

VIETNAM

# BUSINESS REVIEW

Vol 39, October 14<sup>th</sup> 2015

*Vietnam to be in top 10 places to go in fall 2015*



## INSIDE THIS ISSUE

### Highlights

The biggest winner from TPP trade deal may be Vietnam  
Vietnam's Mekong Delta emerges as new destination for giant retailers  
ANA eyes 10% stake at Vietnam Airlines

### Economy

Gov't proposes higher tax on vehicles  
\$3b of foreign capital in casinos, GDP up by 0.58%, research

### Banks & Finance

VPBank opens to foreign investors  
Half a billion USD in reserves to support 3 ailing banks' liquidity

### Investment

Gov't improves supervision of SoE investment  
Private investment to boost railway sector

### Enterprises

Electronics company Hanel to sell 61% stake  
FLC Group: strong magnet to Japanese businesses

### Market & Prices

Property market looks for TPP edge  
Fake fertiliser plagues market

### Legal Updates

Amending regulations on foreign currency transaction  
Regarding problems with customs procedures

## ECONOMY

### Gov't proposes higher tax on vehicles

VNS - The Government wants to raise the special consumption tax on vehicles with high engine displacement, according to a statement delivered to the National Assembly recently.

If Gov't proposal is approved by the lawmakers this year, vehicles with an engine displacement of 3,000cu.m to 4,000cu.m; 4,000cu.m to 5,000cu.m; and 5,000cu.m to 6,000cu.m will see tax increases from 60% to 90%, 60% to 110%, and 60% to 130%, respectively.

In particular, vehicles with engine displacement of more than 6,000cu.m will see the highest tax increase of up to 150% from its current tax rate of 60%.

Meanwhile, Gov't has proposed that tax levied on vehicles with engine displacement of under 2,000cu.m should be reduced by between 5% and 25%.

#### High fees, low car usage

At a seminar on special consumption tax and issues related to the tax on spare parts, which was held within the framework of the VN Int'l Motor Show in Hanoi from Oct 9 to 13, auto importers proposed a reduction in special consumption tax in order to lower the prices on vehicles.



Head of the Ministry of Finance's Tax Policy Department Pham Dinh Thi said the reduction in special consumption tax on low engine displacement vehicles and tax increase for high engine displacement vehicles would create conditions for middle-income people to buy their own vehicle, thus boosting the development of the country's automobile industry.

The rate of car usage is still low, at 18 cars per 1,000 people in VN, Long said, which is much lower than that of Indonesia and Thailand, with 80 and 140 cars per 1,000 people, respectively.

At present, locally assembled cars in VN bear import tax of 10-30% on spare parts, while imported completely built vehicles are taxed between 50% and 70% of their value.

A car has also borne special consumption taxes of 40% to 60%, depending on engine displacement; value-added tax of 10%; and corporate income tax of 22% as well.

In addition, customers have to pay 10 different fees, including fees for registration, number plate, technology safety and road maintenance.

Of the above taxes and fees, only import tax will be reduced in line with VN's signed commitments upon entering bilateral and multilateral free trade agreements.

As for the ASEAN, VN will reduce its car-import tax to 0% by 2018, under the ASEAN Trade in Goods Agreement. Cars imported from EU such as Germany, France & Italy will have import taxes reduced in 2018.



## ECONOMY

Under TPP, import tax could be reduced by 2016 and wholly eliminated by 2026.

Within this context, Long said many domestic investors would focus on the introduction and supply of imported cars, which have the advantages of competitive price and varied models, rather than developing manufacturing projects. To prevent this situation, Long said it was necessary to reduce taxes, especially import tax and special consumption tax, to lower the selling price of vehicles and boost the automobile market's growth.

As a result, domestic automakers would strengthen investment in production and the auto business and increase the rate of producing spare parts locally to help customers obtain high-quality vehicles at suitable prices.

**\$3b of foreign capital in casinos, GDP up by 0.58%, research**



VNN - If foreign investment in casino business increases by about \$3b compared to the current level, VN's GDP will rise by 0.58% in the first year, according to research by the

Institute for Regional Sustainable Development (IRSD).

The research indicates that the gambling industry and legal casinos can bring about significant benefits, such as an increase in budget revenue, creation of employment and improvement of income of local workers, attraction of investment and tourists, strengthening of trade and reduction of flow of foreign currency.

According to the research, if foreign investment in the casino industry increases by about \$3 billion compared to the current level, Vietnam's GDP will increase by around 0.58%.

The researchers also said that sociological findings indicate changes in people's perceptions about the gambling industry and casinos, with 71% of respondents saying that if casinos are open to Vietnamese people, they will attract many players; 64.7% say the gambling industry will help increase budget revenue; 47.4% have a positive view on the creation of employment by the casino industry; and 46.2% say they will have a positive influence on investment attraction.

In Vietnam, the gambling industry in general and casinos in particular are managed strictly. There are 64 lottery companies, eight casinos, two places for sports betting, and

43 centers of bonus electronic game in the country. Casinos and electronic gambling points are only open to foreigners.

As reported by the Ministry of Finance, last year the lottery business earned revenue of VND64 trillion, and paid taxes of approximately VND20 trillion. For casino business, revenue in 2014 reached VND1,379 billion and tax revenue was VND336 billion.

There are no official statistics for illegal gambling activities but according to reports from the Ministry of Public Security, 345 people were arrested last year for gambling, with the total money for gambling reaching more than VND10,000 billion.

IRSD's survey in Tay Ninh province showed that on average about 200 Vietnamese people crossed the border to Cambodian casinos. The number increased to 700-800 people/day during the weekend.

Annual revenue of Cambodian casinos is estimated at around \$250 million, and the majority of players are Vietnamese.

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

### VPBank opens to foreign investors

VNN - VPBank has asked shareholders to approve their plan to sell stakes in several of its subsidiaries to foreign investors, an atypical opportunity for foreigners interested in entering the market.

Working with foreign investors is not a completely new venture for VPBank. After the Singapore-based Overseas Chinese Banking Corporation Limited (OCBC) withdrew its capital in 2013, the bank has had no foreign investors.

VPBank's change of mind was announced on their website last week, along with details of the plan. The bank wants to offload 86.33 million shares or 89% of its complete ownership of VPBank Securities Company (VPBS). The stock package is tentatively worth VND863.3 billion (\$38.37m).

VPBank said they would also like to put 49% of VPBank Finance Company (VPBFC) stocks up for grabs by foreign investors, which is valued at VND1 trillion (\$44.4m). The active call for foreign investors is a sign of an increasing openness in business and banking policies.

VPBank also plans to issue a number of shares, up to 30% of the

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

bank's capital, to an overseas investor in order to raise capital to serve the bank's core businesses.

VPBank said that the moves would help the bank improve its equity capital, restructure and improve its use of shareholding capital.

### Half a billion USD in reserves to support 3 ailing banks' liquidity



TNN - The restructuring of 3 ailing banks, which the State Bank of Vietnam (SBV) took over at zero VND, has begun. VND11 trillion is the amount of money that Ocean Bank, GP Bank and CB have to pay to depositors and use to expand their business.

This was confirmed by Nguyen Huu Nghia, SBV's chief inspector, at a workshop reviewing the 3-year implementation of the bank restructuring plan last week.

Nghia said after being taken over by SBV, the three banks now have reserves for liquidity again and have begun their normal operation. The liquidity reserve at Ocean Bank, according to Nghia, is VND7 trillion.

Meanwhile, the figure is VND3 trillion at GP Bank and VND1 trillion at CB.

Nghia affirmed that the financial resources used to settle the three banks' problems do not come from the state budget, but from four main sources.

First, the capital is mobilized by the banks themselves from business institutions and the public. The inflow capital to the banks resumed after they were taken over by the central bank. This is the most important source of capital reviving the weak banks.

Second, there are resources from the credit institutions assigned to manage the zero-dong banks. However, Nghia said what the credit institutions have provided so far is just human resources, and SBV is not using the institutions' money.

The third source of capital comes from the three banks' debt and asset settlements. Fourth is refinancing from the State Bank.

Of the four economic sectors undergoing restructuring – credit institutions, state-owned enterprises, public debt and agriculture – the credit institution restructuring is believed to be proceeding the most successfully.

[Back to top](#)

## INVESTMENT

### Gov't improves supervision of SoE investment



VNS - The Government has issued regulations on further tightening the supervision on State capital directed into enterprises, in a move to assure investments are increasingly effective.

Under Decree 87/2015/ND-CP issued last week, the Government will provide financial supervision, performance evaluations, and disclosures of financial information of enterprises, in a bid to quickly resolve difficulties faced by firms and encourage them to complete business plans.

The move is expected to improve the performance of State-owned enterprises (SoEs), especially when the Government is speeding the equitisation and divestment of State capital at SoEs.

Currently, there are also regulations on supervising SoEs, however, they remain inadequate and loosely enforced, especially in the disclosure of firms' financial information.

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

Deputy director of the Ministry of Finance's Corporate Financial Department, Dang Quyet Tien, said there remained restrictions on disclosures of financial information among SoEs. As of August 31, 2014, only 76.9% of State-owned corporations and groups had mapped out their financial supervision reports.

Under the decree, the Ministry of Finance (MoF) has been asked to coordinate with other ministries and agencies to take over supervision, which must also comply with existing regulations on management and use of State capital in production and business.

The decree states that the disclosure of firms' financial information will be made public on a regular basis based upon six-month and one-year audited financial reports of enterprises.

Under the new decree, the assessment of the effectiveness of the performance of firms will be based on their turnover; post-tax profits and return on equity; debt solvency; obeying legal regulations on State capital investment, management and usage; tax payments, as well as budget and social welfare contributions.

Further, state-owned firms can be placed under special monitoring

when there are signs of financial problems, according to the decree. As for investment projects, the supervision will focus on overseeing capital mobilisation sources, as well as progress in the construction of projects and disbursements.

Supervisory agencies will also monitor enterprises' investments in their subsidiaries and associated companies.

Further, under the Decree, the MoF is to compile a plan in the fourth quarter on supervising State capital in businesses for release before January 1, after which related ministries must comply with the plan. Where violations are detected, the MoF must report to the Prime Minister and apply sanctions according to the law.

The finance ministry will also be required to receive and make public the enterprises' financial information on its website starting in the 2016 fiscal year.

Experts said that the new regulations were timely and meant to avoid losses of State capital, as a number of SoEs have reported losses in recent years.

Previously, due to inadequate supervision by ministries and agencies, losses were reported at a number of SoEs. For instance, VN National Shipping Lines (Vinalines)

[Back to top](#)

## INVESTMENT

lost more than VND1.6 trillion (\$71.1m) last year, according to the Government's website chinhphu.vn. Phap luat thanh pho HCM (HCM City Law) newspaper quoted Dr Nguyen Chi Hai from VN National University – HCM City as saying that SoEs played important roles in the economy, however, their performances were not as effective as expected.

According to Hai, although SoEs account for roughly 70% of the country's total investment, 60% of the country's credit and 70% of the country's official development assistance (ODA), these businesses make up only some 30% of the country's GDP growth and represent up to 79% of commercial banks' questionable debts.

### Private investment to boost railway sector

DTI - Vietnam's railway sector can expect a major improvement when large private investment begins pouring into projects.

Vietnam National Railway Corporation (VRC) and Indo Trans Logistics (ITL) last month signed a contract on the construction of a railway logistic centre and storage areas for domestic containers and export-import containers at Yen Vien railway station in Hanoi.

Though this was only a small project, estimated at VND90 billion for 2015-2018, the Deputy Minister of Transport, Nguyen Ngoc Dong, said that it was a major turning point in the local railway sector for mobilizing private capital investment.

ITL gets control of the Nam Yen Vien storage facility for 23 years, and the project is expected to help develop port logistics activities at many seaports and rivers in the north, including Hai Phong, Quang Ninh and Hai Duong.

The chairman of VRC, Tran Ngoc Thanh, said that besides the Yen Vien Project, VRC is also calling for private investment for 17 other railway projects, including franchising the Lao Cai-Hanoi-Hai Phong route, upgrading and building new storage facilities for six stations - Song Than, Bim Son, Giap Bat, Yen Vien, Lao Cai, and Dong Dang - and building a new Hanoi-HCM City railway.

Franchising is under the Transport Ministry and aims to improving services at railway stations, using a model that has yielded positive results at local airports and seaports. Vingroup has proposed buying Hanoi, HCM City and Danang railway stations, and investing in new railway stations in those cities

to ease overcrowding. Danang station has attracted interest from Vingroup, Nam Viet A Joint Stock Company, Duc Binh- Thanh Long-Cienco 1, T&T Group.

"We are now open to private investors," Thanh said. "We will even welcome those who want to invest in a whole new train and we'll provide supporting infrastructure and other services."

Several companies in VRC wants to link up with private enterprises to improve their services. Saigon Railway Passenger Transport Company has opened a luxury express train route linking Hanoi and Thanh Hoa. Hanoi Railway Passenger Transport Company launched a customer service hotline to provide better care for passengers and sell tour packages.

Truong Van Phuoc, vice chairman of the National Financial Supervisory Commission, said franchising was a good way to develop infrastructure for the transport sector when the state budget is limited, but warned, "We should be careful to ensure fair competition among different transport companies and prevent a monopoly in service prices."

## ENTERPRISES

### Electronics company Hanel to sell 61% stake



VNS - State-owned electronics and IT firm Hanel Co Ltd has been given permission to sell a 61% stake to strategic investors in an equitisation expected within this year.

This proposal was approved by Deputy Prime Minister Vu Van Ninh while the Ha Noi People's Committee is responsible for selecting suitable investors, either foreign or domestic.

The Hanel Co Ltd, whose businesses span from the electronics and IT sectors to real estate, auxiliary industry and logistics with 37 affiliated companies, will have charter capital of VND1.93 trillion (\$85.8m) after the initial public offering (IPO).

According to the approved plan, Hanel will auction 9.94% of the capital to the public while state ownership will account for 29%. Strategic investors will be allowed to buy 61% while its employees will be offered 0.06%.

"Equitisation is a historic turning-point of Hanel," Nguyen Quoc Binh, Hanel's chairman cum CEO, was quoted as saying to the financial website baodautu.vn.

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

Binh said equitisation was a big challenge but also offered a chance to renovate the company as well as reinforce human resources and expand its business strategy.

Hanel is known as the investor of the Ha Noi-based Daewoo hotel after acquiring 70% of the hotel's capital in 2012 after the parent Korean firm Daewoo went bankrupt. The 30-year-old company was the first Vietnamese enterprise to introduce the made-in-Vietnam Hanel TV. It has also been a pioneer in developing auxiliary industry to support the development of the electronics sector in the country.

To develop its brand name to investors before the IPO, the Ha Noi-based firm has deployed many big projects this year.

Of note, it has been picked up to provide the information technology system to serve the implementation of the national single window mechanism in the Ministry of Transport. The mechanism, which helps administrative reform towards an e-government, later will connect to other ministries including Industry and Trade, Finance, Health and Agriculture and Rural Development. It is also the leading investor in a VND11 trillion (\$488.9m) tech park project in Ha Noi.

Binh said the company was seeking long-term investors to research and develop IT applications and automation engineering in key sectors of the domestic economy. In particular, Hanel was focusing on biotechnology, cybernetics and nanotechnology.

According to the information on the company's website, Hanel's annual revenues reach around VND7 trillion (\$311m).

### FLC Group: strong magnet to Japanese businesses

VCCI - In response to the call for business cooperation from the governments of Vietnam and Japan, FLC Group wants to expand comprehensive business cooperation with Japanese companies on the principle of respect - equality - mutual benefit. This is also the central content of a conversation between the FLC Group Deputy CEO Tran Thi My Lan and Vietnam Business Forum ahead of Vietnam - Japan Economic Forum 2015. Anh Dao reports.

***FLC is said to have very close cooperation with many Japanese companies in many different sectors. Could you please briefly introduce trade and investment cooperation ties between FLC and***

[Back to top](#)



## ENTERPRISES

### **Japanese partners?**

FLC Group has close cooperation with many Japanese companies in the past years and we see Japan as a strategic market where we will focus resources and priorities in the coming time. Most recently, Sep 2015, in his meeting with FLC Group, Japan Ambassador to Vietnam, H.E. Hiroshi Fukada expressed his appreciation and support for FLC in developing & connecting economic cooperation with Japanese companies in FLC Group's core strengths like vacation property, housing complex, trade centre or industrial park in Vietnam.

At present, FLC has many big projects across Vietnam with a total investment value of nearly \$2b. The Group fetched \$100m of revenue & \$24.8m of profit in the first 6 months of 2015. FLC shares are among the most liquid on the Vietnamese stock market.

FLC regularly welcomes Japanese companies to visit its projects and explore cooperation opportunities in real estate, high-tech agriculture, health, education, trade and other fields. We also advise and support Japanese companies seeking investment, including investment information, sequence of legal procedures and investment

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

environment. At the same time, FLC has also sent many missions to Japan to explore cooperation and investment opportunities. For sure, FLC has a very strong magnet to Japanese companies and vice versa.

**Reportedly, FLC sees Japanese companies as its top-tier partners because of their capacity, experience and corporate culture. So, would you talk about cooperation achievements with Japanese partners in the past time?**

In the real estate sector, we are promoting cooperation with Japanese partners to design, build and operate FLC Tam Duong Industrial Park 2 (200 ha) in Vinh Phuc province and FLC Hoang Long Industrial Park (186 ha) in Thanh Hoa province. Two industrial zones are built to catch the new wave of investment flows redirected from other countries to Vietnam by foreign firms, including Japanese. Our premium ecological resorts, 5-star hotels, 18-hole golf courses, villas and helicopter tours like FLC Samson Beach & Golf Resort (Thanh Hoa) and FLC Quynhon Beach & Golf Resort (Binh Dinh) very much interest Japanese investors.

FLC Group's member companies have also forged close cooperation

ties with Japanese companies, like Nippon Soda, Kumiai Chemical Industry and Nihon Noyaku, in plant protection chemical import and distribution. Recently, Seirei, a community healthcare group in Japan, paid a working visit to FLC to discuss cooperation in nursing.

In vocational training and human resources development, we cooperate with JBM Cooperative, KRS, Tomotekuno and other firms. Every year, we have sent hundreds of students to Japan to acquire know-how in construction, agriculture, food processing, engineering and other fields. This helps trainees to enrich knowledge, experience and expertise to bargain for higher pays with their employers. After completing three years of apprenticeship in Japan, trainees will be given priority to work for FLC Group.

**To enhance strategic comprehensive business ties with Japanese partners, what fields will FLC focus investment on in the coming time?**

Recently, vacation property projects, industrial parks and urban areas invested by FLC have drawn the interest of FDI investors including Japanese. Typical projects include Tam Duong IP 2, FLC Hoang Long IP, FLC Twin Tower, FLC 36 Pham Hung,

[Back to top](#)

## ENTERPRISES

and FLC Garden City in Hanoi together a variety of projects across the country.

From this successful platform, with a strategy of strengthening comprehensive business cooperation relations with Japan, FLC is currently looking for potential investors of real estate, agriculture, high-tech, healthcare, education and trade. In healthcare field, FLC is working Japanese partners to invest in a world-standard general hospital in Hanoi.

Besides, FLC Group has completed necessary procedures for a 1,000-ha smart agriculture project in Lam Son Plantation in Thanh Hoa province, which is expected to be kicked off in 2016. Japan is a high-tech agricultural powerhouse of the world and we are very keen on its agricultural technologies, particularly from Ibaraki Prefecture - the capital of Japanese agricultural science. We think that applying high tech and scientific and technological progress of Japan to agricultural production is a right decision to meet current and future market demands.

***With its rich experience in investment consulting and working with many foreign investors, does FLC have any recommendations to the Government and other central***

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



***authorities to enhance the attractiveness and competitiveness of Vietnamese investment environment?***

When we work with foreign investors, we find out that they all appreciate Vietnam's potential and care about investment incentives, administrative procedure reform efforts. Hence, we hope that the Government and other central authorities to speed up administrative procedure reform, and actively support and facilitate investors.

As you may know well, one of the reasons why FLC Group invests a lot in Thanh Hoa and Binh Dinh is the assurance of local governments for shortened time for settling procedures and for timely support. And, in fact, the enthusiastic

support of local governments has ensured the speedy progress of FLC-invested projects there.

On the occasion of Vietnam - Japan Economic Forum 2015, does FLC have any message to Japan partners and investors?

Like typical Japanese companies, FLC Group sees prestige as the core value of the company. This is also an important factor that makes the value of Japanese brands. Because of these similarities, FLC Group always welcomes Japanese businesses and investors to cooperate with us, thus not only creating added value for the society but also contributing actively to the common goal of consolidating and developing good relations between the two countries and the two peoples.

[Back to top](#)

## MARKET & PRICE

### Property market looks for TPP edge

VNS - The Trans-Pacific Partnership (TPP) deal will have a positive impact on the domestic real estate market, while the property market has recovered in the third quarter, experts said.

The TPP deal has been struck after 5 years of negotiations. It is expected that the deal would promote growth of the domestic economy and the property market, Do Thu Hang, head of research and consultancy at Savills VN's Ha Noi branch.

Property in industrial zones will directly benefit from the TPP. The foreign companies of TPP countries would increase investment in VN and move their production work here to get advantages in production and business from the TPP commitments, Hang said.

The serviced apartment segment will also benefit because after moving their business to VN, the foreign investors and workers will need rented apartments to work and live here in the long-term period.

The market for offices for lease would be also affected by the high demand for operational offices



*A villa at Phu My Hung Urban area in HCMC. TPP is expected to have a positive impact on the domestic property market*

when foreign investors increase investment in VN, she said.

The retail market would attract more investors because the TPP deal would promote export activities among member countries, including VN.

That meant the other TPP countries would increase exports of consumer goods to VN and would need to open a retail system here, leading to growth of the local retail property market, she said.

The apartments-for-sale segment would see positive developments after the TPP comes into effect, Hang said. Foreign investors and workers would consider buying

property when they plan to work for a long period in VN.

The country had amended existing laws to encourage foreigners to buy property here since July 2015, she said.

But as of now and for a short – term period, foreigners wanting to buy property in VN are just studying the market without purchasing any because the state is yet to finalise the regulations guiding the implementation of the amended laws, according to Hang.

Chairman of Keller Williams Commercial Northern VN Pham Hai Dang said he agreed with expectations about a positive development of the local property

## MARKET & PRICE

market after the TPP comes into effect, bizlive.vn reported.

Foreign enterprises would come to VN to develop their production and business activities, including building of factories and warehouses, creation of jobs, along with increase in demand for support industries and services. The services comprised hotels, trading centres, offices and serviced apartments, he said.

M&A deals in property segments such as hotels, offices, retail units and resorts were expected to develop strongly in the future, he said. TPP, esp, would promote development of property in industrial zones.

### Market growth

Some 30,000 real estate transactions were recorded in the first nine months of 2015, similar to the figure for the whole of 2014, Chairman of the VN Real Estate Association Nguyen Tran Nam said at a seminar on housing development in Can Tho City.

He said the real estate market had skyrocketed and the number of real estate transactions this year was expected to be double that of 2014, vietnamplus.vn reported.

Several new government policies and regulations, coupled with high

confidence in the sector's outlook, have convinced investors and customers to return to the market.

According to Savills VN's report on the Ha Noi property market in the third quarter released on Thursday, more than 6,650 apartment units were sold, with the transactions increasing by 44% quarter-on-quarter (QoQ). Absorption increased 11ppts QoQ to 45%.

Projects of good quality, reliable developers and sufficient facilities have become popular.

In the last quarter of 2015, sales might remain at a high level due to increasing cash flow from overseas remittances, credit balance in the real estate sector and year-end housing ownership preferences, Savills VN said.

Meanwhile, in the third quarter of this year, approximately 5,220 apartment units were sold in HCMC, an increase of 4% QoQ and 59% year-on-year (YoY). However, the overall absorption rate was down two ppts QoQ and YoY, according to the Savills VN's report on HCMC property market in Q3.

Districts 2, 7 and Binh Thanh continued to perform well, accounting for 53% of the total transaction volume.

Projects in strategic locations by reputed developers attracted purchasers.

Infrastructure development and good urban planning will improve the connectivity of new urban districts to the city centre, contributing to higher sales rates.

Purchasers can benefit from relatively low home loan interest rates, direct discounts and prolonged payment schedules. The stable yield and rental capacity in well-developed areas have encouraged buy-to-let investors.

### Analysts reject fears of a bubble

Industry experts were confident that VN's property market was not experiencing a bubble, although the increase in liquidity in the first nine months of this year has triggered concern.

Deputy Director of the Department of Housing and Real Estate Management under the Ministry of Construction Vu Van Phan said there were no signs of a bubble in the country's real estate market.

Phan said at a discussion at the Global Investment Forum, jointly held by the Ministry of Planning and Investment and Euromoney, that a property bubble occurs when prices continually soar.



## MARKET & PRICE

However, real estate prices are seeing a stable trend, Phan said, adding that only high-quality projects were attracting price increases.

### Fake fertiliser plagues market

VNS - State offices should take strong action against counterfeit and shoddy fertiliser producers, experts said at a conference on the restructuring of the local fertiliser production in Ha Noi yesterday.

According to Nguyen Hong Phong, general director of Tien Dong Joint Stock Company, said the state has issued a decree on conditions for the fertiliser production industry but in fact, production and quality of products has been inefficient even though the number of producers has increased quickly.

Now, the local market has 1,000

fertiliser producers and traders with 10,000 brand names so it is difficult to distinguish between real products and counterfeit products, or between good and shoddy products.

A complicated situation in the local fertiliser market had led to the development of counterfeit and shoddy products and the State offices had found it difficult to control these products, he said.

Therefore, Phong said the Viet Nam Fertiliser Association and State management offices should have solutions to improve the quality of fertiliser production. Products granted quality certificates should be listed on an official website of the fertiliser industry.

According to existing regulations, the Ministry of Industry and Trade

(MoIT) manages the production of inorganic fertiliser products, while the Ministry of Agriculture and Rural Development manages organic fertiliser products.

But functions and tasks of the two ministries have overlapped, especially with regard to granting permission for fertiliser production, according to the association.

According to Nguyen Hac Thuy, the association's general secretary, the fertiliser industry is one of the conditional production sectors, but many producers who have not achieved the required standards have been granted licences.

Under the plan of developing the fertiliser industry from 2010 to 2015, Viet Nam has 300 fertiliser enterprises, but in fact, the association said there are 1,000 fertiliser producers and traders, half of whom are located in HCM City.

The local fertiliser industry had not developed following the industry's development plan, so the market had counterfeit and shoddy products, Thuy said.

In addition, many producers still use out-of-date production technology and are unable to produce high quality products.



## LEGAL UPDATES

### Amending regulations on foreign currency transaction

Circular No. 15/2015/TT-NHNN dated October 02nd, 2015 of the State Bank on foreign currency transactions on foreign currency market by credit institution permitted to make foreign currency transactions

This Circular provides guidelines for foreign currency transaction among credit institution permitted to make foreign currency with each other and between permitted credit institutions and their clients who are resident organizations, individuals.

One of the changes provided in this Circular is that when clients buy foreign currencies in a foreign exchange spot transaction, foreign exchange forward, currency swap, call option and put option transactions, they must present documents that contain information about purposes, quantity, type of foreign currency, deadline for payment or wire transfer. The earlier provisions provided in Article 9 of Decision No. 1452/2004/QD-NHNN are only applied to spot or forward transactions

The payment date of a foreign exchange forward is the last day of

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

the transaction term (Clause 2 Article 10) while Clause 3 Article 7 of Decision No. 1452/2004/QD-NHNN prescribed: "the parties shall determine and clearly state the date of the transfer payment in the transaction contract"

Regarding transaction fees, Clause 2 Article 10 of Decision No. 1452/2004/QD-NHNN allows permitted credit institutions and clients to agree on and clearly state in the contract the level of transaction fees and the mode of fee payment for the option transaction. However, from October 5th, 2015, Article 11 prescribes that credit institutions must not charge fees for foreign currency transactions.

This Circular comes into force from October 5th, 2015. To replace Decision No. 1452/2004/QD-NHNN dated November 10th, 2004, Decision No. 101/1999/QD-NHNN13 dated March 26th, 1999, Decision No. 401/1999/QD-NHNN10 dated November 12th, 1999, Decision No. 206/2000/QD-NHNN13 dated July 11th, 2000 and Decision No. 648/2004/QD-NHNN dated May 28th, 2004.

### Regarding problems with customs procedures

Official letter No. 9062/TCHQ-GSQL dated October 5th, 2015 of the General Department of Vietnam Customs regarding problems with customs procedures According to the new provisions provided in Article 119 of Circular No. 38/2015/TT-BTC, the application for refund of import tax on goods imported for manufacturing exports has been simplified maximally, there only includes the written request for refund of tax; other forms and documents are exempted from submission

In addition, this Official letter only require the declaration of such information relating to calculation results of the tax amount to be refunded as: the number of the declaration of imported goods, the number of the declaration of exported goods, the amount of import tax already paid, the amount of tax to be refunded, the number of payment documents.

If an enterprise has many declarations of exported, imported goods, many payment documents in one application for tax refund, it may present in an appendix and enclose it with the written request for tax refund.

[Back to top](#)

## HIGHLIGHTS

### The biggest winner from TPP trade deal may be Vietnam

VNS - Vietnam, whose low-wage economy relies on exports, is likely to be the biggest winner of the Trans-Pacific Partnership that slashes an estimated 18,000 tariffs among the dozen participating countries.

In a decade, the country's gross domestic product will be boosted 11%, or \$36 billion, as a result of the world's largest trade pact. Exports may soar 28% in the period as companies move factories to the Southeast Asian country. Here's what analysts and economists say about Vietnam's economic prospects and challenges under the deal.

#### **How is Vietnam an important player in the accord?**

Vietnam is a significant player in President Barack Obama's pivot to Asia. The economic and political relationship between the former enemies is now at its warmest, 40 years since the end of the war. Vietnam's relationship with China, its largest trading partner, has been strained since its neighbor moved an oil rig off Vietnam's coast last year. Both the U.S. and Vietnam would like to see the Southeast Asian nation less reliant

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

on China, which is not a party to the trade accord.

#### **Which sectors of Vietnam's economy will gain most from TPP?**

Reduced import duties in the U.S. and Japan will benefit the country's apparel manufacturers, whose low labor costs have enabled them to grab business from China. Vietnam may have a 50% increase in apparel and footwear exports in 10 years, according to the Eurasia Group. The country's seafood industry will benefit from the elimination of import taxes on shrimp, squid and tuna, now averaging 6.4-7.2%. Vietnam will still face strict rules-of-origin on materials, which could limit some of the treaty's benefits to the garment and textile industry.

#### **What does the trade deal mean for foreign companies in Vietnam?**

The ending of tariffs for Vietnamese products is likely to trigger more investment from foreign companies. Companies such as Texhong Textile Group Ltd., Shenzhou International Group Holdings Ltd. and Pacific Textiles Holdings Ltd. are relocating operations to Vietnam to take advantage of the trade agreement.

#### **What will this mean for investor sentiment in Vietnam?**

The signing of the agreement is expected to give a short-term boost to the broader market. Vietnam's benchmark stock index has risen 4.9% this week, with foreign investors snapping up logistics, industrial parks, fisheries and garments. Foreign investors have bought \$41.8m of Vietnamese stocks this week, poised to be net buyers after selling Vietnamese stocks earlier in the month. More FDI is expected into these sectors.

#### **Which sectors in Vietnam are vulnerable under the trade pact?**

Vietnam's agricultural industry, particularly livestock, are expected to struggle to compete against global companies that have economies of scale and operate more efficiently. Eliminating import taxes on pharmaceutical products from the current average of about 2.5% will lead to tougher competition between Vietnamese and foreign companies. TPP will also increase patent protection, restricting Vietnam companies access to new products as well their ability to produce new drugs.

#### **Will this have an effect on government economic policy?**

Vietnam's Prime Minister Nguyen Tan Dung has called for a restructuring of the country's

[Back to top](#)

## HIGHLIGHTS

agriculture sector to help it compete with multinationals. The pact is also pressuring Vietnam to reform state-owned companies and make institutional changes.

### **What are the risks for Vietnam if the accord fails?**

The agreement still needs to be passed by the governments of the 12 nations. The failure of TPP would undercut those in Vietnam advocating closer ties to the U.S. and dent America's influence in the region. Vietnam, which successfully negotiated trade deals with the European Union and South Korea earlier this year, is aggressively seeking economic partners to balance its relationship with China. The failure of TPP would leave Vietnam more economically isolated and dependent on China.

### **Vietnam's Mekong Delta emerges as new destination for giant retailers**

VIR - Vietnam's Mekong Delta, which consists of 13 provinces southwest of Ho Chi Minh City, has become a new destination for shopping mall operators, with such big names as Lotte and Vingroup among the latest to develop projects there.

South Korean retail giant Lotte will open Lotte Mart Can Tho on Thursday.

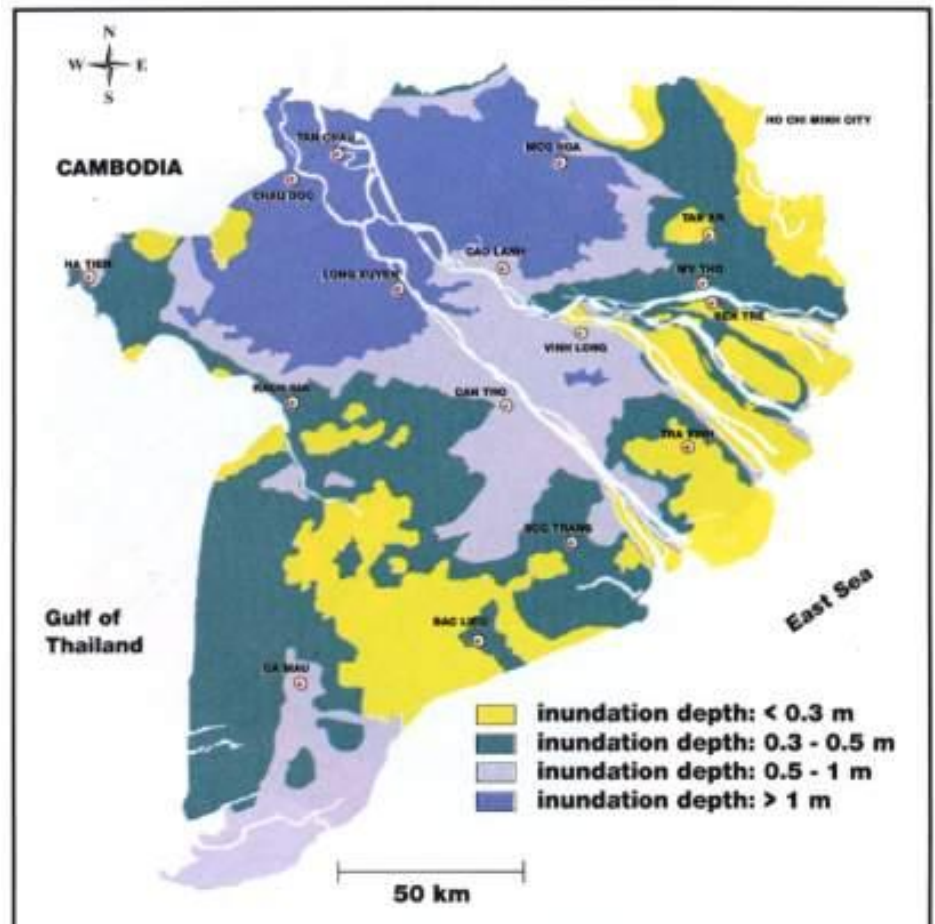
Spanning 15,700 square meters, the US\$62 million mall is the 11th Lotte mall property in Vietnam.

Lotte Mart Can Tho is a complex of one supermarket, a deluxe trade center, an entertainment area and food zone, with more than 90 percent of available goods made in Vietnam.

The Can Tho hypermarket is hoped to be the leading shopping mall in

the Mekong Delta, with expected daily sales of VND1.3 billion (\$58,036), Hong Won Sik, general director of the Vietnamese unit of Lotte, said in a statement.

Besides Can Tho City, which is directly administered by the central government, the Mekong Delta also includes such provinces as Long An, Tien Giang, Ben Tre, Vinh Long, Tra Vinh, Hau Giang, Soc Trang, Dong Thap, An Giang, Kien Giang, Bac Lieu and Ca Mau.





## HIGHLIGHTS

Can Tho, with its moderate income consumers and a strategic role in the Mekong Delta, is an ideal destination for retailers.

Entering Vietnam in 2008, Lotte is now running ten Lotte Mart supermarkets in Ho Chi Minh City, Hanoi, Da Nang, Dong Nai, Binh Duong, Binh Thuan and Vung Tau.

The Lotte Mart Can Tho thus marks its first presence in Mekong Delta.

Lotte is also slated to open one new supermarket each in Ho Chi Minh City and the south-central city of Nha Trang by the end of this year, with its plan to reach 60 outlets across the country by 2020.

In the meantime, Vietnam's top realty developer Vingroup also turned the first sod at its Vincom Rach Gia shopping mall in Kien Giang Province on Monday.

Vincom Rach Gia will have a 15,000-square-meter shopping mall and a 33,000-square-meter housing area, called Vincom Shophouse, upon completion.

Vingroup first entered the Mekong Delta market with the Vincom Can Tho in July this year, but this is the first time it has brought the Vincom Shophouse project to the region.

Vincom Rach Gia is scheduled for completion in 2016, and expected to become a new get-together

destination for people in Rach Gia, the capital city of Kien Giang.

The cost of the project is not disclosed by the developer, Vincom Retail.

Hanoi-based Vingroup announced in February that it will open 25 new shopping malls, under the flagship brands Vincom and Vincom Mega Mall, throughout the country in 2015. By the time of the February announcement, Vingroup had had five Vincom malls – two each in Hanoi and Ho Chi Minh City and one in the northern province of Quang Ninh – along with two Vincom Mega Mall venues, both in the capital city.

The list has since been extended with facilities in Ho Chi Minh City's Go Vap District, the central city of Da Nang, the southern city of Bien Hoa, the northern city of Hai Phong, and Can Tho.

### ANA eyes 10% stake at Vietnam Airlines

VIR - Japan's All Nippon Airways (ANA) is in negotiations over a strategic stake at Vietnam Airlines, and the two parties are expected to finalize the deal in the first quarter of 2016.

A source told the Daily that the two airlines have organized several

working sessions to discuss the issue. Negotiations are progressing well and ANA would buy 10% out of the 20% stake offered by Vietnam's national flag carrier.

Financial matters are not the reason for ANA's decision to buy a 10% stake. If the Japanese partner buys a stake of over 10%, it would have to explain to a national competition council over the ownership ratio. ANA does not want control and examination by a third party, the source said.

The two carriers have yet to agree on share pricing. However, the price would be no lower than VND22,300 each share, the average winning bid at Vietnam Airlines' initial public offering (IPO) in November 2014.

Other foreign partners, especially airlines, still have room to buy into Vietnam Airlines.

With the 20% stake, or 282 million shares, offered, Vietnam Airlines is expected to raise over VND6.3 trillion (US\$281 million). Having received new aircraft A350 and Boeing 787 a few months ago, Vietnam Airlines has been active in fleet expansion and service quality improvement to win a four-star status.

## CONTACT



## SEIKO IDEAS CORPORATION

Our services

Market Resarch - Business Matching

Investment Consulting

Training (languages and soft skills)

Translation - Interpretation

Address

Floor 5<sup>th</sup> - A Chau Building

No.24 Linh Lang str., Ba Dinh dist., Hanoi, VN

Telephone

+84-4-6275-5246 ; +84-4-6273-6989

Fax

+84-4-6273-6988

Website

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

**Person in charge**

**Nguyen Thi Quynh Tram (Ms.)**

Mobile

+84-91-4994-830

Email

[tram.nguyen@seiko-ideas.com](mailto:tram.nguyen@seiko-ideas.com)

*\*You are receiving this because you [subscribed](#) to our weekly business newsletter or you gave us your address via namecard.*

[Back to top](#)