

VIETNAM

# BUSINESS REVIEW

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*Automobile firms cooperate to protect domestic market share*



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## ECONOMY

### Vietnam's 2014 exports seen up at a record \$150b: PM



Thanh Nien News - Vietnam's exports this year are expected to hit a record \$150b, up 13% from 2013, PM Nguyen Tan Dung said on Friday, beating a previous government projection.

The value, above the \$148b previously estimated by the trade ministry, could keep Vietnam on track to register a trade surplus of \$1.5b in 2014, its third consecutive annual surplus.

### UAE a top export market for Vietnam agriculture

VOV - In the 10 months leading up to Nov mutual trade between VN & UAE was worth more than \$11m, according to figures from the Ministry of Industry & Trade (MoIT).

With excellent infrastructure, modern business practices and low barriers to market entry – by regional standards – UAE is a promising market for VN. UAE has

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emerged in recent years as one of the top markets for VN agriculture exports in the Middle East & North African region.

Another recent development that should help to spur increased trade and investment between the two nations has been the opening of direct air routes to Vietnam by two UAE airlines, Emirates & Etihad.

VN principally exports fresh fruit and vegetables to the UAE and has barely scratched the surface of the market's full potential, according to the Africa, West Asia & South Asia Market Department under MoIT .

MoIT postulates the rapid growth of these products has resulted from booming population & cultural changes resulting in an increased demand for fresh fruit and vegetables in the region.

### Vietnam – Japan Joint Initiative improves business climate

VOV - The business climate in Vietnam has improved as a direct result of a Vietnam-Japan Joint Initiative that has been implemented for the past 11 years says Minister of Planning and Investment Bui Quang Vinh.

Japanese Ambassador to Vietnam Hiroshi Fukada echoed Vinh's sentiments and noted that since its launch in 2003 there has been a high correlation with increased levels of foreign direct investment.

Co-chairman of the Japan-Vietnam Economic Committee Takahashi Kyouhei in turn said the business climate has benefited from numerous reforms and a revision of tax and customs collection - which in the past had been major sources of complaints.

Those in attendance at the conference agreed that the action plan for the initiative's next phase, its sixth, would include issues related to transport, intellectual property, supporting industry, retail, among numerous other business environment matters.

There was general agreement that the implementation of 5<sup>th</sup> phase of the initiative was effectively implemented most notably by the successful organization of over 40 policy dialogues.

At present, VN's business climate has been steadily improving with its legal system developing in a transparent manner in accordance with int'l norms.

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## BANKS &amp; FINANCE

## Credit grows 10.22% in 11 months

VOV - Credit organisations posted a growth of 10.22% in the first 11 months of 2014, according to the latest statistics released by the State Bank of Vietnam (SBV).

SBV said that Nov saw the largest expansion of credit. Earlier, by Oct-24, it grew only 7.85% compared to the same period last year.

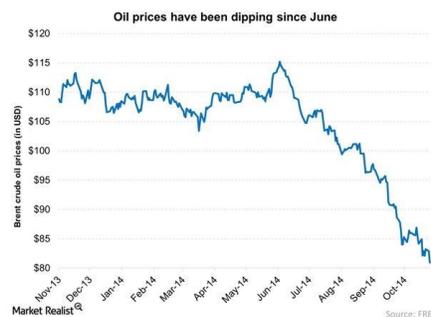
In some commercial banks, the year-end is a good time for credits to hit targets. The Vietnam Bank for Agriculture and Rural Development (Agribank)'s branch in central Thanh Hoa province said it has fulfilled 95% of the set credit growth target of 17.7% while its branch in the northern province of Ninh Binh reported its credit growth of 26% in the 11-month period, meeting 97% of the goal.

With this pace, credit growth target of 12-14% set by the SBV is likely to be reached, experts said.

Earlier, Monetary Statistics and Forecast Department revealed that up to 90% of credit institutions expected their mobilised capital and outstanding credit debt to grow by 4.96 -5.13% in Q4.

## Global crude oil prices affect Vietnam's financial market

*VNN - The gold price has tumbled, the stock market is witnessing a drop in oil and gas share prices, and the US dollar continues to rise.*



The global crude oil price continues to slide after OPEC's statement on Nov-27 on maintaining exploitation output. Light sweet oil dropped by \$7.54 per barrel, or 10%, in New York on Nov-28, to \$66.15 per barrel. This was the sharpest price fall since March 2009.

The sharp falls of the "black gold" price, empowered by the US economy recovery and the greenback appreciation, have had a major impact on the international gold market.

The spot gold price lost \$21.3 per ounce last weekend in New York to \$1,169.5 per ounce.

Vietnam's gold price also decreased, slightly more than the

world price, by VND80,000 per tael last weekend.

The slight price decrease has once again widened the gap between world and domestic prices. Gold is traded at around VND34.96 million per tael.

However, analysts noted that the Vietnamese SJC gold price dropped by VND400,000 per tael over the last week.

Meanwhile, the dollar price has increased steadily despite the statement by the State Bank that the dollar supply was abundant and the bank was ready to sell dollars if necessary.

The dollar price rose by another VND65 per dollar to VND21,460-21,470 per dollar.

The Vietnamese stock market last week saw prices of oil & gas companies falling to floor prices.

On November 28, PVD, a subsidiary of PetroVietnam, for the first time this year, saw its shares traded at the floor price.

GAS and other members of the oil & gas family also faced the same problem. Both domestic and foreign investors tried to sell shares to stop losses.

## BANKS & FINANCE

The shares of enterprises in other business fields also decreased sharply in value last week.

Though the stock index recovered in the last trading session of the week, the market was still pessimistic.

However, consumers have benefited because, as the petrol price has fallen by 20%, prices of other goods and services, including transport services, fertilizer, plastics production and metallurgy, also dropped. Fuel costs make up 20% of business production costs.

Dr. Ngo Tri Long, a pricing expert, commented that the oil price decrease is not worrying for VN.

He said it is understandable that prices of oil and gas shares have fallen. However, this is just a temporary problem.

"Vietnamese enterprises will get benefits from fuel price decreases, which would help them get higher profits, thus making enterprises more valuable and their shares more expensive," Long said.

"Once the oil and gas share prices recover, this will have a positive impact on the market," Long said.

### Experts say local banks should be more active on social media

Stoxplus - Experts said at the ASEAN Banker Forum in HCMC last week that local banks should take advantage of social media to promote their products and services.

In addition to conventional distribution channels such as branch, transaction office, automated teller machine (ATM), point of sale (POS), call center, home banking and phone banking, experts said internet banking, mobile banking, tablet banking and social media would grow fast in the banking sector.

Can Van Luc, a senior expert of Bank for Investment and Development of Vietnam (BIDV), said a survey of Capgemini conducted in 32 nations with the participation of 17,000 customers this year shows 68% of people in America recognize the role of social media in maintaining customer relations, followed by 57% in the Asia-Pacific and 55% in the Middle East and Africa. "The number of Facebookers worldwide

is rising and they would use Facebook for banking transactions," Luc said.

According to experts at the forum, what is going on in Europe is an inevitable trend. Banking transactions via branches and ATMs account for 5% and 25% of the total respectively and tend to decrease there. In the Netherlands, more than 90% of people transact online. In Vietnam, 44% of people are using the Internet, 38% and 30% higher than the average rates of the world and ASEAN respectively. However, local banks have yet to make the most of social media.

Hubert W.E. Knapp, business architect of FPT Information System, said a modern bank should have a professional team responsible for meeting customers' needs on social media, paying close attention to safety and protecting their privacy.

Rahn Wood, head of retail banking at Vietnam International Bank (VIB), said Vietnam has a mere 25% of its population using banking services. So how the remainder can get access to these services is a mission of local banks.

## INVESTMENT



*Sen Do JSC chairman Nguyen Dac Viet Dung (left) and Ryosuke Hayashi deputy general director of the overseas business of SBI Holdings, representative of Japanese investors. The three Japanese enterprises invest in the company to own its 33% stake.*

### Japanese firms invest in FPT subsidiary

Three Japanese enterprises jointly invested in the Sendo Joint Stock Company, a subsidiary of FPT Corporation, recently to get a 33 per cent stake in it.

Sen Do JSC chairman Nguyen Dac Viet Dung (left) and Ryosuke Hayashi deputy general director of the overseas business of SBI Holdings, representative of Japanese investors. The three Japanese enterprises invest in the company to own its 33 per cent stake.

The Japanese firms are SBI Holdings Inc, Econtext ASIA Ltd and BEENOS Inc. SBI Holdings Inc is an Internet-

based financial group with more than 17 million customers, while Econtext ASIA offers online payment services and e-commerce solutions. BEENOS is a cross-border, e-commerce and investment Internet company, which invests in and supports more than 80 internet service providers in countries such as the United States, India and Indonesia.

Speaking at an event to announce the investment in Sendo, FPT Deputy General Director Nguyen The Phuong expressed the belief that the future of e-commerce market in Viet Nam was the reason for the corporation to invest in the sector.

"Partners of Sendo are leading groups involved in Internet services and online payment solutions in Japan. The co-operation will bring essential contribution to Sendo's development process in the coming time," he said.

Sendo Chairman Nguyen Dac Viet Dung said that strategic partners from Japan will help Sendo to approach their networks of customers and partners in the globe. In addition, it will assist the company to increase its management capacity through sales training, human resources development and goods expansion.

Ryosuke Hayashi, deputy general director of the overseas business of SBI Holdings, said that the company decided to invest in Sendo after seeing its growth and realising the potential of Vietnamese e-commerce.

Sendo JSC, founded in March 2012, provides nearly two million products from 70,000 stores on two websites [www.sendo.vn](http://www.sendo.vn) & [www.123mua.vn](http://www.123mua.vn). Sendo acquired e-commerce floor 123mua.vn from Viet Nam's Internet and technology corporation VNG for an undisclosed price.

## INVESTMENT

In September 2014, Sendo was granted Payment Card Industry Data Security Standard (PCI DSS) Level 1 Certification by Case Control (USA), after it met 12 strict international standards on information security policy, data processing and computer network structure for systems.

### Investors eye Vietnam win energy projects



VOV - More than 120 representatives of foreign enterprises in the renewable energy industry gathered in HCM City on December 9 to attend a wind energy seminar sponsored by the Danish embassy.

According to the General Department of Energy (GDE) under the Ministry of Industry and Trade (MoIT) nearly 50 wind power projects have been licensed for operation over the past three years with a design capacity of 4.876 MW.

However, there have been just three commercial wind-power projects to date, which is a modest figure compared to the country's potential.

During the seminar, foreign investors stressed the necessity to increase more investment in this fledgling industry, noting almost all construction equipment has been imported from foreign countries and there are shortages of high-skilled labourers in the field, which has dampened enthusiasm to invest in this field in Vietnam.

At the seminar, Phu Cuong Group signed a cooperative agreement with Denmark's Vestas group to invest in a US\$2 billion wind power project in Soc Trang province with a design capacity of 800MW.

Nguyen Viet Cuong, President of Phu Cuong Group said the group would have to face a number of difficulties in co-ordinating with foreign partners.

Cuong suggested there should be more thorough information developed for foreign partners to learn about wind power opportunities in Vietnam.

### HCMC attracts over \$3.1b in FDI



VNA - HCMC, the largest southern economic hub, has attracted \$3.15b in FDI in the first 11 months of this year, according to a report from the city's People's Committee.

The figure represented an increase of 95.3% compared with the same period last year.

The city licensed 370 new FDI projects with a total investment capital of US\$ 2.78 billion in the period, down 10.2% in terms of projects but up 194.6% in capital year on year.

Samsung group's Samsung CE Complex project alone has an investment capital of US\$1.4 billion, accounting for 50.4% of the total newly-registered capital.

Meanwhile, an additional US\$365 million was poured into 123 existing projects, dropping 45.4% on a yearly basis.

## ENTERPRISES

### 36% local firms join global production networks



VIR - Only 36% of Vietnamese businesses take part in global production networks, including direct and indirect exporting, while the rate in Malaysia and Thailand is 60%.

According to the Vietnam Chamber of Commerce and Industry (VCCI), the involvement of local firms in the global value chains is lower than economies at the same level in the region.

This situation makes Vietnam's supply chain dispersed and less benefited from foreign investment, the transfer of technology and knowledge and improvement of productivity.

It can be attributed to the fact that only 4% of Vietnamese businesses are of large and medium sized and as a result, they are not competitive and less involved in the supply chains, just focussing on the domestic market.

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### Store brands gain in popularity

VNS - Attitudes toward retailers' private labels or store-branded products are improving throughout Southeast Asia, Nielsen said in the 2014 Nielsen Global Private Label Report.

Most consumers in the region said their perception of private label brands had improved over time and the majority viewed private label brands as a viable alternative to named brands.

84% of consumers in VN say their perception of private label brands has improved over time, along with 83% of Thais, 77% of Filipinos, 70% of Malaysians, 66% of Indonesians and 64% of Singaporeans, compared to 71% of consumers globally.

Sentiment is particularly high in the Philippines where 75% of consumers view private label brands as a good alternative to named brands, 69% feel the quality of private label brands is on par with named brands, and 54% believe some private label products are as good or better than brand name products.

Sentiment toward private label offerings is also high in Thailand & Malaysia where 65 & 62% consumers, respectively, believe

private label brands are a good alternative to named brands.

55% of Thais & 52% of Malaysians feel the quality of private label brands is on par with named brands, while 61% of Thais & 46% of Malaysians believe some private label offerings are as good or better than brand name products.

While 66% of Singaporean shoppers and 28% of Thai shoppers are regular private label buyers, in both markets less than 10% of baskets contain a private label product. Overall share of private labels in the region remains low: in Singapore, it is 6.3%, and in Thailand the share sits at just 2.9%.

Perceptions around the value for money offered by private labels are less positive in all Southeast Asia markets than the global average.

Just 46% of Indonesians believe private label brands offer good value for money, the lowest in the region, and sixth lowest globally, followed by 55% in Viet Nam, 57% in Singapore, 58% in Malaysia, 59% in Thailand and 66% in the Philippines, compared to 67% of consumers globally.

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## MARKET & PRICE

### Hanoi's office market to perk up in 2015: CBRE

VNA - The market for leasing offices in Hanoi is expected to brighten in 2015 due to expectations of a continued economic recovery, according to CBRE Vietnam Co Ltd, a foreign property consulting service provider in Vietnam.



"In the short term, improved macro-economic conditions should positively impact net absorption, but not necessarily rental growth," a representative of the CBRE Vietnam said in Hanoi on December 4.

Central business district (CBD) locations are still preferred for renting office space, but not in older office buildings that have not been renovated and fire-proofed, the representative said.

Commercial tenants now see opportunities to upgrade from landed property to professional office buildings, as rents continue to become more affordable and landlords offer more attractive incentives.

"Flexible leasing terms, high quality services and new attractive office design are still the keys to attracting and retaining tenants," the representative said.

"In 2015, we don't project any new grade A supplies, and we expect to see positive net absorption as FDI and economic indicators increase," he added.

Rents are likely to stabilise in midtown and the CBD, but older CBD buildings and new market entrants in the west will feel pressure from increased rental costs.

At the same time, grade B supplies continue to come available, with a total net leasable area of 257,000 square metres to launch in 12 projects in 2015, most notably at Handico Tower, HUD Tower and Diamond Flower Tower.

Further, the growth rate of net absorption is expected to be slower than that of the new supply, while

vacancy rates in grade B buildings will remain high.

"Delays in construction of several projects from time to time, such as Apex Tower and Mo Market, make the picture less grim, however, supply still outweighs demand, so we will continue to see pressure on projects in the West and even in older CBD buildings as opportunities grow in Midtown," according to the official.

CBRE Vietnam also said CBRE recently performed a survey of tall and very tall buildings in the region. According to the survey, while NYC still leads the world with 152 "supertall" buildings, Asia has surpassed the rest of the world in total numbers, despite starting decades later than other areas, with some 1800 in 2015, compared to 800 in the Americas, 200 in the Middle East and 100 in Europe.

As of September, occupancy rate at the Lotte Center Hanoi's has reached 25 percent, with 75 percent of the total 45,000-square metres of office area in the building remaining available.

According to CBRE Vietnam, the occupancy rate is quite successful for a new office building that has

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only opened within the past few months. The rental costs in the building are set at 37 USD per sq.m., considered a medium price for grade A office space.

Lotte Center Hanoi is a multi-functional complex, including shopping centre, hotel, high-end apartments and grade A office area. It is located in Ba Dinh district, Hanoi, having been built with a total investment of 400 million USD.

### Sales campaigns not luring customers to shops



VNN - The year-end sale season has not been as busy as in previous years, with many big sale campaigns in large cities attracting only window shoppers.

The boards with the words “buy one and get one more free” are hung over the entrance of fashion stalls at a large shopping mall in Hanoi.

Lotte, the retailer from South Korea, has launched a year-end sale promotion campaign at 300 stalls.

Meanwhile, at The Garden and Parkson chains, the 20-50% discount rates have been applied to many products. Trang Tien Plaza, in the central area of Hanoi and closed for months for restructuring, is going to open again, targeting middle-class customers, not just high income earners as before.

However, observers say the sale campaigns have not attracted urbanites, who are continuing to try to fasten their belts in the economic recession.

High end shopping malls still cannot attract buyers, despite big discounts.

Mai Thu Hien, an office worker in Thanh Xuan District in Hanoi, noted that the products advertised as “dirt cheap” are still too expensive for her.

“I came to a shop, planning to buy some clothes for my son after I heard about the 50% sale-off there. However, in fact, the prices have decreased by 10-30% only,” she said. “Meanwhile, the products affordable to me were out of date.” Thu Ngan, a media executive at an ad firm, noted that the price cuts have not been large enough in the sale season. Ngan and her office

co-workers went to shopping malls last Black Friday, but could not find anything good to buy.

“Branded goods in Vietnam are always more expensive than in Thailand & Singapore,” she noted.

“You would be better to order online from foreign websites and then pay for shipment. You would get products at reasonable prices and high quality,” she added.

The general director of a retail chain admitted that purchasing power is very weak with sales “standing still”.

“The only solution to stimulate demand is to cut selling prices,” he said, adding that this is a must, even though manufacturers and distributors have to sell products at cost.

“In fact, shopping malls have been deserted since 2013,” he said.

Hang Da Galleria in the central area of Hanoi remains deserted, though its management board has tried to attract merchants by exempting them from kiosk rents.

The Hanoi Industry and Trade Department predicts that total retail sales in 2014 will be 13% higher than that in 2013.

## LEGAL UPDATES

### Circular 36/2014/TT-NHNN: Opportunity for stock market to spurt



VCCI - SBV recently issued Circular 36/2014/TT-NHNN on capital adequacy & liquidity requirements for commercial banks. Circular 36 is said to have an impact on the stock market in the past few sessions. Some new regulations are more stringent, but necessary, particularly those related to bank cross-ownership. Will stock investors have the opportunity or not when Circular 36 is enacted?

#### Approaching professionalism

Mr Pham Huyen Anh, Director of Banking Operation Policy Security Department under SBV, said Circular 36 not only amended inappropriate provisions in Circular 13 but also completed, supplemented & approached more closely to int'l practices & banking governance, managed

and supervised banks, gradually implemented the Basel II regulations on capital adequacy at banks. Particularly, Circular 36 helps improve risk management and ensure the good control of operational quality, solvency, liquidity, safe investment, capital contribution, share purchase and credit lending at credit institutions and foreign bank branches.

According to experts, Circular 36 will restrict cash flows from banks into the stock market. Commercial banks will be only allowed to provide credit in the form of loans and discounts of valuable papers for customers to invest and trade stocks when such lenders meet capital adequacy conditions and have a bad debt ratio of 3% or lower. Loans for stock business cannot exceed 5% of outstanding credits of banks. Although the Circular takes effect on Feb-1, 2015, it is causing considerable effects on the stock market. The stock market has lost ground in the past few days. Mr Pham Phu Khoi, General Director of ACB Securities Company, said that stricter regulations on lending for securities investment will leave substantial impacts on the stock

market in the short term. In addition, securities companies which entirely rely on bank loans to finance margin trading will have to face mortgage release if funding banks have lent more than 5% for securities investment.

#### Opportunity for stock market

After Circular 36 limits total credit for this field from 20% of registered capital to 15%, securities companies have started to recalculate the limit that banks can provide for equity investment. However, these calculations are only estimated because the limit varies from time to time. Input data like total loans, bad debt ratio (banks are disallowed to provide loans for equity investment if their bad debt ratio is 3% or higher) are elastic and changeable every day. Input variables will lead to output variables. Therefore, the total quota calculation is not necessary.

According to experts, calculating the total quota will not be as important as the following:

Firstly, banks (esp commercial banks) always give a priority for bankers to borrow their money to invest in bank stocks. If this is tightened, they will withdraw their

## LEGAL UPDATES

loans from other borrowers to boost internal lending. "Parent banks" may also stop providing credit for their securities companies. Credit supplies will decline in 2 channels.

Secondly, many big bank shareholders borrow to invest in real estate. If their lending is limited, they will give priority to real estate to securities because shares are more liquid. If they have to repay some loans to banks, they may prefer cutting shares to real estate projects. Who will consume?

Thirdly, according to Item 5, Article 14, bank credit grant to customers to invest in shares shall not be secured by such shares. This means that assets formed from loans shall not be used as the security for loans. Margin lending will be once only.

Perhaps, bank shares will be first hit and this blow will cause a domino effect on other securities. So, why will Circular 36 pave way for stocks? The developments on the stock market in the past months show that blue-chips and stocks with good fundamentals have not increased. A half of trading value on both stock exchanges is leveraged by margin loans. Meanwhile, margin loans are spent

on speculative stocks, thus sending the market into a state of instability. If margin lending is slashed, the market will undergo corrections to be healthier. Then, real money will be used on the market and a solid foundation for the market will be established.

The stock market will enjoy a strong growth when gasoline prices plummet. Lower input costs are helping revive manufacturing. Manufacturing companies, including listed ones, will benefit from this. Inflation in 2014 was forecast at 3%, the lowest in a decade. This may encourage lenders to slash interest rates by another 1%. Meanwhile, traditional investment channels such as gold and foreign currencies are no longer an appeal and real estate market has not fully recovered. Unemployed money will sooner or later be poured into the stock. Good-performing companies and those with high dividend payout ratios will be the destinations of cash flows. The second opportunity for stock investors after 2007 is coming.

### Guiding the labeling of packaged food

VLO - Joint Circular No. 34/2014/TTLT-BYT-BNNPTNT-BCT dated Oct-27, 2014 of the Ministry of Health – Ministry of Agriculture and Rural Development – Ministry of Industry and Trade guidance on the labeling of goods for foods, food additives, and packaged food processing aids. Article 6 of this Joint Circular regulates product name of packaged food as follows:

1. Product name applied on labels is initiated by food production and trading organizations, individuals themselves. Product name must ensure the following requirements:

a) The product name must not cause erroneous conception of nature, uses of foods, food additives and food processing aids; must not cause misunderstanding to consumers. The product name must be written on main part of labels.

b) The product name must conform to the name specified in Certificate of Declaration of conformity or Certificate of Declaration of

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conformity with the food safety regulations.

2. Name of imported product written on secondary labels must remain unchanged but name of goods category must be added and accompanied with a name in foreign language or phonetically transcribed into Vietnamese and must ensure compliance with Vietnamese law on goods labels.

3. In case a product consists of various types of the same category contained in the same commercial package, name of that product to be written shall follow name of goods category accompanied with manufacturer's trade mark or brand name of the product.

4. Product name can be accompanied with other supporting words on the label's main part in order to help consumers understand nature and natural conditions of the product exactly.

5. In case name of an ingredient of the product is used as product name or part of product name, that ingredient must be written with quantity next to product name at a position easily noticeable with

naked eye or on the part of listed ingredients.

This Joint circular is effective from December 19, 2014 and replaces Circular No. 15/2000/TT-BYT dated June 30, 2000.

### International electronic money transfer valued at USD 1,000 or more must be reported



VLO - Circular No. 31/2014/TT-NHNN dated November 11, 2014 of the State Bank of Vietnam on amending and supplementing a number of articles of Circular No. 35/2013/TT-NHNN dated December 31, 2013 guiding the implementation of some provisions on the prevention and combat of money laundering.

This Circular is to amend and supplement the following provisions:

- Measures of enhancing evaluation towards customers with high risks;

- The list of foreign individuals with political influence;

- Reports on electronic money transfer;

- Training, retraining the prevention and combat of money laundering;

- The prevention and combat of terrorism financing.

Accordingly, electronic money transfer transactions valued at VND 500 million or more (for the domestic transactions) and at USD 1000 or more (for the international transactions) must be reported to the Bureau of Anti - money laundering

However, the report is not required for the two cases below:

1. Money transfer transactions derived from the transactions by using credit cards, debit cards or prepaid cards to pay for goods, services;

2. Money transfer and payment transactions between financial organizations for which the creator and the beneficiary are the financial organizations.

This Circular take effect on December 26, 2014.

## HIGHLIGHTS

### Vietnam's coffee output forecast to drop 20% next year

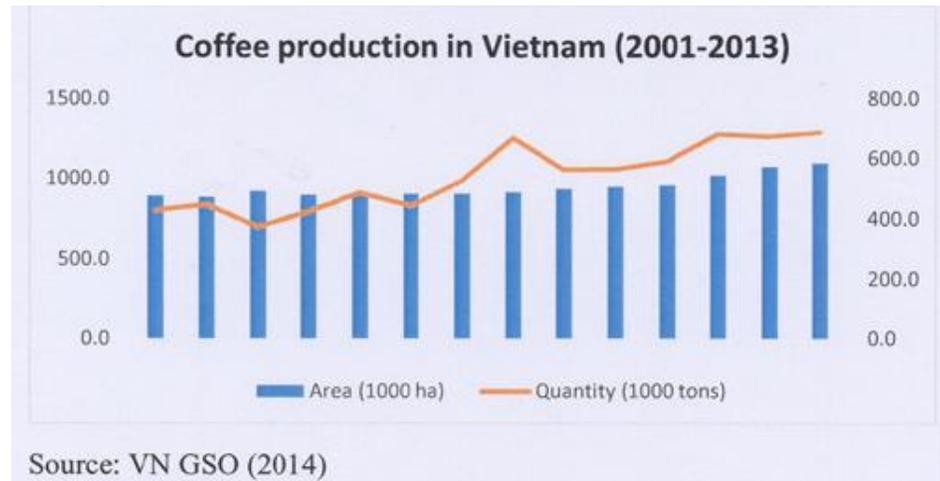
VNN - The 2014-15 coffee crop will see output fall by 20 percent due to drought and a large proportion of old trees with low yields, according to Chairman of the Vietnam Coffee and Cocoa Association (Vicofa) Luong Van Tu.

Vietnam expects to export 1.4 million tonnes of coffee during 2014-2015, down 200,000 tonnes from the previous crop, Tu told a conference in Ho Chi Minh City on December 5 to review its 2013-2014 performance and set tasks for next year.

According to the General Department of Customs, Vietnam remains the second largest exporter of coffee, behind only Brazil, with 1.66 million tonnes shipped during the 2013-2014 crop for 3.4 billion USD, up 17.2 percent in volume and 12.5 percent in value.

Germany was the biggest buyer, followed by the US, Spain, Belgium, Japan and Russia.

However, Tu said that raw coffee accounted for 90 percent of the exports. Companies also exported three-in-one, two-in-one, and roasted coffee, but in limited



quantities.

Coffee prices were rather low after the last crop, requiring the industry to focus on improving quality and developing brands to earn higher export prices, he said.

The industry has set itself a target of increasing the output of instant and roasted coffee to account for 25 percent of the total by 2020.

Coffee consumption in the domestic market remains modest, at around 10 percent of the annual output, and more should be done to boost consumption, Tu said. He warned that Vietnamese coffee exporters will face more severe competitions as the ASEAN Economic Community is to take shape next year and coffee prices are fluctuating due to harmful impacts of climate change.

Vicofa will ask the Ministry of Agriculture and Rural Development to buy in coffee for stockpiles in case its prices plummet, and partner with the Vietnam Food Administration to issue a set of Vietnam standards for roasted and instant coffee next year. During the 2014-2015 crop, Vicofa will assist coffee farmers in re-cultivation and call for more business involvement in coffee processing, he added.

The country has 622,167ha under coffee, with 126,000ha having old trees with low yields and unreliable quality.

In the next five to 10 years, 140,000-160,000ha need to be replanted, the association said.

## HIGHLIGHTS

### Local-made drug to account for 80% in market: Ministry

SGT - Local-made medicines will account for 80 percent of home market, said a leader of the Drug Administration of Vietnam under the Ministry of Health at a meeting on pharmaceutical in Hanoi on last Saturday.

Head of the Drug Administration of Vietnam Truong Quoc Cuong said that the pharmaceutical sector had seen an impressive progress to ensure a full supply for increased treatment and prevention demand. Currently, the country has 133 GMP standard medicine manufacturers and there are around 177 GSP-certified distributors and around 40,000 nationwide, he said.

Turnover of Vietnamese -made drugs achieved over US\$1.35 billion in 2013 and it is estimated that each person spends US\$31.18 annually on drugs, he added.

However, Mr. Cuong said that the sector was facing several challenges and difficulties such as the low capacity to meet domestic demand, high dependence on imported drugs and materials.

In addition, though the local producers have produced over 12,000 various medicines, they are just simple kinds such as vitamins, tonic (multivitamin with minerals), painkillers, febrifuge and anti-inflammatory drug and the country has to import the narcotic, cardiovascular.

In a plan on developing the domestic pharmaceutical sector to 2020 the ministry will focus on production of 20 materials as well as increase of market share of home-made high quality drugs to replace foreign medicine, Mr. Cuong said.

The domestic pharmaceutical sector targets 80 percent of the home market, said Mr. Cuong.

The sector will also focus on making generic drugs to ensure the quality at appropriate cost to replace foreign counterparts gradually.

Apart from this, the ministry will set up five distribution centers in the northern mountainous districts, central northern provinces, central southern provinces, highlands provinces, and the Mekong Delta in a bid to reduce distribution cost as well as drug prices.

The ministry will also set up a scientific council on medicine bidding and an index of standard medicine prices.

### Transport leads ODA disbursement

VIR - Sizable transport infrastructure projects in Vietnam have been doing sterling work in terms of official development assistance fund disbursement in the year to date.



After the bidding package A22 under the Ben Luc- Long Thanh expressway project was given to a consortium consisting of Japan's Samwhan Corporation and Vietnam's Van Cuong Construction United last week, the project's developer Vietnam Expressway Corporation (VEC) is in a strong position to fulfill its official development assistance (ODA) capital disbursement target this year. The 57 kilometre long, four-lane motorway costing \$1.6 billion

## HIGHLIGHTS

began construction in July this year after nearly two years of preparations.

In addition to this package, if donor appraisal work is accelerated, VEC could be in a position to assign at least three bidding packages on construction under the project to contractors before the end of 2014.

"With favourable factors including cleared land, good capital arrangements, and carefully selected contractors, there is a high possibility for this crucial road, which connects southern, western, and eastern regions, to be finalised before the end of 2017," said VEC general director Mai Tuan Anh.

According to the Ministry of Transport's (MoT) assessments, after the mammoth \$1.47 billion Noi Bai-Lao Cai motorway was recently opened to traffic, most of the Ho Chi Minh-Long Thanh-Dau Giay route were also put into use, ensuring progress targets at the other sizable Danang-Quang Ngai road project. The developer VEC has proven to be a strong engine of growth, accounting for more than 33 per cent of ODA capital disbursement volume within the transport sector.

Apart from these highway projects, construction at other important infrastructure projects such as the Terminal 2 of the Noi Bai International Airport, Nhat Tan Bridge, and Nhat Tan-Noi Bai route are being intensified in order to reach finalisation stages before the end of this year, for the official launch date of January 6, 2015.

Some ODA funded projects which were causing concern for donors have seen remarkable progress, such as the northern delta region's transport system, the Mekong Delta's transport infrastructure development, Hanoi's Cat Linh-Ha Dong sky train line, and the Hanoi-Haiphong motorway. This progress is the result of drastic measures being implemented, such as the replacement of underperforming contractors.

"With enormous capital volumes, once completed, these highway and urban rail line projects will have huge knock-on effects on countrywide economic development," said Minister of Transport Dinh La Thang.

This partly explains the speedy pace of capital disbursement in the transport sector, despite the usual

slackening of towards the year's end. The MoT achieved an ODA disbursement volume 12 times higher than the proposed level (VND30 trillion or \$1.4 billion against VND2.46 trillion or \$117 million).

According to the government assessment report at the Vietnam Development Partnership Forum last week, the pace of ODA disbursement in transport, energy, urban development, agriculture and rural development is much better than in other areas.

Specifically, of 39 ODA projects currently in development, 18 projects are viewed as having good disbursement, nine projects have been appraised as fairly good and only eight were viewed as doing a bad job in capital disbursement.

Project performance, however, would have been better if the chronic shortcomings were more effectively tackled, such as the shortage of counterpart capital.

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