.

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