

VIETNAM

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TPP negotiations concluded



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ECONOMY

Low CPI increase energises economic growth: official

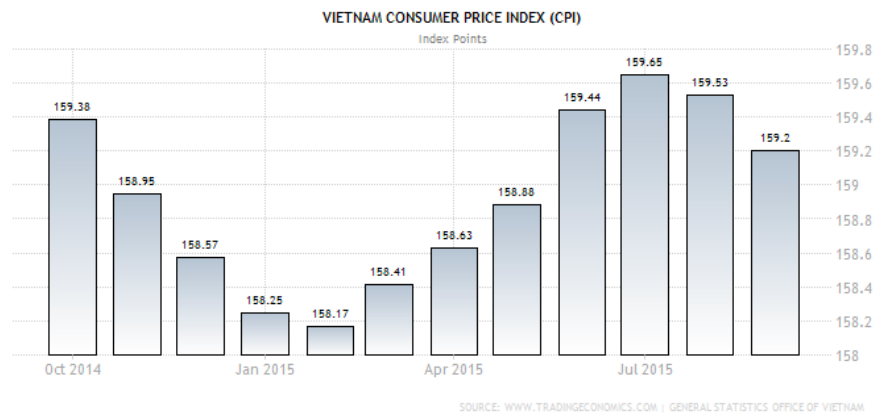
VNA - The slower pace of CPI rises is favourable for stable business activities & GDP growth in 2015, said General Director of the General Statistics Office (GSO) Nguyen Bich Lam.

Vietnam has recorded continually low CPI hikes in recent months. The September index slipped by 0.21% from a month earlier – the first September decline in a decade – while increasing by only 0.4% over last December.

Meanwhile, VN's GDP grew by 6.5% during the nine-month period through September, Lam said, noting that other positive economic indexes also imply that Vietnam's economy has been flourishing. As a modest CPI upturn is also conducive to business activities, a CPI augmentation does not necessarily mean GDP growth and vice versa, he stressed.

Despite the slow CPI pace, the total retail sales of consumer goods and services during the first nine months of 2015 leapt over 9% compared to the same period last year when the figure posted at 7.3%, proving a rise in consumer demand.

Lam continued to say that the GDP expansion was also fuelled by development in the mining, processing, and electricity and



water production and distribution industries.

Vietnam's inflation has not surged rapidly in recent years, encouraging ministries & sectors to set the target inflation rate of 5% for 2015 & 2016 – a level that could ensure economy's stable growth. GSO also studied domestic and global economic developments over the past two decades and realised that the best inflation rate for VN's economic development is between 5% and 8%, the General Director said.

He noted that the office recently asked Gov't not to include inflation in socio-economic development targets submitted for the National Assembly's approval, but rather as an objective for the Cabinet to steer the economy.

Rice outlook takes positive turn

VOV - At an online briefing on October 5, Vice President Huynh Minh Hue of the Vietnam Food Association (VFA) said there are

some bright spots on the horizon for rice exports.

Hue said Vietnam has recently been awarded contracts to supply 450,000 metric tons of rice to the Philippines and another 1 million metric tons to Indonesia that should provide for stable growth through January of 2016.

Hue reported the price of rice was up slightly in September compared to August and the trend is expected to continue inching its way up in the foreseeable future.

However, the rising demand for exports will pose problems for domestic exporters as they attempt to balance it against the domestic demand due to the lower than anticipated winter-autumn crop harvest of 1.5 million metric tons.

Deputy Minister of Industry and Trade Tran Tuan Anh in turn said the ministry will coordinate with pertinent agencies to fulfil the rice export target and ensure farmers' income and businesses' profits.

BANKS & FINANCE

VN shares continue rally on TPP deal optimism

VNS - Shares in Viet Nam's two stock markets continued to rally yesterday after 12 Pacific Rim countries reached an historic agreement which will liberalize commerce in 40 per cent of the world's economy.

The benchmark VN-Index on the HCM Stock Exchange rose for a second day, adding another 2 per cent to close the session at 581.3 points. In Ha Noi, the HNX-Index also gained 2.1 per cent to end the day at 80.5 points, extending its winning streak to five sessions.

"This is the good news investors were waiting for that gave a boost to the market," said Tran Minh Hoang, head of the analysis department at Vietcombank Securities Co.

Hoang said that not only should Vietnamese export companies benefit from the agreement but support industries such as banking, construction and logistics sectors would also be gainers.

TPP, which would cut trade barriers among participating nations, is expected to expand Viet Nam's GDP by US\$33.5 billion and lift its exports by \$68 billion by 2025, said

Vietnamese Minister of Industry and Trade Vu Huy Hoang after the pact's conclusion.

He said Viet Nam's key export products like textile, garment, footwear and seafood would gain breakthroughs in export value to big markets such as the United States, Japan and Canada.

Seafood exporter Hung Vuong Corp (HVG) hit the daily increase ceiling of 7 per cent in the HCM City market yesterday while apparel maker Mirae (KMR) jumped 6.3 per cent. Companies such as Thanh Cong Textile Garment Investment Trading (TCM) and TNG Investment and Trading (TNG) saw gains of 6 to 7 per cent in the morning fall to 1 to 2 per cent in the afternoon due to profit-taking. Big banks like Vietcombank (VCB), Bank for Investment and Development of Vietnam (BID) and logistic Gemadept (GMD) also climbed 2 to 4 per cent each.

The trade agreement must still be approved by the legislatures of each participating nation before being implemented.

"The market will likely have only a small rise in October since this agreement needs more time for the 12 nations to ratify it and for it to

take full effect," said Bui Nguyen Khoa, an analyst at BIDV Securities Co.

Overall market conditions were positive with nearly 50 per cent of 674 trading stocks advanced while only 17 per cent declined.

Liquidity also went up in the two markets.

In HCM City, more than 179 million shares worth over VND3 trillion (\$133 million) were traded, up 81 per cent in volume and 72 per cent in value compared with Monday's levels. These figures were also much higher than the daily average of over 93 million shares and VND1.5 trillion (\$67 million) seen in September.

In the Ha Noi's market, the market volume also increased 48 per cent over Monday, totaling 60.5 million shares while the value of trades jumped over 50 per cent to reach VND652.2 billion (\$29 million).

Bad debt ratio falls to 3.2% in August

VNS - The ratio of bad debts in the domestic banking system dropped to 3.21 per cent at the end of August 2015, from 4.93 per cent recorded in September 2012.

BANKS & FINANCE

State Bank of Viet Nam Deputy Governor Nguyen Kim Anh announced the figures at a seminar reviewing banking reorganisation over the last three years, in Ha Noi yesterday.

Anh reported that, as of August 2015, credit institutions had settled non-performing loans worth VND424.14 trillion (US\$18.85 billion), equivalent to some 91 per cent of the total soured loans unveiled in September 2012.

She said the Viet Nam Asset Management Company, or VAMC,

had helped handle more than 41 per cent of the total bad debts, while the remainder had been solved by credit institutions themselves with provisional funds or through the sale of mortgages.

She added that the achieved results in debt treatment had significantly supported the banking restructuring process, cleaning up lenders' finance and fostering credit expansion in the economy.

The results also reflected significant efforts of lenders without support from the State budget, while

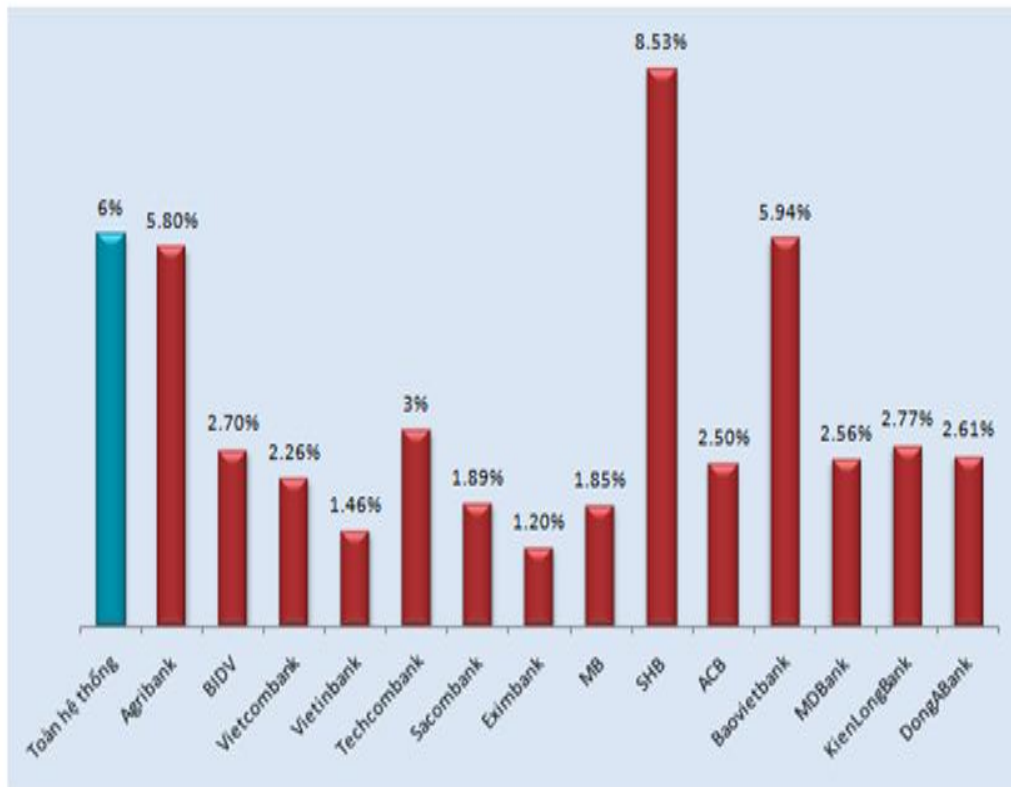
economic conditions remained tough.

VAMC Chairman Nguyen Quoc Hung said the company bought about VND91.31 trillion (\$4.06 billion) in bad debt, at a price of some VND82.16 trillion (\$3.65 billion), during the first nine months of this year.

He said this was "quite good progress" as the purchased amount had already exceeded the VND80 trillion (\$3.56 billion) quota the firm had set for 2015.

In nine months, the VAMC recovered debts totalling VND9.83 trillion (\$436.89 million), more than twice as that in 2014, thanks to the economic rally and a warming-up realty market.

Anh said that with the ongoing debt treatment progress, the overall bad debt ratio is likely to fall to below three per cent this year, in line with the national target for 2015.



Commercial banks' bad debt ratios

INVESTMENT

FDI jumps over 53% in 9 months

VNA - As many as \$17.15b in FDI was poured into Vietnam in the first 9 months of 2015, a YOY surge of 53.4%, according to the Ministry of Industry and Trade.

Of the amount, about \$11.03b was pumped into over 1,430 newly-licensed projects, up 44.5% against the same period last year. The remaining \$6.11b was added to 461 operational initiatives, up 72.6%.

The significant rise in the nine-month FDI was largely owed to the entrance of several major projects in August and September. Chief among these are the \$2.4b Malaysian-funded Duyen Hai 2 Power Plant in Tra Vinh province, Samsung Display VN with an extra \$3b investment in Bac Ninh province and Empire City, a \$1.2b real estate project invested by the United Kingdom in HCMC.

The manufacturing and processing industry attracted the largest share foreign investment with \$11.36b added into 737 new & 346 existing projects, or 66.3% of the total FDI.

It was followed by the power and real estate sectors which lured \$2.6b & \$1.81b, respectively.

The Republic of Korea topped investors in VN, injecting \$5.74bi, or 33.5% of the total foreign funds, followed by Malaysia and the UK.

Northern Bac Ninh province received the largest portion FDI funds, worth \$3.34b or 20% of the

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total, followed by HCMC with \$2.61b & Tra Vinh with \$2.52b.

Hot money to flow to Vietnam in TPP period

VNN - VN economy is expected to see major changes after it signs TPP with member countries that make up 40% of the world's trade.

Analysts believe that VN would see the highest GDP growth rate changes among TPP members. GDP growth rate changes have been predicted by the Vietnam Institute for Economic and Policy Research (VEPR), an arm of the Hanoi National University and Japanese Nagoya University. They forecast that the GDP growth rate changes would be between 0.11% and 2.04%.

The researchers also believe that the investment growth rate in Vietnam would be higher than in any other TPP member countries, between 6.86% and 30.62%, nearly the same as the investment growth rate in Japan and nearly double that of Australia, Malaysia and the US, if counting value.

Regarding the economic structure, Vietnam would see the narrowing of the production and business fields with weaker advantages or decreasing advantages, such as pork, chicken, milk, forestry, mining and industries.

But there would be expansion of some advantageous business fields, such as textiles & garment,

footwear, services and construction.

As for trade, the report showed that the import/export turnover with TPP member countries will increase. Meanwhile, higher imports and slight export decreases would be seen in trade with non-TPP countries.

Vietnam's textile & garment and footwear exports to the US are expected to increase sharply, while the total export turnover would decrease slightly.

Dr. Nguyen Duc Thanh, VEPR's director, said Vietnam needs to make immediate adjustments in the labor force to adapt to the new economic structure.

Adjustments include the mobility of the labor force from rural to urban areas, from untrained to skilled.

FDI to VN would increase significantly. However, VN does not want to see bad consequences as before. FDI to VN once soared rapidly after VN joined WTO. Large amounts of hot money were injected into Vietnam at that time, causing asset bubbles, which had a negative impact on the real estate and securities markets and harmed the business system.

An expert said he agreed with Thanh that hot money, if it cannot be "absorbed", would do more harm than good.

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ENTERPRISES

Top brands receive recognition

DTI - Deputy Prime Minister Nguyen Xuan Phuc urged Vietnamese businesses to improve their competitiveness, renew their technologies, increase productivity, and be creative to make the most of the ongoing international integration.

Deputy PM Phuc made his comments during the 2015 Gold Star Award ceremony in Hanoi on Sunday which honored 200 outstanding brands.

Speaking at the event, Deputy Prime Minister Nguyen Xuan Phuc recognized the achievements and contributions of businesses to the country and congratulated the 200 outstanding businesses that have taken the lead in production, business, and international economic integration.

He said these businesses were increasingly typical of the country, which has overcome difficulties in developing in a stable manner and firmly integrating into the world economy.

Phuc also affirmed that the success of these businesses and entrepreneurs was a reflection of the success of the country. He also praised the great effort and dedication made by generations of Vietnamese entrepreneurs, especially young entrepreneurs who had made an important contribution to the cause of



building and developing the country.

Phuc said he hoped that the Vietnam Gold Star Award would create a motivation to stimulate businesses to continue striving for more successes.

He noted that Vietnam's integration would create opportunities and major challenges for Vietnamese businesses and entrepreneurs.

Therefore, businesses and young entrepreneurs need to actively raise their corporate governance and enhance the application of new technologies and innovations to improve the competitiveness of their products and services, in order to compete domestically and globally.

He said the Government would do its utmost to create favorable conditions to support and incubate innovation, as well as strongly improve the investment and business environment.

The Government would give priority for investment in infrastructure development, technology, high-skilled human resources, as well as encourage technology applications, technology transfers and implementation of laws on intellectual property.

Phuc also called upon young entrepreneurs and those businesses receiving awards to not only continue their successful business practices and pioneering in international integration, but also to take the lead in implementing corporate social responsibility.

Commenting on the award, Huynh Nghia Thien, Deputy Director General of the Vina One Steel Company, said, "We have upgraded our steel production technology and expanded our export market to other countries in Southeast Asia, Australia, and America. We are also developing human resources as a way to increase productivity and sales."

ENTERPRISES

The Gold Star Award is presented in a bid to increase business awareness of international economic integration and honor businesses that have demonstrated sustainable growth and social responsibility.

Founded in 2003, the Gold Star Award targets to encourage Vietnamese businesses to build trademarks and improve competitiveness in the context of international integration.

Over the last decade, over 1,730 outstanding brands have been honored.

Steel association wants fewer plants as supply surplus hurts industry



TNN - The Vietnam Steel Association has urged authorities not to go ahead with 27 planned steel plants since local output is already more than twice the demand.

The association has proposed related authorities to revoke the licenses of 27 projects, some of which have not been started while others have proved impractical or are using outdated technology.

Do Duy Thai, vice chairman of the association, told Thoi bao Kinh te Saigon Saturday that the output of steel rods has risen to as high as 11 million metric tons while the consumption has been around five million tons and is expected to rise to nearly six million tons this year.

The quantity of steel billets and steel roofs is also 1.5 to two times the demand.

The supply-demand gap is "unreasonably large," he said

"We want the government to eliminate unsuitable projects."

He said the supply surplus should be contained at 30 percent like in

other countries so that the industry can continue to grow.

The association said at a meeting with local businesses last week that the proposal aims to limit the number of foreign invested projects. It said foreign investors, especially those from China, can take over the market with their strong financial and technical capabilities, if the government does not protect the local industry.

This is not the first time the association has sought government intervention: Late last year too it had asked the Ministry of Industry and Trade to examine steel projects and eliminate inefficient ones.

Many companies have complained about losses and stopped production since they lacked the financial and technical capacity to take on the harsh competition, insiders said.

Pham Chi Cuong, former chairman of the association, blamed the massive supply situation on the lack of a development plan from the government, which left many cities and provinces issuing a slew of licenses.

"The rush to invest has caused a waste," he said.

MARKET & PRICE

VN property market still recovering



VNS - Viet Nam's economic recovery in the third quarter and the amended laws on Housing and Real Estate Trading have facilitated the recovery of the country's real estate markets.

This recovery was especially evident in Ha Noi, the CB Richard Ellis Viet Nam Co Ltd (CBRE Viet Nam) said here early this week at a press conference to release its third quarter review of Ha Noi's property market.

The company said Viet Nam's economy continued to show signs of recovery in the third quarter of this year due to growth in production. The nation also showed further integration with the rest of the world through several important agreements.

A long-awaited and unprecedented change to Viet Nam's foreign ownership regulations, which came into force on July 1, 2015, had revived the country's flagging investment outlook.

"The relaxation of foreign ownership restrictions is more significant than previously anticipated and marks a strong step towards the opening up of Viet Nam's real estate market to overseas investment," Marc Townsend, CBRE Viet Nam's Managing Director, said.

These positive factors created advantages for the real estate markets nationwide during the third quarter.

In Ha Noi, a total of 9,160 new units were launched by 26 projects, doubling the figure from the same period last year, Nguyen Hoai An, CBRE Viet Nam's Associate Director, said.

High-end apartments continued to account for a larger share of the new launch stock. For the first nine months of the year, the supply of high-end apartments accounted for 25 per cent of the total new supply, up from 20 per cent in the first half of the year, including about 2,900 high-end units were launched in the third quarter alone.

Overall, positive market sentiment remained in this quarter, spurring cash inflow from buyers. An estimated 6,880 units were sold during the quarter, up by 154 per cent compared with the third quarter of 2014.

In terms of pricing, new projects under construction were seeing sharper price increases than previously completed projects. The

primary price was on the rise in most segments, especially for high-end and luxury projects, increasing by an average of 5-7 per cent year-on-year.

"Three months from the date the new regulations came into effect, initial interest from foreign buyers was recorded," An said.

"There hasn't been any particular jump in sales to foreigners as more guidance is still needed for implementation. Professionalism, language proficiency and ease of payment are key issues when foreign buyers are involved."

When buying a home in Viet Nam, foreign buyers placed importance on the quality of the property and on reasonable selling prices, An said. They also considered whether the property matches their requirements for living in or leasing it. Foreign customers often focused on high-end apartments and resorts in Viet Nam to gain the advantage of leasing these property products, she said.

HCMC market

Meanwhile, in HCM City, a total of 10,114 new units were launched in 26 projects, triple the number seen a year earlier, according to CBRE Viet Nam.

Duong Thuy Dung, research and consulting director at CBRE Viet Nam, said new supply in the south of the city, comprising districts 4, 7, 8 and Nha Be, accounted for 36

MARKET & PRICE

per cent of the total, while the recent hot spot in the east (districts 2, 9, Binh Thanh, and Thu Duc) accounted for 29%.

"The market is believed to witness more competition between these two hot zones, the south and the east, in the coming time, especially in the context that now the Thu Thiem New Urban Area is in the east," Dung said.

The review quarter also witnessed a repackaging of some long-delayed projects where new developers took over and revitalised developments by providing more finance or redesigning unit layout, size and mix.

Overall, the market sentiment remains relatively positive despite the "ghost month," with good cash inflows. An estimated 7,862 units were sold during the quarter, up 88 per cent year-on-year.

Continuing the trend from last quarter, high-end apartments still accounted for an increasing share of units sold. In the first nine months of 2015, high-end apartment sales accounted for 35 per cent, up from the 32 per cent reported last year.

The primary price in Vietnamese dong was on the rise in most segments, especially in high-end projects, by an average of 5.5 per cent y-o-y.

Cement consumption up YOY

VNS - The total consumption of cement till September 2015 rose 3 per cent against the same period of last year to 52.11 million tonnes, according to the Ministry of Construction.



The ministry's Building Material Department said that of these, 40.26 million tonnes of cement were sold on the domestic market, a year-on-year surge of 8 per cent while the export volume of cement reached 11.85 million tonnes, a 12 per cent lower than the same period of last year.

However, total consumption of cement in September was down 9 per cent to 5.37 million tonnes, including 4.27 million tonnes for the domestic market, 11 per cent lower than last month, chinhphu.vn reported.

Experts in building materials said the reduction in total consumption volume of cement in September was due to the impact of the rains and the "ghost month" when people often avoid starting construction projects.

They expect cement consumption on the domestic market to be

better by the year-end when the construction season begins.

However, the cement industry would find it difficult to export cement by the year-end because some cement exporters in the region would increase their volumes to between 5 and 6 million tonnes.

Le Van Toi, head of the Building Material Department said the enterprises should promote domestic consumption of cement and then improve competitive ability of cement products for exports.

Nguyen Quang Cung, chairman of the Viet Nam Cement Association, said cement factories located near seaports with high capacity and high technology accorded priority to exports, the Cong thuong newspaper reported.

Tran Thanh Hai, deputy head of the Import Export Department under the Ministry of Industry and Trade, said the department would co-operate closely with the building material department to maintain a balance between supply and demand, and assess the ability of cement enterprises when joining the world market to ensure reasonable solutions in production and business for local cement enterprises.

LEGAL UPDATES

Falling to meet business conditions, enterprises shall not be eligible for tax refund

Official letter No. 3865/TCT-KK dated September 21st, 2015 of the General Department of Taxation regarding VAT refund. According to the guidance provided in point 7 of official letter No. 10492/BTC-TCT dated July 30th, 2015, enterprises which fail to meet the business conditions under the Law on Enterprise, Investment Law (if any) shall not be refunded input VAT.

Accordingly, in case an enterprise engaging in the payment intermediate service which is the conditional business line but has not been granted the license for providing such service, it fails to meet business conditions and shall not be eligible for tax refund.

Regarding the leasing of warehouse outside industrial parks

Official letter No. 1050/GSQL-GQ2 dated September 15th, 2015 of the General Department of Vietnam Customs regarding the guidance on customs procedures.

In case an enterprise operating in industrial park leases outside

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warehouses to store its raw materials, supplies, processing products, products of export production, it must make procedures for notifying the managing sub-department of customs of the warehouses in accordance with Article 60 of Customs Law 2014, Article 37 of Decree No.08/2015/ND-CP and point b Clause 1 Article 56 of Circular No. 38/2015/TT-BTC.

However, if the company is an export processing enterprise (EPE), the leasing of warehouses outside the EPE to store materials and products shall be complied with Article 80 of Circular No. 38/2015/TT-BTC.

The new provisions on domain name registration and IP address



Circular No. 24/2015/TT-BTTTT dated August 18th, 2015 of the Ministry of Information and Communications on stipulating management and use of internet resources.

This Circular provides the regulations on allocation,

management, use and revocation of domain name, IP address and network serial number in Vietnam. Accordingly, in comparison with the earlier provisions, this Circular narrows scope of operation towards “.vn” domain name registrars being foreign enterprises. Previously, foreign enterprises are allowed to provide “.vn” domain registration service in and outside Vietnam but now they are only allowed to provide outside Vietnam. If “.vn” domain registrars are enterprises formed under Vietnamese laws, they shall be eligible for providing “.vn” registration service in Vietnam and overseas countries.

This Circular takes effect from October 10th, 2015.

The following regulations shall be abolished:

- The Circular No. 19/2014/TT-BTTTT dated December 5th, 2014;
- Article 1 of the Circular No. 09/2011/TT-BTTTT dated April 8, 2011;
- Circular No. 10/2008/TT-BTTTT December 24th, 2008;
- Circular No. 09/2008/TT-BTTTT December 24th, 2008.

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HIGHLIGHTS

WB forecasts Vietnam's economy will expand 6%



VNA - The World Bank forecast that the Vietnamese economy will grow at a speed of 6 percent in 2015, according to the East Asia and Pacific Economic Update released on October 5

The country's poverty rate is expected to reduce with extreme poverty, which is currently set at living on 1.90 USD per day or less, tapering off from 2.8 percent in 2012 to 1 percent in 2017. Meanwhile, the population living under 3.10 USD per day is predicted to dwindle to 6.7 percent in 2017 from 12.3 percent in 2012.

Economic recovery and stable macro-economic conditions will further reduce poverty. However, slower agricultural growth will affect rural resident incomes, thus increasing the urban-rural income gap, the World Bank said.

The report also pointed to challenges facing the country, such as slow growth, unstable elements spurred by the country's dependence on trade and decreases in the prices of rice and other farm produce.

It recommended that Vietnam outline a plan to consolidate mid-term financial conditions while carrying out reforms to fortify finances for State-owned enterprises and banks.

Meanwhile, the World Bank expected the East Asia-Pacific region's economy to expand by 6.5 percent in 2015, lower than the 6.8 percent growth of last year.

East Asia will create global momentum as it accounts for almost two-fifths of the world's economic growth, the World Bank said.

It highlights that the region needs to prioritise prudent macro-economic management to tackle financial issues as well as deepen economic restructuring with a focus on private investment.

Axel van Trotsenburg, World Bank Vice President for East Asia and the Pacific region, said that growth in developing East Asian-Pacific countries continues to be solid,

adding that the moderating trend suggests policymakers focus on structural reforms which create a foundation for sustainable, long-term and inclusive growth.

The reforms are comprised of regulatory improvements in the finance, labour and product market and measures intensifying transparency and accountability, he said.

Are 15 banks enough for Vietnam?

VNN - In many people's thoughts, restructuring banks means reducing the number of banks. How many banks will there be in Vietnam when the bank restructuring process is completed?

Many commercial banks have merged in the last few years in a bank restructuring programme initiated by the State Bank, which has led to a significant decrease in the number of commercial banks in Vietnam.

Governor of the State Bank Nguyen Van Binh, in an interview given to the local press, has many times affirmed that the State Bank will 'go to the end with bank restructuring' to reshuffle the banking system and make it healthier.

HIGHLIGHTS

Sources said that the State Bank will take drastic measures to cut the number of banks further from 40 to 15-17.

Nguyen Tri Hieu, a renowned banking expert, thinks with the population of 90 million and 20-30 percent of population accessing bank services, 15 large-scale commercial banks would be enough for Vietnam.

Keith Pogson, a senior executive of Ernst & Young, in an interview with the local newspaper VnExpress, noted that 15 banks was still 'more than enough' and five banks would be good for Vietnam, provided the banks are all large with regional stature.

He noted that in most successful banking markets in the world, there are only 2-5 large banks in each. Meanwhile, there are too many banks in Vietnam.

In fact, Malaysia once had 45 banks 20 years ago, but it underwent a restructuring process which ended with only 10 banks.

Vietnam needs just a few powerful banks rather than many small banks. If Vietnam does not have banks large enough to arrange capital for infrastructure projects, it would be hard to develop the economy.



Meanwhile, Lawyer Truong Thanh Duc, a banking expert, argues that there is no criterion or standard for economists to refer to when discussing the number of banks Vietnam needs.

According to Duc, what the State Bank needs to do is create a legal framework for banks to operate and develop in the best way for the national economy.

He does not think that Vietnam needs only large banks, because every bank can play a role in the national economy.

"Small cats will catch small mice," Duc commented, adding that the topic for discussion is not how many banks Vietnam should have, but

what to do to ensure a healthy environment in which banks can operate.

Do Thien Anh Tuan, lecturer at the Fulbright Economics Teaching Program, agrees that there is no theoretical and practical base to say 15 or 20 banks would be enough for a national economy.

"Let banks come into the world, develop and die in a natural way," Tuan said.

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