A view of Vietcombank Tower in HCMC's District 1, which was put into use in the second quarter of this year

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Vietnam attracts foreign capital eight times economy's size in 2003-14

The amount of foreign direct investment (FDI) Vietnam attracted during the 2003-14 period was over eight times the size of its national economy, according to an index measuring FDI channeled into the world's emerging markets conducted by UK-based newspaper Financial Times.

Vietnam took the lead in the ranking of countries with new FDI projects with 8.14 points, outstripping other larger emerging markets like China and Russia, and other economies in Southeast Asia, according to the fDi index.

Country	Score
Vietnam	8.14
Romania	3.91
Hungary	3.80
Malaysia	3.55
Thailand	2.47
Poland	2.04
India	1.95
Mexico	1.78
Egypt	1.13
Indonesia	1.08
Brazil	0.85
Saudi Arabia	0.62
China	0.56
Russia	0.45

Source: fDi Intelligence

In the index, a score of one indicates that a country's share of global inward FDI matches its relative share of global gross domestic product, while a score greater than one signifies a larger share than indicated by its GDP, and a score of less than one, a smaller share. The index was surveyed by fDi Intelligence, a data division of the Financial Times, which looked at inbound investment since 2003 relative to the size of each country's economy.

With 8.14 points, Vietnam is considered the country with the most new FDI projects during the 12-year period, far ahead of the nearest competitors, Romania and Hungary, as well as regional rivals Malaysia and Thailand. The fDi index, released on July 14, analyzed data gathered from 71 countries worldwide in 2014.

Vietnam has reached the highest point of the developed countries and emerging economies, while attracting more than 100 new FDI projects in 2014 alone. In recent years, Vietnam's economy has grown rapidly thanks to investment and exports. In the 2003-14 period, Vietnam added more than 2,000 FDI projects. In particular, most of the FDI projects in the Southeast Asian country are concentrated on the manufacturing sector, given its advantage in abundant and relatively cheap labor resources.

Besides, the country has actively improved its business environment, reducing corporate income tax from 25 percent to 22 percent and reforming the country's banking and credit systems. According to the Financial Times, although China was the leading destination for new FDI projects in the 2003-14 period, investment in the country has slowed down in recent years. The growth rate of China's GDP has outstripped the number of new FDI projects, causing the country's score on the chart to decline over the years. With a score of 0.56, the rate of new FDI projects in China is too small in relation to its GDP.

Of the top five economies in the world, the UK is the only country with a score greater than one. The remaining countries with less-than-one scores include the U.S. (0.56), Japan (0.26), Germany (0.99) and China (0.56).

FDI in Vietnam in the first six months of 2015 was mainly channeled into processing, manufacturing, real estate and retail. Accordingly, total newly-registered and additional FDI capital reached $1.19 billion in June, bringing the figure in the first half of the year to $5.49 billion, down nearly 20 percent year on year. Of the amount, newly-registered FDI attained $3.83 billion, while additional FDI hit $1.65 billion, down 21 percent and 17 percent, respectively, compared to the same period last year. Total FDI disbursement was estimated at $6.3 billion, a year-on-year rise of 9.6 percent.

[Finance Time]

Vietnam - South Korea: Focusing on Electronics Industry

Currently, the Government of Vietnam is making every effort to achieve the goal of building the ASEAN Economic Community with a total population of over 600 million and annual GDP of US$3 trillion, which is expected to reach US$10 trillion by 2030. In May 2015, Vietnam officially signed free trade agreements with South Korea and Eurasian Economic Union. It is pushing the conclusion of negotiations of the European Union and Trans-Pacific Partnership (TPP) agreements which will open up free trade relations with 55 countries, including 15 G20 countries.

South Korea is now the largest direct foreign investor in Vietnam with US$39.16 billion of registered capital, including more than 240 electronics projects with US$16 billion. These projects have played significant roles in restructuring manufacturing industry, boosting economic growth and stabilising trade balance. Therefore, Vietnam will try its best to support South Korean companies, especially electronics and high tech firms.

In addition, Vietnam and South Korea have upheld the fine relations for over 20 years. The two-way trade turnover reached US$30 billion in 2014, 30 times more than the first year of trade. More than 4,400 South Korean companies are doing business in Vietnam and going with Vietnam to the world. In the past time, the two countries deepened cooperation in apparels, footwear and light industries. Currently, Vietnam and South Korea are expanding cooperation to high-valued fields like electronics and information technology, a step to realise the target of US$70 billion of two-way trade revenue in 2020.

According to FIA's data, foreign investors invested in 18,529 projects with a total registered capital of US$257 billion as of June 2015. Annual FDI disbursements are in the range of US$10-12 billion. The biggest investors are South Korea, Japan, Singapore, Taiwan and the US. Foreign investors mainly pour their money into manufacturing, real estate, construction, hotel and restaurant services. South Korea ranked first out of 103 countries and territories investing in Vietnam with a total of 4,459 projects and US$39.16 billion of registered capital. South Korean companies employ about 70,000 Vietnamese workers and contribute 25 per cent to Vietnam's total export value. All big South Korean firms have investment projects in Vietnam, including Samsung, LG, Hyundai, SK and Lotte. Processing, manufacturing and real estate draw most investment capital from South Korean investors.

According to assessing investment cooperation prospects between Vietnam and South Korea, foreign investors currently pledged to invest US$257 billion in Vietnam and they disbursed US$130 billion for more than 18,500 projects. South Korea took the lead with US$39.16 billion of registered capital for 4,459 projects, including more than 240 electronics projects with US$16 billion. These projects have played significant roles in restructuring manufacturing industry, boosting economic growth and stabilising trade balance in recent years.

In the coming time, the focus on electronics industry make a breakthrough for Vietnam. The country will promote technology transfer, set up electronics industry clusters for FDI and domestic enterprises, attract big projects from multinational corporations which are usually entailed by supporting companies, develop supporting industries, introduce Law on SME Support, improve the investment and business environment, enhance national competitiveness by reforming administrative procedures, raising human resource quality, upgrading transport infrastructure, energy and logistics industries. With the strategic orientations, the opportunities for South Korean investors in Vietnam are huge and promising.

[Anh Phuong

Fears of further devaluation of VND

ANZ Bank economists Eugenia Victorino and Glenn Maguire said in a research paper earlier this month that Viet Nam's economic recovery was broadening, and as a result its current account balance was sliding from a surplus into a deficit.

Imports should rise to aid investment growth and expand production capacity, noting that the trade deficit had widened to US$3.8 billion as imports surged 17.1 per cent year-on-year throughout H1 2015 – almost twice as fast as the growth of exports. Forecasting that the country will post a current account deficit of 0.5 per cent of gross domestic product (GDP) this year and 1 per cent of GDP next year, the economists recommended that the central bank devalue the dong further to adapt to the situation and ensure reasonable macroeconomic balances.

However, The State of Bank Vietnam said they will not weaken the dong by more than 2 per cent this year to protect national interests. The State of Bank Vietnam had raised the inter-bank exchange rate in May by 1 per cent for the second time this year, to VND21,673 per US dollar, leaving no room for adjustment later this year.

Exchange rates

According to Vietcombank Securities report, a variety of global developments, including the strengthening of the dollar because of the US economy signalling recovery and the possibility of the Federal Reserve (Fed) lifting interest rates this year, were putting significant pressure on the dong's exchange rate and the forex market.

The brokerage said this pressure was likely to persist during the rest of the year, following the dollar's moves, although it might ease with overseas remittances expected to grow 10 per cent year-on-year to reach $13 billion to $14 billion in 2015. The firm expects the dong to be devalued by another 1 per cent this year, with the next adjustment largely dependent on when the Fed increases its interest rates.

However, in Vietnam,the 2 per cent devaluation limit would be maintained for the sake of efficiency in foreign trade, because many exporters were dependent on imported raw materials.

In the last few years, imports accounted for roughly 82 per cent of the raw materials for the garment and textile sector, 70 per cent of the raw materials for the timber industry, and 50 to 60 per cent of the raw materials for the footwear industry. While total imports were equivalent to 80 per cent of Vietnam's GDP, about 90 per cent of the imports consisted of machinery and equipment and materials for production, with the rest comprising consumer goods.

Any depreciation of the dong might help Vietnamese exports become more competitive in terms of prices, but the gains would be insignificant because many domestic products are of a quality that is insufficient to sustain in the global market. The State of Bank Vietnam would continue to closely monitor market developments to frame proper policies, which are needed to secure companies' business plans.

Interest rates

Interest rates have fallen to "ideal levels" witnessed 10 years ago, following government measures aimed at monetary stability. Lending rates have been slashed by 0.2-0.3 percentage points this year, and have reached 6-9 per cent for short-term loans and 9-11 per cent for medium to long-term loans. Deposit rates have also decreased by 0.2-0.5 percentage points, mainly for deposits with terms longer than six months.

These rates are suitable for the growth of the country's GDP, which rose marginally, by 6.3 per cent year-on-year, as of the second quarter. The rates are also in line with the expectations of national think tanks, who anticipate inflation rates of 3-3.5 per cent for 2015. The central bank would closely monitor the financial situation of commercial banks and flexibly adjust money flows to meet market demand.

[R&C Dept., following VNS]

Resort market attracts domestic developers

Investments in resort properties have shown signs of revival from the beginning of this year, after the market crash of 2008, and this led to much excitement among large developers. However, the difference this time, from what was witnessed before the 2008 bust when such projects along the country's central coast were with foreign developers, is that many beachfront resort projects are now in the hands of domestic developers who are becoming more active in the real estate market.

In recent years, big names including the VinGroup, FLC, the BIM Group, and the CEO Group, in addition to the Sun Group, have spent a significant amount of funds in developing resorts in popular cities and provinces with rich tourism potentials, such as Nha Trang, Da Nang and Vung Tau. Also, many new localities have emerged as magnets for resort property investments, including Phu Quoc, Quang Ninh, Hai Phong, Lao Cai and Thanh Hoa, which received large investments worth billion of dollars for the construction of high-profile resorts.

Keeping pace with the world economic recovery, beachfront resort villas and townhouses were becoming a source of investment opportunities for the rich. Industry experts said the luxury resort property segment held great potential, given the new policy allowing foreigners to own houses beginning this month. The new policy was expected to trigger foreign capital inflows into the property market, especially in the high-end segment.

BIM Group, which invested US$2 billion in Halong Marina Urban Area in Quang Ninh Province, cited statistics from the Boston Consulting Group showing that some three million Vietnamese were now in the middle-class bracket, and they were financially capable of buying coastal property costing between US$250,000 and $2 million per unit. The number of middle-class Vietnamese was expected to rise to 33 million by 2020.

[BIZHUB]

Food Kinh Do acquires 17% in DongA Bank

Vietnam's food firm Kinh Do Corporation will become DongA Bank's strategic shareholder with a majority holding of 17 per cent. The bank is planning to increase its charter capital by VND1 trillion ($46 million) to VND6 trillion by issuing additional shares to Kinh Do. This was officially decided during DongA Bank's shareholder meeting in July 21st, 2015. The issuance will be deployed in the third quarter, and the shares are limited to transfer within one year.

Prior to the decision, it was being speculated that the DongA Bank might merge with ABBank. However, DongA Bank turned down the offer, as it planned to invite Kinh Do as the strategic shareholder.

The bank said, after much negotiation, Kinh Do committed to purchase all of its shares during the capital increase issuance. Currently, Bac Nam 79 Construction JSC is the largest organisational shareholder at DongA Bank, with an equity stake of 10 per cent, followed by Phu Nhuan Jewelry with 7.9 per cent.

DongA Bank has been seeking a partner for almost two years, especially after its profits dropped, even as the non-performing loans increased, say industry insiders. Ending last fiscal, DongA Bank's profit before tax was only VND35 billion due to high risk provisioning, caused by rising bad debts.

However, Binh said the bank was on track to deliver high growth this year, as the profit has reached VND100 billion in the first half. The bank's board of directors target to raise the total asset size by 13 per cent to VND98 trillion this year. Currently, it is the 16th largest bank by assets among the 30 or so lenders in Vietnam.

As per Kinh Do, it has said to rename and change its brand identity to KIDO, after completing the sale of 80 per cent of its confectionery unit to the US-based sweet treat producer Mondelez International. A part of VND3.2 trillion in its cash portfolio is set aside for investment activities, particularly M&A in the essential food industry.

[Dealstreatasia]

Vingroup deals with foreign partners

Vingroup has struck strategic partnership deals with eight foreign firms in the design, consulting, project management and electrical engineering fields to ensure its major projects will meet international standards.

Vingroup's partners are major firms in their respective industries including Atkins and Mace of the UK; Gensler, Aedas and Arup of the United States; Aurecon and Meinhardt of Australia; and Artelia of France. They have got involved in the building of iconic structures worldwide like Mace with Heathrow Airport in London, Atkins with Burj Al Arab in Dubai, Gensler with The Ritz-Carlton Hotel & Residences and JW Marriott Los Angeles in California, Aurecon with Millennium Arts Project in Australia and Meinhardt with Gardens by the Bay in Singapore. Vingroup partnered with those companies to make sure that its projects will be on par with the world's iconic structures and reflect a modern and developing Vietnam.

Before signing the strategic agreements, Vingroup already cooperated with Atkins, Arup, Aurecon, Mace, Meinhardt and Artelia to develop components of the modern urban area Vinhomes Central Park in HCMC, Gensler in the Vinmec medical university project in Hung Yen and Aedas in Vinpearl hotels in the central coast city of Nha Trang and Phu Quoc Island off mainland Kien Giang Province.

After the signing of the partnership deals, the eight foreign companies will participate in design, supervision and management of Vingroup's major projects under construction and about to be implemented nationwide.

[Talkvietnam]

Toyota Motor Vietnam recalls 4,000 Vios, Corrolla cars

Toyota Motor Vietnam (TMV) is recalling 3,810 Vios units produced in Viet Nam and 148 imported Corolla units to check and replace the inflator module of the front passenger airbag.

Accoding to the company announcement on July 20, the nationwide Toyota dealership network would begin recalling the cars from September 1 this year, involving Corolla cars produced from November 3, 2004, to April 28, 2005, and Vios cars from September 13, 2007, to December 31, 2008.

This campaign is covered by the global recall campaign of Toyota Motor Corporation (TMC) for 7,949,000 vehicles of different models. It has been launched because the said vehicles are equipped with front passenger airbag inflators which, a defect information report submitted by Takata in April 2013 in certain countries said, could have been assembled with improperly manufactured propellant wafers.

Improperly manufactured propellant wafers could cause the inflator to rupture and the front passenger airbag to deploy abnormally in a crash, increasing the risk of injury to the occupant. In addition, in certain models equipped with single-stage passenger airbag inflators (Takata-designated SPI), such inflators may have been manufactured in such a way as to have a potential for the intrusion of moisture over time. The cause of such moisture intrusion and the link, if any, to the risk of inflator rupture is not known.TMV will check and replace the airbag inflator module of the front passenger airbag in the affected vehicles at no cost. The total time required for checking and replacing the modules is about 1.4 hours for Corolla and two hours for Vios.

[VIR]

Steel Consumption Surges

Vietnam's steel import turnover surged to US$7 billion in the first six months of 2015, according to the General Department of Vietnam Customs. Rising demand for steel imports will not only impact domestic manufacturing businesses, but also heralds a boom in the domestic real estate market.

Surprising rise

In June alone, steel imports jumped 205.3 percent in volume and 94.4 percent in value. In the first six months, steel imports increased over 36 percent in volume and 10 percent in value. Notably, the import value of steel-based products soared 49.7 percent in the reviewed period. China remained the biggest steel supplier for Vietnam. In the first five months, Vietnam imported from China 3.05 million tonnes of steel, up 41.9 percent year over year. Japan was the second biggest steel supplier to Vietnam with 967,000 tonnes, down 0.1 percent from a year-earlier period, followed by South Korea with 673,000 tonnes (up 24.8 percent year on year) and Taiwan with 406,000 tonnes (down 15.3 percent).

The strong economic recovery pushed up steel demands in the domestic market. Nevertheless, steel prices tend to go down, particularly locally made products, because of cheaper inputs. Prices of most steel products slipped 5-10 percent since the beginning of 2015. Domestic steel production also expanded on rising demand. In June, crude steel output climbed 8.2 percent year on year to 403,200 tonnes, rolled steel output climbed 22.9 percent year on year to 351,100 tonnes while the steel bar output was forecast at 344,300 tonnes. In combination, in the first six months of 2015, crude steel output expanded 3.2 percent year on year to more than 1.8 million tonnes; rolled steel volume jumped 18.2 percent to over 2 million tonnes, and steel bar production enlarged 8.8 percent to 1.8 million tonnes.

Foundation for robust property market growth?

Although Vietnam is holding advantages in steel production, steel imports tends to rise up, thus posing enormous challenges to import management. Currently, many solutions have been introduced to revise import management in line with international commitments and in accordance with Vietnam's import strategic orientation in the 2011-2020 period. However, to manage imports in general and steel in particular, there are a lot of works needed to be done. For example, the steel import value amounted to US$7 billion but steel production alarmingly dropped in 2015. The surge in steel imports will considerably impact operations of domestic steelmakers. But, this also arouses projections about the boom of property market in the coming time.

The sharp growth of steel import shows that we need reasonable management policies, which are not aimed to control or restrict imports but rationalise macro policies, especially macroeconomic policies. In fact, when the volume of imported construction steel jumps in the midst of construction declines, this may be the signs of a possible boom of the real estate market.

[Si Son]

Rice farming reduction to make room for livestock feed materials

Rice farming area has exceeded plan resulting in supply redundancy and low price while breeding industry has depended on import materials causing high-cost feed products to plague breeders. Therefore, experts have said that rice area should be reduced to make room for livestock feed material production, especially corn.

Millions of breeders have purchased import feed products at high prices for the last several years because Vietnam's breeding industry has depended on import materials. Breeding is among the weakest industries nearly without export products.

Latest data from the General Department of Vietnam Customs shows that Vietnam spent US$3 billion on import feed last year. Maize import hit a record high output of 3.72 million tons and turnover of US$744 million in the first six months this year. Vietnam yielded US$2.95 billion from rice exports but spent up to US$3 billion on livestock feed and material imports every year. It touched US$4 billion if calculating maize, soybean and wheat. It said that Vietnam had the advantage in rice farming but disadvantage in feed material production.

American feed provider Bunge Group predicted that Vietnam's import demand on maize has increased to 3.5-4 million tons a year. Besides, the country has imported nearly 950,000 tons of soybeans worth US$438 million. It is expected to continue increasing in the upcoming time due to hot and muggy weather. Vietnam needs 12.5 million tons of livestock feed annually but imports up to 9-10 million tons of materials for production.

Feed accounted for 70 percent of breeding product prices while the breeding industry has been conditional on import materials. Therefore any fluctuation in the Vietnamese dong to US dollar exchange rate has greatly affected local breeding industry and food market. In addition, the agricultural industry has been forced to tighten management over feed quality as the high import demand has unleashed low quality materials to enter domestic market.

In the breeding development strategy by 2020, the ministry targets to develop breeding into a main production industry, accounting for 42 percent of agricultural value structure. However, in order to obtain the target, the ministry should set up policies, aiming to build and develop feed material source right now.

[Talkvietnam]

Decree 51 hems in MOJ's legal remit

To date, the Ministry of Justice (MOJ) has issued various legal opinions on Build Operate Transfer (BOT) projects, in compliance with the provisions of Article 48.2 of Decree 108/2009/ND-CP on investment under the forms of BOT, BTO (Build Transfer Operate), and BT (Build Transfer), and in line with previous precedents first established by the Phu My power projects. Those opinions were always issued on a case-by-case basis, and only after typically hard argumentation between the parties.

Since the provisions of Decree 51 vary so dramatically from past precedents, it is important to note that the key features of the decree shall apply to all projects involving legal opinions issued by the MOJ. Critically, as will be discussed below, after the effective date of this Decree, the MOJ will not be empowered to issue any opinion on the financing documents and the power purchase agreement of a project.

Restricted scope of application

In previous transactions, the MOJ has issued legal opinions on power projects on the basis of Decree 108 and past precedents. Investors and lenders on state-financed infrastructure projects have come to rely heavily on the MOJ legal opinion to substantiate key bankability issues, especially the validity and enforceability of key project contracts, government and state owned enterprise commitments, guarantee obligations and currency convertibility. The scope of parties and documents for which MOJ could issue its opinions were not specifically restricted.

Under Decree 51, the scope of the MOJ's legal opinion is restricted to agreements to which the state, the government, or a state agency is a party. Regarding PPP projects (including BOT power projects), the MOJ issues a legal opinion to project contracts, government guarantee documents, land lease agreements and other relevant documents that are entered into by the state, the government or a state agency. This now excludes the issuance of an MOJ legal opinion for agreements involving any non-governmental party, such as state-owned enterprises (SOEs), coal suppliers and financing parties. In short, key project agreements such as the power purchase agreement, acknowledgement and consent of an SOE, local construction contracts, local supply contracts, security documents and financing documents are no longer subjects of MOJ legal opinion. There is no exception under this provision.

Principles and conditions for issuing legal opinion

The principles for issuing a legal opinion are as follows:

- The legal opinion must be issued on the basis of and in accordance with Vietnamese law at the time of issuance
- The legal opinion must be issued after the documents being subject matter of the legal opinion are signed, approved or issued in accordance with the law, and
- The legal opinion must not increase, decrease, or change the rights and obligations of the parties under the relevant documents or the applicable law at the time of issuance.

A new condition for the issuance of legal opinion requires that the documents forming the subject matter of the legal opinion must be negotiated, signed, and approved in strict accordance with the authority, processes and procedures provided by Vietnamese law. In other words, if the MOJ issues a legal opinion, then the relevant documentation should be deemed to have fully complied with the legal process, and should therefore stand as legally sound documentation. It is still too soon to determine whether this inference of validity will support the bankability of projects or whether it will cause adverse delays for government negotiators in finalising documents, for fear of being identified as the parties making the determination that the relevant documents and processes are fully compliant with the law.

Contents of MOJ legal opinion

Under Decree 51, the MOJ legal opinion shall contain five basic elements. On a case-by-case basis, the legal opinion may contain additional content, but it must follow the principles for the issuance of legal opinion. Notably, the MOJ's legal opinion shall not assess any details (i.e. circumstances), events or other matters not directly related to the laws of Vietnam. It is not clear how details or circumstances are interpreted by the MOJ, but it raises the concern that the MOJ may refuse to opine on a specific provision or process, which is stated in an agreement, such as, the provision on force majeure events or other similar issues.

Furthermore, the authors have seen an MOJ legal opinion drafted under Decree 51 standards and note that significant limitations and assumptions have been placed against the above five elements of the opinion, with the effect that little appears to actually be covered by it.

Conclusion

Although forming a specific legal basis and clear process for the issuance of the MOJ's legal opinion, with its limited scope of application and strict conditions applied to the legal opinion, Decree 51 offers little comfort to lenders and investors developing PPP projects, and does little to facilitate the negotiation and signing up of important and necessary infrastructure projects at this key point in Vietnam's economic development.

Great strides have been made in the past two years to develop the PPP legal framework and address key bankability issues, with the recognition that both investment and lending for needed infrastructure projects must be streamlined and in line with international norms. Decree 51 is an unfortunate step backwards and will require investors and lenders to take a harder look at the overall bankability of projects where a clear "wrap" is no longer available from the MOJ, to whom the market has always looked for comfort that deals are compliant, valid, and enforceable under Vietnamese law. Investors and lenders should not look to their legal counsel to cover this gap through the issuance of equivalent opinions.

The stakes on such projects are simply too high to rely on the opinions issued by law firms, especially given the stress placed on law firms to cover risk within their existing professional indemnity cover. The possibility of key projects being later deemed invalid or unenforceable has always been the rationale for seeking an official opinion from the body of government best able to assess that risk, namely the MOJ, whose function is difficult to replicate through private law firm opinions. Better alternatives now need to be introduced into the project documentation, such as stronger representations of authority coupled with clear indemnities from counterparties from the Vietnamese side.

By Stanley Boots Frontier Law & Advisory

Vietnam's power utility to lose monopoly in 2016

Consumers in Vietnam will hopefully be able to buy electricity from sellers other than the country's current sole power utility, Vietnam Electricity (EVN), as a wholesale power market is set for launch next year.

Both EVN and ERAV are managed by the Ministry of Industry and Trade. The ministry is expected to approve the detailed plan on how the wholesale market will work by the end of this month, according to the ERAV official. The wholesale market will be designed in a way that will "increase competitiveness and reduce EVN's monopoly."

There are now many power generators in Vietnam, but all of them have to sell electricity to one sole buyer, EVN. The power utility then distributes electricity to consumers via five regional units, which are in charge of the north, central, and southern regions, and Hanoi and Ho Chi Minh City.

The official said such a mechanism will make power prices more competitive. Vietnamese power prices are currently regulated by the state. Once the power wholesale market comes into being, the five EVN-run units will play a smaller role in the market.

Then, customers will not have to buy through these five companies. The law on electricity also allows qualified economic entities to become power wholesalers, which will buy from the wholesale market and distribute to [power] retailers, as the five EVN units currently do. And in the wholesale power market, the [power] generators will be able to sell to other units, not just EVN.

Besides, businesses with huge power demand, such as industrial parks or steel plants, can buy electricity directly from the generators, rather than through EVN.

As for individual electricity users, they can choose either to keep buying power from EVN, at prices regulated by the state, or from the electricity wholesalers, with prices changing in accordance with market fluctuations. EVN will also set a certain limit on power that its regional units must buy from the wholesale market to prevent them from merely buying from one source.

It can be said that once the competitive wholesale market is launched in 2016, EVN's exclusiveness in buying and selling electricity will be gone. Consumers in Vietnam usually complain that they have to pay high power prices, while EVN has been repeatedly criticized for taking advantage of its monopoly. Power users are also upset by the tiered price calculation used by EVN such as six tiers for electricity prices, with prices rising progressively as power consumption reaches the higher tiers.

[Talkvietnam]

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