

VIETNAM

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Ministry to sell 70% stake at hospital

HANOI – The Ministry of Transport will sell a 70% stake at Giao Thong Van Vai Hospital in line with the Government’s policy to restructure public schools, hospitals and other utilities.

Vu Anh Minh, head of the enterprise management department at the ministry, told a meeting with transport firms last week that the department is looking into the equitization scheme of the hospital before submitting it to the Government this month.

The hospital was evaluated at VND158.4 billion (US\$7.4 million) late last year with the State holding VND136.5 billion, and the total amount excludes land and brand value. If things go smoothly, the hospital can become the first major public utility to operate as a financially-independent entity.

As scheduled, the ministry will sell 70% of the hospital’s shares to investors. A number of foreign joint-venture firms in the health sector have expressed interest in acquiring the stake.

Besides the hospital, the ministry will

sell shares at other public utilities under its management in the education and health sectors.

Last month, the Government issued Decree 16/2015/ND-CP approving financial autonomy for public utilities with an aim to make these entities operate under the market mechanism as ordered by the Prime Minister earlier this year. This has been supported by many ministries and agencies.

The decree allows public utilities to be independent in organization, activities, human resources and finance based on their financial capacity. They are encouraged to find feasible ways to raise funds and operate profitably, and reduce reliance on the State budget.

The decree, which will take effect on April 6 this year, also clarifies the prices of services with or without subsidies from the State budget for public utilities.



Gov’t approves loan plan to replant coffee.

HCM CITY (VNS) — Prime Minister Nguyen Tan Dung has approved a loan programme by the State Bank of Viet Nam for replanting coffee trees in the Central Highlands in 2014–20.

He also instructed the central bank to co-ordinate with relevant agencies to carry out the loan programme and ensure it is a success.

The Ministries of Agriculture and Rural Development and Industry and Trade and the provincial authorities of Lam Dong, Kon Tum, Dak Nong, Dak Lak, and Gia Lai have been ordered to co-ordinate with the bank to facilitate the implementation the programme by providing coffee growers farming know-how and promoting their products. They were also instructed to help farmers easily get access to the loans.

According to the Department of Cultivation, coffee is cultivated in 22 provinces and cities across the country, with five major areas being the Central Highlands, the south-east, the southern and northern parts of the Central

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Region, and the middle part of the northern region.

At the end of last year 641,000ha were under coffee, but on 15 per cent of it the trees were over 20 years old, and on 25 per cent they were 15-20 years old. Some 140,000-160,000ha of coffee trees are aged and need to be replanted or replaced by other crops in the next 45 years.

Viet Nam's annual coffee exports exceed \$3 billion, and over 500,000 households and more than 1.6 million workers depend on the crop for a living. Coffee has also contributed to the socio-economic development of the Central Highlands and a number of other localities around the country. — VNS

Environment tax increase will not raise gasoline retail price in Vietnam: official

Gasoline prices in Vietnam will not rise when a higher environment tax is slapped on the fuel in May this year, a senior official from the Ministry of Finance has said.



The 200-percent tax hike, which will bring the rate per liter from VND1,000 to VND3,000, will help offset about 84 percent of the loss, to be caused by a cut in tariffs on gasoline imports, for the state budget, Dinh Nam Thang, deputy director of the Tax Policy Department under the Ministry of Finance, told Tuoi Tre (Youth) newspaper on Wednesday last week.

The government last week got the green light to raise the environment tax on gasoline by 200 percent starting in May to mitigate losses, which will result from a reduction in fuel import duties applicable that same month.

The new environment tax rates will be VND3,000 (13 US cents) per liter for gasoline and jet fuel, VND1,500 per liter for diesel fuel, and VND900 per liter for kerosene following a plan presented to the National Assembly Standing Committee last Tuesday. Environment tax and import duties slapped on gasoline are included in the core structure of the retail price, Thang said.

Even though environmental taxes triple, at the same time the ministry will have to reduce the import duty on the commodity under international commitments. According to the Tax Policy Department's calculations, the cut in import duty is even greater than what the new environmental tax rate will bring in. Specifically, with the fall in import duty and special consumption and value-added taxes, the state budget will see a VND28.25 trillion (US\$1.33 billion) drop in tax revenue collected from gasoline sales every year between 2015 and 2017.

Meanwhile, the additional revenue of VND2,000 dong per liter through the environmental tax will bring in VND23.68 trillion a year during the period, he said.

"Thus, the increase in the environment tax will not result in a gasoline price increase. The petrol price increase, if any, is only due to changes in the market, and not because of the environmental tax rise," Thang said.

The tax hike will only offset about 84 percent of the reduction in government revenues while reducing the import duty under international commitments, he added.

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According to the vice head of the Tax Policy Department, the environmental tax increase will also create a stable source of revenue for the state coffers instead of depending on other sources required to be cut through international commitments.

According to the commitments listed in free trade agreements within ASEAN, including the ASEAN Trade in Goods Agreement (ATIGA), ASEAN-China Free Trade Area (ACFTA), and ASEAN-Korea Free Trade Agreement (AKFTA), Vietnam has to cut and eventually eradicate all import taxes on gasoline by 2024.

The environmental tax rise will also help the ministry achieve many other long-term goals. One of them, according to Thang, is to create conditions to encourage biofuel use to reduce environmental pollution.

E5 RON 92, a biofuel intended to replace the commonly used RON 92 gasoline, will be widely sold across the country by the end of this year following a decision by the Prime Minister late last year.

Previously, seven localities, including Hanoi, Ho Chi Minh City, Da Nang, Hai Phong, Can Tho, Ba Ria-Vung Tau

Province, and Quang Ngai Province were required to sell the biofuel at all local gas stations starting on December 1, 2014, under a government plan to boost consumption of the fuel, which is believed to be better for the environment.

The retail gasoline price last Wednesday was raised by VND1,600 per liter by the ministries of industry-trade and finance to VND17,280-17,880 per liter, ending a chain of gasoline price cuts which began in early July of last year.- VN.Vietstock

BANKS & FINANCE

Dollar appreciates, but exchange rate may not be adjusted in first half of year

The dollar price has been appreciating against the Vietnam dong like other currencies but analysts believe the State Bank will not adjust the dong/dollar exchange in the first half of the year.



The black market dollar price began rising many days ago, though the commercial banks' quoted prices remained stable.

The dollar price, according to Thoi Bao Kinh Te Sai Gon, on March 9 climbed to a higher level than the official ceiling rate at VND21,672 per dollar.

The gold shops in district 1, HCM City on the day offered to buy the dollar at VND21,660 per dollar, while setting the sale price at VND21,690-21,700 per dollar

The owner of a gold shop confirmed that the dollar price is on the rise.

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Prior to that, when the black market resumed its operation after the long Tet holiday, the dollar was sold at VND21,500 per dollar only. However, state-owned commercial banks have also begun adjusting their prices. On March 13, state-owned Vietcombank, VietinBank and BIDV raised the buying and selling prices by VND5-10 per dollar to VND21,340-21,390 per dollar. Military Bank, which kept the dollar prices at a low level over the last month at VND21,280 per dollar, also unexpectedly raised the quoted price to VND21,380 per dollar, offering the most competitive buy price in the market.

Analysts noted that the dollar moving upward was foreseeable, as the dollar has appreciated against most key currencies. The dollar has for the first time in the last 12 years climbed to 1 euro per dollar. The US dollar appreciation was described as inevitable as the economy has recovered with the unemployment rate at a 6-year low. Vo Tri Thanh, deputy head of CIEM, said the better US economy would make the US investment environment more attractive, resulting in more capital flow. This would lead to a higher demand for the

dollar, pushing up the price further. However, Vietcombank Securities Company (VCBS), in its latest report, predicted that the official dong/dollar exchange rate would not be adjusted in the first half of 2015.

The demand for the greenback has decreased after reaching a peak in late 2014. Meanwhile, the demand for Vietnam dong is increasing. VCBS noted that the expected low inflation rate this year and the high possibility that the US Federal Reserve will not raise the prime interest rate soon in the first half of the year will help ease pressure on the dong. The dollar supply is expected to stay abundant as Vietnam has seen an excess of exports over imports in the last two months. In January 2015, SBV weakened the Vietnamese dong by 1 per cent, raising the dong/dollar daily reference rate from VND21,246 to VND21,458.

Binh stressed at a conference earlier this year that one of the sector's targets this year was maintaining the stability of the foreign exchange market and keeping rate fluctuation below 2 percent, though he added this would not be easy.

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BANKS & FINANCE

Opportunities from Loosening Credit Package

For the plan of 2015, the Vietnam State Bank is building the credit growth target of the system 15-17 percent, an increase of 2-3 percent compared to 2014. The loosening of credit packages will enable banks and enterprises to supply and receive more funds.

In early 2014, many banks, and the whole banking system had negative credit growth. It may not constitute a rule, but the case of 2014 is expected not to happen in 2015.

A race for credit growth since the beginning of the year

The Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) is one of many banks with a significantly increasing credit in 2014 and in the two first months of 2015, the bank has a credit growth of 5 percent. According to Nghiem Xuan

Thanh, Chairman of Vietcombank, the credit growth has reached one third of the year. In 2015, the credit growth of Vietcombank is projected to be about 18 percent.

Like Vietcombank, the Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietinbank) has a vivid credit growth in February. According to General Director of Vietinbank Le Duc Tho, in the first 2 weeks of February, the lending overlook is good but this phenomenon is only seasonal. The credit growth is likely to reach 1.7 percent and overcome negative rate. And this also reflects an economic picture that is different from the first months of the past year; many businesses have made loans at the beginning of the year; the banks are not afraid of lending to avoid the capital accumulation.

Of course, not all banks and businesses can take advantage of the opportunities to "loosen" the currency. At present, the loosening of reins on credit from 12-14 percent to 15-17 percent is not an only opportunity for the whole system. Many banks have set more modest plans than that the Vietnam State Bank set. For example,

the Vietinbank only set the targeted credit growth at 13-15 percent. According to smaller banks like state-owned commercial banks, they are planning to develop short-term loans for consumption purposes and better medium and long term loans in terms of quantity. According to Director of Retail Banking at Vietnam International Bank (VIB) Rahn Wood, currently, the VIB has none of pressures on bank credit growth because they has set the plan for the whole year and for each month as well as calculated seasonal factors. Therefore, if the credit growth is not strong enough, the bank will use more time and resources to invest in key projects to increase credit growth.

Attractive enough?

"There are signs that 2015 is off to a pretty good start. We're ready for the loans from the beginning of the year through a centralized approval system for businesses that customers can borrow more quickly and effectively. If interest rates continue to be lower, there will be an increasing demands for loans. In the long term, the medium and long-term credit rates are really attractive. In the future, the Vietnamese economy will prosper and the CPI is



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forecast to increase and the interest rates will be adjusted. This is a good condition the banks will give more lending," said Rahn Wood.

According to Tran Du Lich, a renowned economist, with positive signs of 2014 and 2015, the banking system is able to achieve credit growth as targeted. However, according to Mr Lich, the interest rate for long-term loans should be reduced to increase the number of new businesses who make loans for manufacturing. This will help the credit grow sustainably.

At the meeting of a large bank, SBV Governor Nguyen Van Binh called banks to sacrifice their profits and to rebalance the assets to reduce the medium and long-term interest rates to 1-1.5 percent per year in 2015. And this objective has been stated in Directive 1 of the State Bank on monetary policy operating activities in 2015 approved by the Governor. _ VCCI NEWS.

INVESTMENT

What Is the Most Effective Investment Channel in 2015?

Among three traditional investment channels of gold, real estate and securities, investment in gold remains less profitable than other areas because the gold price of Vietnam and of the world has not shown signs of recovery. Therefore, the only remaining real estate and the stock are still in the game. But, which investment channel will be most profitable in 2015 is still a question for both investors and professionals now.

Gold market and foreign currencies bleak

At the seminar on the world's economy and the Vietnamese economy in 2014 and prospects in 2015, organised by Vietnam Prosperity Bank (VP Bank), many participants had analysis on current investment channels regarding gold and savings, real estate, and securities; some of ideas draw great attention of the investors.

According to the representatives of the VP Bank Securities (VPBS), the price of gold has declined sharply during the recent time. This proves that gold is losing its appeal to investors. In the

third quarter, 2014, the price of gold fell to 9 percent and in 2015, gold investors are looking to get rid of this investment channel.

Explaining this, the representative of the VPBS said that the US economy is recovering strongly and the European Central Bank interest rates are reduced while the customers of the two largest gold consumption markets pay less attention to gold so the gold price is not as hot as the beginning of 2014.

Besides, the interest rate of savings over time has been continuously adjusted. The profitability of government and bank bonds is currently falling sharply, which makes some currencies devalued and negatively affects investors' behaviour. The foreign exchange market is more volatile but these fluctuations are changing within a narrow range so according to the experts, the market is stable but it cannot make much more breakthrough, and by the end of the year there may be a slight adjustment.

According to the statistics reported by the VPBS by June, 2014, the VND/USD rate rose quite high, exceeding VND21,300 per dollar, but it's still far from the ceiling rates. In the context the

inflation is kept low, the level of foreign exchange reserves is strong, the State Bank of Vietnam is likely to cool down the market. Therefore, the market and the exchange rate is not a concern at present.

Securities and real estate have a great opportunity

While the markets of gold, savings and dollars are losing their appeal, the stock market and real estate are now regaining attractiveness. The real estate market is very attractive for FDI inflows; with the strong attraction from the FDI inflows in 2014, this market has signs of recovery.

According to the General Statistics Office, in the first 2 months of 2015, the real estate sector has attracted US\$111.4 million of foreign investment, accounting for 9.3 percent of total foreign investment in Vietnam and ranked 2nd among business sectors in attracting the most FDI. In 2015, the experts predict that the inflows would flow strongly into the property market.

The low interest rates also will encourage the investors to disburse earlier in the property market and the use of leverage is less risky. In the first two months of the year, there are 58

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projects respectively from the previous year licensed with additional capital of US\$480.5 million. Therefore, the total registered capital of the new projects and additional capital has reached US\$1192.8 million.

The positive signals from the real estate market are making investors more optimistic; the liquidity of the market is increasing, especially for the apartment segment. However, the experts have warned investors about hidden risks of the real estate market because the NPL ratio of banks is still high.

Along with the recovery of the economy, the interest rates are at attractive rate, along with the promotion of investment, the VPBS expects that the real estate will have positive signals in the future.

Along with the growth of the real estate market, the stock market is also drawing the attention of investors when the market supporting measures given in 2014 have taken effect, which help FDI be increased. According to the VPBS, in the next three months, the VN-Index will exceed current levels. The main cause of this increase comes from the bond yields.

Compared with other regional stock markets, the stock price of Vietnam is good; the P/ E is lower than that of the stock market of Bangkok, Jakarta, and the Philippines. This is the basis for the investors to believe that the stock price will regain in the first half of 2015.

According to the evaluation based on current mechanisms and policies, the experts have noted that the stock market and the real estate market are getting more opportunities to generate huge profit for the investors. And what the market creates higher profitability is not easily forecast._VCCI

ENTERPRISES

VietJetAir teams up with Lotteria

HCMC – VietJet Aviation Joint Stock Company (VietJetAir) has announced a strategic partnership with fast-food firm Lotteria Vietnam to provide more services to customers of the two parties.



VietJetAir said in a statement that the partnership marked a milestone in offering more value-added services and incentives to Vietnamese and Korean passengers when they fly with the airline. As part of the strategic partnership, Lotteria has had its logo painted on the airline's aircraft livery.

VietJetAir said that it will consider adding dishes of Lotteria Vietnam to the menus of its domestic and international flights while Lotteria will introduce the no-frills carrier's services and products to customers at its eateries.

Luu Duc Khanh, managing director of VietJetAir, said in the statement that the partnership with Lotteria Vietnam would

enable VietJetAir to diversify dishes for its passengers. "We want to become a business group able to meet needs of consumers," he stressed.

Kang Hyung Hee, general director of Lotteria Vietnam, said the company was the first fast-food supplier to have its logo on the aircraft livery of VietJetAir and cater fast food to passengers on board the carrier's flights.

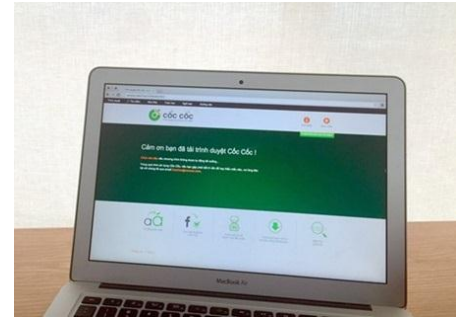
VietJetAir currently operates 22 Airbus A320 aircraft for 150 daily flights on 28 routes connecting domestic and international destinations, including Singapore, Thailand, South Korea, Taiwan and Cambodia. The private carrier has transported more than 10 million passengers since it took to the skies in late December 2011.

Lotteria under Lotte Group set foot in the Vietnamese market in 1998 and has since opened more than 200 restaurants in over 30 cities and provinces across the country.

Coc Coc to use German investment to improve quality, international reach

HA NOI (VNS)— Co-founder of Vietnamese company Coc Coc Le

Van Thanh revealed the firm's plan for utilising the US\$14 million invested by German media firm Hubert Burda Media.



This was the first time that he disclosed the amount of the investment.

Thanh said that besides improving the quality of its products, Coc Coc would carry out activities to penetrate international markets this year, and would launch its mobile browser version. He added that the company would also invest in sales and customer services.

Thanh pointed out that it took time to do market research. However, he did not reveal the time frame of the firm for entering foreign markets. In Viet Nam, Coc Coc developed its products for nearly three years before launching them. Therefore, the company need to start now if it is targeting overseas markets, according to Thanh.

ENTERPRISES

Peter Kennedy, executive chairman of Hubert Burda Media in Asia, said that the amount of \$14 million would be transferred to Coc Coc within 18 months. Of the amount, \$10 million came from the German firm and \$4 million was from other investors, including high-level managers of the company.

On being asked why his firm was investing in Coc Coc, Kennedy said that it was impressed by the growth of Coc Coc customers and the quality of its products. He added that the level of developers of the Viet Nam-based company was relatively the same as the best developers in the world today. He expressed the belief that if it is successful in Viet Nam, Coc Coc can succeed in other countries, especially in the Asia-Pacific region.

Coc Coc was founded by three Vietnamese developers and Victor Lavrenko, the present CEO, in 2012. Headquartered in Ha Noi, it has launched products such as the Coc Coc search engine, Coc Coc browser,



Coc Coc advertising platform and a geo-location application called Nha Nha.

By the end of 2014, the statistics of web traffic analysis tool StatCounter showed that Coc Coc beat Firefox and Internet Explorer to be the second-most popular browser in Viet Nam, only behind Google Chrome. It has had more than 44 million downloads since then. — VNS

FPT Software signs 3-year plan with German company E.ON

HA NOI (VNS)— FPT Software has signed a three-year contract with German energy supplier E.ON. to provide software services.

A company announcement made last Tuesday said the services comprise software development, testing and

project management. The value of the project is expected to be more than US\$10 million. This is the second-largest contract for FPT Software in the energy sector, the first one being a five-year contract with Germany's electricity and gas supplier RWE Group.

The Vietnamese software giant said that the deal with E.ON proved its ability and backed its ambition to become a leading IT service provider in the German market. It has also signed a contract to provide software development, testing and solution design services for DCI AG, a German company providing creative solutions in the e-commerce sector.

Michael Mohr, general director of DCI AG, said he believed his company had taken the right decision to co-operate with FPT Software. He said that the Vietnamese firm had skilled staff capable of offering effective consulting services in technical solution design based on DCI AG's platforms.

FPT Software, a member company of the FPT Group, earned revenues of VND421 billion (\$20.04 million) from the European market last year, a 117 per cent increase over 2013.

ENTERPRISES

E.ON, formed in June 2000, operates across Europe, Russia and North America with more than 62,000 employees. In 2013, it posted sales of more than EUR122 billion (more than \$130.3 billion).

In related news, FPT Software participated in the Cloud Days Spring 2015 event hosted by Japan's Nikkei Group in Tokyo. The event was held from March 12 to 13. Cloud day is annually hosted two times in Tokyo and Osaka. Last year the event attracted around 130 IT companies and 15,000 visitors. — VNS

MARKET & PRICE

Trade deal hurting local auto makers

HA NOI (VNS) — The Vietnam Association of Mechanical Industry (VAMI) has requested the Prime Minister and the Ministry of Finance to adjust the import tax imposed on complete built up (CBU) trucks.

This has been requested so the revised



tax is more in keeping with tax levied on trucks, which are locally-assembled with imported parts that are complete knock down (CKD).

The proposal was made after VAMI members evaluated the import tax imposed on CBU trucks and the current tariff regulated under the finance ministry's circular, which is an implementation of the ASEAN–China Free Trade Agreement (ACFTA) for the 2015 to 2018 period.

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VAMI said the ministry had allowed a number of imported CBU trucks the kind of preferential tax rate, which is unfair for domestic manufacturers who have been producing and assembling trucks with CKD parts.

It added that when importing CKD parts, besides import tax, domestic firms are also burdened with many other costs,

such as investment capital plugged into production and assembly lines, and costs of management and training workers.

In particular, the association's members have

admitted that the price of importing a set of CKD parts is higher than that of a CBU truck because of the stringent conditions imposed by foreign suppliers.

In addition, the number of locally-assembled trucks is not large, making the cost for locally-produced parts high.

VAMI pointed out that the aforementioned costs and import tax on CKD have led to local production costs for trucks increasing by 24 per cent, compared with the import of CBU parts.

This has created a difference in prices

between CKD and CBU imports in the domestic market.

Under the circular, the CBU import tax on a number of trucks is much lower than that of CKD parts—leading to unfair competition between auto businesses and auto manufacturers, who assemble trucks with CKD parts.

Deputy Chairman of VAMI, Dao Phan Long, told baodautu.vn that for the sake of profit, firms would have to switch to imports of CBU in the future. "The country's truck engineering and assembling industry will be weakened, at the same time, the State budget's tax collection will also be reduced," said Long.

In the domestic market, the truck is seen as a success of the Viet Nam automobile industry.

According to the Ministry of Industry and Trade, the tax rate for locally-produced parts of trucks made by Truong Hai Automobile Company (Thaco) is 30 per cent, while that of Xuan Kien Automobile Company is about 50 per cent.

The ministry also said that it saw high potential for development in the segments of locally-assembled trucks and buses. However, with the tariff of

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CBU trucks imported from China, the domestic automobile assemblers' market share will be strongly affected.

Auto sales fall in February

Automobile sales reached 12,329 units in February, reflecting a 38 per cent drop from January, reported the Vietnam Automobile Manufacturers' Association (VAMA).

Despite the plunge, the figure still represented an annual leap of 69 per cent.

More than 7,900 of the cars sold were assembled in Viet Nam, down 41 per cent, while another 4,400 were foreign imports, down 32 per cent, VAMA noted. In February, Thaco led sales with 2,965 units, followed by Toyota Motor Vietnam (2,868 units), Ford Vietnam (925 units), Honda Vietnam (505 units), and GM Vietnam (419 units).

Automobile sales during the first two months of this year soared 76 per cent from the same period in 2014. The sales of domestically assembled and imported units shot up 73 per cent and 111 per cent annually, respectively. — VNS

Garment exports surge by 18 per cent

HA NOI (VNS) — Garment exports in January and February posted an 18 per cent year-on-year increase to US\$3.4 billion, the Ministry of Industry and Trade (MoIT) said.



The surge has made the achievement of this year's export target of \$28 to 28.4 billion a strong possibility.

The United States remained the largest export market for the Vietnamese garments and textiles industry, accounting for 8.4 per cent of the country's market share. It was followed by Japan and South Korea. This year's exports to the US market are forecast to reach \$11 billion, representing a 13 per cent jump from the previous year. Meanwhile, the European Union (EU) continued to be a key market for Vietnamese garments and textiles, considering that the EU-Viet Nam Free

Trade Agreement (EVFTA) would come into effect in the future.

Accordingly, a tax cut of 12 to zero per cent on Vietnamese garments would help Vietnamese companies step up their competitiveness. As for the US market, it is expected that the Trans-

Pacific Partnership (TPP) would be signed soon, resulting in lower taxes, as well as create favourable conditions for businesses to expand market share in the country. This year is being considered as favourable for export activities in the sector as negotiations on

several trade pacts could conclude. Earlier this year, most enterprises under the Viet Nam National Textile and Garment Group (Vinatex) had received orders till the second quarter of the year. — VNS

Tuna exports slump due to poor demand

HA NOI (VNS) — Tuna exports have continued to slide this year due to a fall in consumption in major import markets, according to the Viet Nam Association of Seafood Exporters (Vasep).

MARKET & PRICE

Vasep's data showed that tuna exports plummeted 22 per cent in January to



US\$33 million.

The downward trend started in 2013, with a 7.2 per cent fall from the previous year to \$527 million and an 8.1 per cent drop in 2014 to \$484 million.

Experts predict a rocky first half of this year for tuna exports, as there are no signs of recovery in tuna consumption demand and tax pressures on Vietnamese exporters remain high, especially in major import markets, including Japan, the United States and the European Union (EU).

According to Vasep, unstable sources of raw tuna are the primary reason for falling tuna exports. Viet Nam remains reliant on the import of half of its raw tuna, on which a temporary import tax rate of 10 to 24 per cent has been imposed. While the import tax rate on raw tuna is zero in several countries,

tax imposition is also undermining the competitiveness of Vietnamese tuna exporters.

High demand in major import markets, related to the quality, origin and compliance with international standards in tuna exploitation, are also some of the challenges faced by Viet Nam.

Vasep said management and data collection on tuna exploitation remains weak and must be enhanced to meet requirements of highly demanding importers.

In addition, Viet Nam's tuna exports to the EU will encounter obstacles this year, as its rivals, including Ecuador and the Philippines, have signed a trade agreement that entails a zero tax rate on tuna exports sent from these countries to the EU.

As negotiations for the Viet Nam–EU Free Trade Agreement are nearing conclusion, experts have urged Vietnamese tuna exporters to remain well prepared to grasp any opportunity for expanding exports. — VNS

LEGAL UPDATES

Law offers real estate breakthrough

The recent resurgence in the country's residential real estate segment has partially been attributed to the changes in legislation that are set to take effect from July according to industry insiders. Jonathan Tizzard, national head of valuation & research from Cushman & Wakefield Vietnam expressed his positivity about the changes. "This will mean foreign invested enterprises will be allowed to own land and develop property directly, along with foreigners being allowed to own apartments and houses," said Tizzard.

Tizzard explained that a foreign developer will be able to buy land and develop their property without having to find and negotiate a deal with a local partner, which should speed up the time taken as well as reduce the development risk of the project.

In addition, there is suddenly a huge new market for products among foreigners and Vietnamese living abroad. "With yields from property in other countries much lower than in Vietnam, foreigners will be looking closely at real estate in Vietnam, both in

Hanoi and Ho Chi Minh City as well as tourist areas such as Danang and Nha Trang and perhaps other areas as the country continues to develop," he said. Meanwhile, Nguyet Nguyen, senior associate from Mayer Brown JSM commented that the revised law on real estate business is being hailed as providing a breakthrough for the real estate market.

According to Nguyet, one of the outstanding aspects of the revised law was to open the door for foreign organisations and individuals to purchase houses.

The revised law also allows foreign organisations and individuals to purchase constructed facilities for use as offices, production facilities, and business or service functions.

In addition, foreign-invested enterprises are also allowed to lease houses and constructed facilities for sub-leasing.

Developers of residential projects, Nguyet added, will also benefit from banks acting as guarantors on as-yet constructed properties. "If the developer fails to hand over the houses as agreed, the purchaser may request the guarantor to return the advance and

other payments they have made to the investors," she said.

"This is the first time guarantees in the sale of property have been incorporated into law. The provision is intended to ensure that developers are financially viable and greater security is provided to buyers," she added.

In addition, the revised Law on Real Estate Business stipulates that the legal capital for real estate business not to be less than VND20 billion (\$952,000), compared to the legal capital of just VND6 billion (\$285,000) under the current laws.

"However, as development of a real estate project in reality requires a large investment capital, this adjustment of the legal capital is reasonable, it is the first step to identifying and sorting out financially capable investors," she said.

Nguyet also cited that another important highlight was the right to break up larger projects into more manageable pieces. "While investors under the current laws may only assign the whole of a residential project, an industrial zone infrastructure project or a new urban project, the revised law allows an investor of a real estate project (not limited to the three above

LEGAL UPDATES

types as in the current laws) to assign the whole or part of such project to another investor for the latter's continued investment," she added.

However, Tizzard said that there remain problems that need to be addressed in the revised law.

These include the time taken to move and compensate those displaced by development. "Currently, it is up to the developer to negotiate with affected parties and there are no formal laws governing the amount of compensation to be paid or the timescale to move, unlike in other countries such as the UK," Tizzard said. This creates a huge amount of uncertainty and potential cost for developers.

In addition, many developers have previously bought land with the intention of developing the land once clearance and compensation has happened (and once the property market had recovered) but were unable to continue with their developments due to delays in resettlement.

The revised laws also means that land use right fees (LUR) are now based on a market price, which basically means that the fee payable to the government

to obtain the LUR certificate is a lot more than it used to be.

"Many developers bought land in the past and had a significant amount of time (normally 5 years) in which to pay these LUR fees, which they believed would be very low. However, now these fees are much higher and will mean that many development sites are unfeasible. This could lead to a lot of developers either going bankrupt or deciding against developing the land, causing further problems," he said. _ VIR

New provisions on import and export of agricultural, forestry and aquatic products

Circular No. 04/2015/TT-BNNPTNT dated February 12, 2015 of the Ministry of Agriculture and Rural Development on guidelines for the Decree No. 187/2013/ND-CP dated November 20, 2013 of the Government on guidance on the Law on Commerce on international trade in goods and commercial agency, trading, processing and transit of goods with foreign countries in the agriculture, forestry and aquaculture fields



This Circular promulgates content, procedures for export and import of goods subject to management of agriculture, forestry and aquaculture fields, including:

1. Export of timber and timber products from domestic natural forests; firewood or charcoal made from timber or firewood originated from timber of domestic natural forests.
2. Export and import of endangered and precious species of wild fauna and flora;
3. Export and import of plant varieties;
4. Export and import of breeds;
5. Export and import of live aquatic animals used for food;
6. Import of drugs, materials for the manufacture of drugs, vaccines, biological preparations, microorganisms and chemicals used in veterinary or aquatic veterinary medicine (hereinafter referred to as veterinary drugs);

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7. Import of products and materials used in manufacture of products for the treatment and improvement of the aquaculture environment.

8. Import of plant protection products and materials included in the List of plant articles subject to the pest risk analysis before being imported into Vietnam.

9. Import of livestock, poultry, aquatic animal feeds;

10. Import of fertilizer;

11. Export and import of genetic resources of plants used for scientific and technical study and exchange.

12. Export and import of food originated from animals, plants and aquatic animals.

This Circular shall come into force from March 29, 2015. To replace Circular No.88/2011/TT-BNNPTNT dated December 28, 2011. To annul Appendix 6, Appendix 7, Appendix 8 issued together with the Circular No.66/2011/TT-BNNPTNT dated October 10, 2011._ VIETLAW

HIGHLIGHTS

Can electronics specialty stores survive?

Two years ago, TopCare, HomeOne and Best Carings were outmuscling competitors across the country by offering one-stop shopping for the latest televisions, computers, videogames and gadgets.



Electronics firms see light at the end of the tunnel. Now all three have closed their doors and disappeared. While, WonderBuy mired in VND52 billion of debt filed for bankruptcy protection after only one year of opening its doors. The rise of online competitors offering lower prices and downloadable products has siphoned customers and sales from these once-powerful retailers. This combined with already weak domestic demand has

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heightened competition in the marketplace.

The retail chains are responding with turnaround strategies that highlight that old adage—location, location, location—and understanding that the physical location of a business largely determines how successful it will become.

They are also coming back with strategies that highlight their ability to obtain hot new smart phones and tablets and capture those purchases that

consumers still prefer to make in person. But they concede they have to evolve fast. A representative of Power Buy, a leading Thailand electronics store owned by Thailand's second richest person said his company understands the importance of location and that's why it recently acquired a 49% stake in one of Vietnam's largest shopping centre chains, Nguyen Kim Trading JSC. Nguyen Kim is among the biggest electronics shopping centre operators in Vietnam, currently running

23 stores nationwide. "There is a bright future for consumer electronics in retail in Vietnam", the representative said adding that his company believes Nguyen Kim centres offer prime locations from which to retail its products.

VinPro Trading and Services Company Ltd recently announced that it is planning to enter the enter electronics market and open four new stores in trade centres this March and increase that number to 25 by year's end.

It was also announced that the company has extensive plans to beef up its online shopping and digital download division for electronics and related products. The Gioi Di Dong company recently announced that it believes there are greener pastures in the rural market and it has plans to sink nearly VND50 billion into the smaller communities around the country. A spokesperson said the company plans to expand rapidly by acquiring prime locations through mergers and acquisitions to shortcut the lengthy time it takes construct new facilities and wait for them to mature. Nguyen Duc Tai, Head of The Gioi Di Dong opines that

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HIGHLIGHTS

large malls are not the best of locations for electronic stores. "We're trying to capture growth in the smaller communities of the country that are exploding,"

"Consumers also don't like to buy products such as televisions and refrigerators in electronics stores in large shopping malls," Tai said adding that they prefer to go to malls for dining and entertainment. He also suggests that most consumers prefer to purchase electronics in person so they can touch the product as opposed to acquiring through online shopping. But retail experts question whether electronics specialty stores can survive in Vietnam as the economics of the industry have evolved—and not to the benefit of most specialty retailers. Consumers today can often find the same television models for similar prices at BigC or Lotte as they shop for groceries and paper towels, eliminating the need to enter a specialty store. _VIETNAMNET

Think-tank to help agro sector grow

Foreign agricultural investors will soon receive welcome support from a local independent think-tank group.

This month in Hanoi will see the establishment of an independent task group which will include key local and foreign enterprises, agencies under the Ministry of Agriculture and Rural Development (MARD), senior local and foreign experts and consultants. The group is supported by the MARD.

"This group will be responsible for attracting investment funds into agriculture and rural development. It will help foreign firms and organisations implement projects in Vietnam via the public-private partnership or the wholly-foreign-invested form," said senior agricultural expert Pham Hoang Ngan, also a group member.

"The group will help resolve difficulties facing investors. Investors will be provided with consultancy, information on input materials, outputs and

distribution channels and even merger and acquisition activities," Ngan said.

The group will have its own offices in the north, centre, Central Highlands and the south.

"Investors from Australia, South Korea and Japan have been waiting for such a group to come into existence for ages," she told VIR while stressing that any project exploiting natural resources or polluting the environment would not be supported.

Ngan suggested the lack of interest from foreign investors in agricultural projects in Vietnam was due to the lack of support on information, policy transparency and problem resolution.

By the end of January this year, Vietnam was home to 525 foreign agricultural projects registered at \$3.67 billion, a very small figure as compared

to the country's total 17,579 foreign invested projects valued at \$251.83 billion.

"However, agricultural investments in Vietnam are increasing, with many foreign investors wanting to work with us on projects

they're planning," Ngan said.



HIGHLIGHTS

A delegation of major agricultural firms from Japan's Wakayama province last week visited Vietnam in search of opportunities.

Tsuno Food Company, one of the world's leaders in making cooking oil from rice bran, sees rice-making Vietnam as a lucrative market which Tsuno will explore further.

"Vietnam's Mekong Delta has huge supply of rice bran material. That's why we are planning to open a rice bran processing plant there. We'll use technologies to turn rice bran into cooking oil, which will be exported to Japan," said Tsuno representative Mayu Aizawa.

Last week also witness Israel's Agrotop Company come to the northern province of Vinh Phuc to explore hi-tech livestock production projects via links with local enterprises. After seeking some information from the province, Agrotop's representative BenVan Dijk said he would return to Vinh Phuc next month for further discussions.

Indonesia's Tiga Pilar Sejahtera Food is reported to be planning to invest \$80 million in acquiring stakes in food processing businesses in Vietnam and

Malaysia this year. Tiga Pilar is eyeing a controlling stake in Vietnamese milk company Hanoimilk, with the negotiation with the Vietnamese partner to be completed shortly. Hanoimilk products sold in Indonesia could net Tiga Pilar an additional \$18.8-23.5 million in annual profits._VIR

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