

VIETNAM

BUSINESS REVIEW

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HSBC predicts Vietnam as 10th largest exporter by 2015



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ECONOMY

Vietnam's garment and textile addresses challenges faced by TPP



VOV - Vietnam and 11 other countries' conclusion of negotiations for the Trans-Pacific Partnership (TPP) agreement has given opportunities to develop its economy.

Vietnam's garment and textile sector is one industry which stands to gain the most advantage from the TPP, while also presenting challenges. What Vietnamese garment and textile firms are concerned about now is input material supply sources for export production.

Vietnam now has about 2,000 textile firms but few of them can be directly involved in designs and production to sell products to foreign partners. They mainly do outsource work for foreigners.

But when Vietnam officially joins the TPP, domestic enterprises should step up the free-on-board production practice which means to take the initiative in material

resources, increase of selling the finished products, and reducing processing.

Nguyen Huu Toan, deputy director of Saigon Garment Company 2, said that Vietnamese textile firms' biggest concern was to set up material zones for the manufacturing for exports and local consumption.

Toan noted, "The biggest difficulty is material resources which are mainly imported or bought from illegal sources. Vietnam's resources in locally-made fashion fabrics haven't met domestic need."

When TPP takes effect, to enjoy tariff preferences Vietnam's garment and textile products should first meet a certain rate over the localization of spinning, textile, and dyeing materials. The sector should also prepare capital and land for the construction of factories that can ensure product quality and the surrounding environment in line with the trade deal's commitments.

Ly Hoang Nguyen, director of Nguyet Nhan Technology and Service Trading Company, stressed, "Dyeing is an indispensable part in knitting a piece of fabric. But it requires a great amount of investment in building a dyeing factory, which can cover up to 10ha. It obviously goes beyond the capacity of a small or medium

sized enterprise. I propose that the government and local administrations support these enterprises."

Pham Xuan Hong, President of Ho Chi Minh City's Association of Garment, Textile, Embroidery, and Knitting, shared, "The government has been outlining programs in material support for the sector while foreign companies have conducted surveys in preparation for investment in material and auxiliary material zones."

Hong added, "Vietnam began preparations a couple of years ago but the production of materials and raw materials remains slow. Although the scale of the production has been expanded, it can only meet up to 25%. The state has encouraged both domestic and foreign investment in the field hoping that linking these resources will increase output."

The changes that Vietnam expects from the TPP are significant and challenging. Vietnam will have to undertake some difficult domestic reforms to meet the TPP's intellectual property rules and labor and environmental standards to fully gain TPP advantages over their rivals in Central and Southeast Asia.

BANKS & FINANCE

Bad debt eating bank profits



VIR - A series of banks are facing towering bad debt provisions that ate up their profits for the first three quarters of the year, which had been promisingly reported.

Vietcombank, for instance, reported an additional VND2.9 trillion (\$133m) of bad debts as of the end of September. The bank, as such, had a total of VND7.1 trillion (\$325.7m) worth of bad debts for the first three quarters, up 24.6% YOY. The bank's profit was much better compared to the same period in previous years. However, as the provision for bad debts added up, its profit fell significantly as a result.

Specifically, post-provision profit was reported at VND4.65 trillion (\$213.3m), up only 11% YOY, while the pre-provision value was at a high of VND9.4 trillion (\$431.2m), up 21.7% YOY. According to its consolidated financial report, Vietcombank's nine-month credit growth was 10.2%, with mobilised deposits up 15.5% in comparison to the beginning of 2015.

Likewise, increased bad debt provisions also lowered the profit of Vietinbank. Despite the relatively low bad debt ratio of some 1%, the irrecoverable debt increased 29% during Q3 only. Risk provision for the period, therefore, went up by 66%.

Vietinbank's profit result for the first three quarter was held at a modest level, VND5.7 trillion (\$261.5m), and VND4.46 trillion (\$204.6m) in the bank's pre-tax and after tax profits respectively, both up only 4.4% YOY. Smaller-scale banks' profit seemed to be more seriously affected by provisioning activities.

LienVietPost Bank met only 36% of its whole-year target of VND936 trillion (\$42.9m) in its pre-tax profit, despite a 200% growth in net operating profit YOY. This was due to the soar of bad debt provisions, to a level of VND404 trillion (\$18.5m), 15 times higher than the same period last year.

Similarly, Eximbank's bad debt provisions climbed to VND332 million (\$15.23m) from VND84 billion (\$3.85m) of the same period last year, bringing its pre-tax profit down 61% on-quarter to VND110 billion (\$5m). As a consequence, the cumulative profit ended at only VND677 billion (\$30.6m), down 28% YOY.

According to HCMC Securities Company, Eximbank may fail to

meet its targeted VND1 trillion (\$45.87m) in pre-tax profit by the year-end. The bank, instead, may gain a mere VND800 billion (\$36.7m) in pre-tax profit.

Sacombank is also expected to face similar problems in the near future. Although the bank reported promising pre-tax profit of VND2.14 trillion (\$98.16m) for the first three quarters this year, its merge in October with Southern Bank-the holder of over VND4 trillion in bad debts-will considerably lower its future profit.

Admitting that the business's effectiveness might be challenged in the next three years, Sacombank planned to only gain between VND1 trillion (\$45.87m) and VND1.3 trillion (\$59.6m) in pre-tax profit for the period from 2015 to 2017.

However, fine profits were seen by other banks, such as Military Bank, ACB, or Techcombank, even after provisioning for bad debts. All of them already completed 70%-80% of the whole-year target, with VND2.26 trillion (\$103.7m), VND1.1 trillion (\$50.46m), and VND1.5 trillion (\$68.8m) in pre-tax profit respectively.

Saying that higher profits were hard to expect at present, experts believed the sector's outlook will be better in the future.

BANKS & FINANCE

VND falls a sixth week as Fed rate hike draws near

Bloomberg - Vietnam's dong fell for a sixth week, the longest run of declines since April, after the U.S. signaled it's close to raising interest rates just as sentiment toward the currency deteriorates amid widening deficits.

The fiscal shortfall in the Southeast Asian economy has exceeded the government's full-year target, while the trade deficit was at \$4.1b in the first 10 months of the year, approaching the official \$6b goal.

Federal Reserve policy makers said in the minutes of last month's meeting issued this week that "it may well become appropriate" to raise the benchmark rate in December, spurring a surge in two-year Treasury yields. Higher U.S. borrowing costs prompted Vietnam to postpone a planned dollar bond sale this week.

"The dong has weakened primarily due to the global strengthening in the dollar caused by near certainty the Fed will raise interest rates in December," said Alan Pham, the HCMC-based chief economist at VinaCapital Group, the nation's biggest fund manager. "When investors are nervous about dong weakness they look for dollars."

The currency dropped 0.2% from Nov. 13 to 22,465 versus the greenback as of 4:40 p.m. in Hanoi

and has lost 1.2% in the past six weeks, according to prices from local banks compiled by Bloomberg. It was steady on Friday and was 0.3% from the weaker end of the 3% band in which the dong is allowed to trade each day from a central bank fixing.

The reference rate has remained at 21,890 a dollar since the currency was devalued for the third time this year on Aug. 18.

Bond sales

The shortfall between state revenue and spending has widened to about 5.5% of gross domestic product in 2015, compared with the official goal of 4.5%, as income from taxes and oil falls, Finance Minister Dinh Tien Dung told the legislature this week. The trade deficit increased

Local-currency bonds rose this week after the delay to the \$3 billion global bond. The finance ministry now seeks to increase domestic debt sales to finance the budget deficit, Dung said.

Vietnam resumed offerings of sovereign notes this week with maturities of less than five years, and sold all of the 6 trillion dong (\$267 million) of three-year securities on offer on Nov. 18. That took State Treasury issuance to 127.4 trillion dong this year, compared with the full-year goal of 250 trillion dong and a YOY drop of 33%, according to an e-mailed

statement from the Hanoi Stock Exchange.

The three-year yield fell one basis point this week to 5.93% and the five-year yield dropped by the same amount to 6.68, according to daily fixings from banks compiled by Bloomberg.

Vietinbank and Fico PanU sign contract of VND100 billion bank loan

TNN - On November 19 at the signing of VND100 billion bank loan ceremony with VietinBank, Mr Steven Loh - General Director of Fico Pan-United Concrete Joint Stock Company (Fico PanU) announced the expansion plan and the enhancement of their product and services via the R&D team and Call Center.

Fico PanU is one of the leading commercial readymix producers in Ho Chi Minh City, famous for its concrete technology and concrete solutions for most of the prestigious and important buildings and infrastructure projects like The One, Saigon Center, Estella Heights, Vista Verde, The Krista, The Prince Residence, The Tresor and HCMC Metro line 1 and 2.

Fico PanU has successfully commercialized High Performance Concrete including Mass Concrete (3,800 m³ single mass pour concrete for Estella Heights), Self Compacting Concrete.

INVESTMENT

Microsoft reaffirms commitment to Vietnam's ICT 2020 Vision Policy

VIR - As part of Microsoft's long-term commitment to Vietnam's future, Jean-Philippe Courtois, Microsoft International president, met with executive leaders from leading businesses to discuss the company's strong efforts to bolster cybersecurity, cloud infrastructure, application development, and infrastructure management skills.

The visit comes at a time when Vietnam is set to benefit significantly from the Trans-Pacific Partnership deal (TPP) and the need for digital transformation is more urgent than ever to help organisations continue to thrive.

As a trusted cloud advisor and with over two decades of impact in the Vietnamese market, Microsoft has become a prominent enterprise that is active in supporting the government, local authorities and enterprises, to develop the IT capabilities of the country.

Empowered by its mission to help everyone on the planet to achieve more, by empowering them with tools and services, Microsoft is reinventing productivity and business processes, building the intelligent cloud platform and creating more personal computing.

At a business roundtable today, Jean-Philippe Courtois reaffirmed



Microsoft's commitment to Vietnam's ICT 2020 Vision Policy - a government initiative to use technology to drive competitiveness and national economic growth.

"As an emerging economic hotspot, Vietnam has huge potential to register the highest growth rate in the cloud sector across Southeast Asia," said Courtois at the roundtable.

"With highly-skilled and competitive software developers in place, a young technically-savvy population, the commitment of big foreign investment projects, and factors like the pervasive mobile network and significant investment in the ICT infrastructure, the country is on the cusp of a major IT sector transformation," Courtois added.

Cybersecurity has emerged as one of the key concern areas for government bodies, organisations and enterprises in Vietnam in

recent years. This was especially notable last year, which saw numerous attacks on Vietnamese websites and organisations experiencing data loss due to malware infections.

Today, cybersecurity is considered as one of Vietnam's most critical national security priorities.

"Cybercriminals are breaking away from their traditional vectors of attack, developing new tools and techniques as well as shifting their targets – focusing less on theft of financial information and more on business espionage and accessing sensitive information," said Vu Minh Tri, country manager, Microsoft Vietnam. "Given this scenario, we are excited to support Vietnamese businesses in addressing these large-scale issues that are important to the IT industry development in Vietnam, as well as

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with the larger aim of keeping the internet safer for every citizen."

Some of the other topics discussed during the roundtable included how Microsoft is working to reinvent productivity to help businesses transform.

New productivity platforms such as Office 365 and Windows 10 are enabling more secure mobile working scenarios, enabling businesses to work from anywhere.

For organisations, Microsoft Azure and new hybrid-cloud scenarios enabled by StorSimple can help improve how businesses provide applications and store and backup information much more cost effectively than typical systems used today.

"Over the last decade, globalisation and technology innovations have brought the world closer, and fundamentally changed the way people live and work. We want to reinvent productivity for Vietnam's workforce, so they are more confident and enabled for the TPP integration. Microsoft's products and services will help them be more creative and collaborative in a new and advanced way," added Tri.

Tri also stressed that Microsoft would cooperate with the Vietnamese government and local partners to assist in the development of IT human resources for the country, including working knowledge of

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infrastructure, security and software app development.

Courtois highlighted the need for countries moving to the cloud to know that their data and services are in reliable hands, and are secure, based on independent standards bodies such as ISO, and clear policies in cybersecurity, data privacy, compliance and transparency.

This was evidenced by recent announcements made by Microsoft CEO Satya Nadella, which included a new Cyber Defense Operations Centre, a new Microsoft Enterprise Cybersecurity Group, and new Enterprise Mobility Suite (EMS) support for mobile application management without the need to enroll the device.

Nadella also stressed the importance for a new approach to security in this mobile-first, cloud-first world, sharing how Microsoft uses its unique insight into the threat landscape to help better protect customers.

He also showcased how Microsoft technologies work in tandem with each other, and with solutions from the security ecosystem, to deliver a holistic, agile, security platform for today's enterprises; as well as how various Microsoft technologies protect customers from identity attacks, accidental or intentional loss of corporate data and the installation of malware.

Japan's food companies eye cooperation in HCMC

VOV - A delegation of nearly 40 businesses from Japan's Setouchi and Oita prefectures took part in a program promoting food exporters' connectivity in HCMC on Nov 24.

They marketed more than 70 local commodities, aiming to seek market shares in the southern metropolis and Vietnam at large.

Through the activity, the enterprises also wanted to seek Vietnamese partners and distributors for long-term cooperation in the food industry.

Hirota Yasuzumi, Chief Representative of JETRO in HCMC, said that the products introduced at the programme all have high quality, and meet Japan's strict food hygiene and safety standards, so they can satisfy the taste of consumers in numerous countries, including Vietnam.

On the same day, a seminar was also organised in the city for Vietnamese and Japanese entrepreneurs to share experience.

Participating Vietnamese entrepreneurs also learnt about leadership training methods provided by Japan's Matsushita University.

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ENTERPRISES

Private companies' outbound investment sees explosive growth



VOV - Vietnam private companies' overseas financial investment in the 10 months leading up to November expanded by \$625m, reports the Foreign Investment Department (FID) under the Ministry of Planning and Investment.

The FID welcomed the figures as positive for medium-term economic growth expectations saying most of it was placed into businesses located in Laos, Cambodia and the US.

Of the figure, \$192.8m was registered for deals that were in existence on January 1, 2015 while \$441.9m was for new business ventures signed during the 10 month period.

Outward direct investment favoured mining, agri-forestry and aquaculture but also covered fields such as communications, electricity generation, real estate, finance, banking and insurance.

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Car importers cry foul over "confusing" luxury tax rules in Vietnam

TNN - Importers and distributors of luxury car brands like Lamborghini and Rolls-Royce in Vietnam have written to the government, saying its proposed luxury tax provisions are confusing and troubling their business.

They expressed "deep concern" in the letter sent last week that luxury tax on imported cars would be regulated by two different new laws.

In October the government issued a decree stating the tax would be charged on importers' selling price, starting January 1. Currently the luxury tax is calculated on a car's cost, insurance and freight (CIF) price, before duties and markups are added.

To prevent importers from underreporting values of imported cars to evade the luxury tax, the decree requires the selling price to be at least 5% higher than the CIF price plus import duties.

However, in proposed amendments to tax laws, the Ministry of Finance wants the tax to be applied on the final retail price, Nguyen Dang Thao, CEO of Euro Auto, told news website Saigon Times Online. The

company is BMW's authorized distributor in Vietnam.

The October's decree would possibly increase prices of imported cars by 10%, and 20% that if the amendments are passed by the National Assembly later this month, he said.

Thao said the new rules, if applied, would cause huge losses to the company since many of its orders are expected to be shipped after the effective date.

Luxury tax rates on cars now range between 15 and 60% depending on the number of seats and the engine size.

With tax policies being frequently amended, it is very difficult for businesses to keep track of all the changes and tweak business plans accordingly, the letter said.

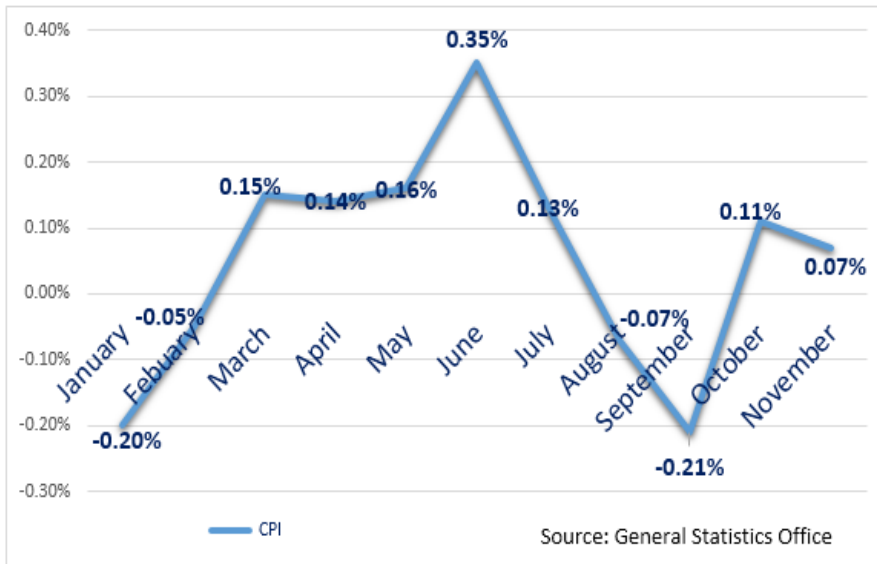
It also warned that the incessant changes to laws would give VN's business environment a bad name & hurt local auto industry.

They asked the government to delay the new rules for at least six months so that they have time to study them and make plans accordingly.

Vietnam imported 97,320 complete-built cars in the first 10 months, up 88.1% YOY, according to the latest figures released by Vietnam Customs.

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MARKET & PRICE



Inflation lowest in Vietnam in 14 years

VNE - The CPI in November rose just 0.07% compared to October and 0.34% YOY, according to the General Statistics Office (GSO). From January to November it increased a mere 0.58%; the lowest rate recorded for 14 years.

After a stronger increase last month, restaurant and catering services saw a 0.05% decline in November, with meat falling 0.01% and cereal increasing 0.31% and dining out 0.07%.

After falling for the last eight months cereal rose due to Vietnam winning contracts to supply rice to the Philippines and Indonesia. This is a good sign given that domestic supply is ample.

The price of meat is falling, especially pork, because supply is plentiful. The second strongest growth sector is housing, building materials, electricity, and fuel, which increased 0.32% compared to October, due to rising retail gas and water prices.

Hats and footwear increased 0.14%, as winter approaches in the north and the price of warmer clothing goes up.

In previous months education and healthcare saw a strong increase because August and September see the start of the new school year. In November tuition fees from primary to high school were stable, and the price of healthcare will not increase until next year.

The transport sector falling 0.38% compared to October was largely

responsible for the CPI in November only rising slightly, with cuts to the petrol price made on October 19 and November 13.

Gold and the US dollar, though excluded from the CPI basket, also fell, by 0.64 and 0.32%, respectively, compared to last month.

According to the GSO, core inflation (excluding fresh cereal, meat, energy, and education and healthcare) in November rose 0.05% compared to October and 1.72% YOY.

Vietnam modern retail not a promising land for all

VNN - Foreign retailers have been flocking to Vietnam because they see the great potential in a 90-million-consumer market. However, Vietnam has not been an easy playing field even for experienced players.

In mid-2014, a man from New Zealand, with \$50m & backed by a Hong Kong's leading retail group, came to Vietnam quietly.

He was Kent Thai, president of Kent Sing, who traveled the country for three months and met with dozens of Vietnamese businesses to discuss investment opportunities.

MARKET & PRICE



The businessman wanted to look for land plots in advantageous positions with the areas of at least 50,000 square meters on which he planned to develop hypermarkets. Kent Thai, like many other foreign investors, believed that Vietnam was a promising land for retailers. But his plan has not been realized because of many reasons.

The Vietnamese market of modern retail has had many deals completed recently. French Auchan Group, for example, announced the plan to invest US\$500 million investment in the Vietnamese retail sector for the next 10 years. In mid-2015, Thai billionaire Pattapong Jamsuro stated he would spend 64% of Berli Jucker's assets to take over Metro Cash & Carry Vietnam in a deal worth 655 million euros.

A report showed that Vietnam's retail industry now generates 6.3 million jobs and makes up 15% in Vietnam's GDP growth. The total retail turnover in the first 10 months of the year reached VND2.026 trillion, an increase of 10.7% compared with the same period last year.

There are about 8,500 markets in Vietnam, 1.3 groceries, nearly 500 convenience stores, 750 supermarkets and 132 shopping malls.

According to Euromonitor and Nielsen, both are market survey firms, modern retail can be classified into four groups, namely convenience stores, supermarkets, department stores and shopping mall complex.

Vietnam's retail market now witnesses a boom in all four market segments.

The supermarket and convenience store boom

It is undeniable that foreign retailers are dominant in the supermarket and convenience store market segments. All the best known convenience store chains are run by foreign investors, from Singapore (Shop&Go, Fair Price) to the US (CircleK), from South Korea (Lotte Mart) to Taiwan (Giant).

However, a report of Kantar Worldpanel has pointed out that in large cities of Vietnam, which have seen the strong rise of supermarket chains, 60% of fast moving consumer goods sales are from groceries, not modern retail chains. A Vietnamese analyst commented that traditional groceries are still a financially powerful retail channel and that modern retail chains still need much more time to change the current situation.

Vietnamese habits and culture determine the development of groceries. Most Vietnamese use motorbikes, and want to go shopping without having to park their motorbikes.

LEGAL UPDATES

Gov't promulgates decree guiding Investment Law

VGP – The Government has promulgated Decree 118/2015/ND-CP to guide the implementation of some articles of the Law on Investment.

The Decree stipulates subjects and principles on preferential investment treatment. Accordingly, projects deployed in disadvantaged socioeconomic conditions, projects with the minimum investment capital of VND 6 trillion, or projects using at least 500 workers (excluding those with part-time contracts) are among those eligible for preferential investment treatment.

Investment registration agencies, planning management bodies, natural resources and environment authorities shall be responsible for full announcement of planning schemes and lists of investment projects.

The aforesaid agencies shall be responsible for disclosing information on such planning schemes and lists of investment projects as well as other relevant information within five working days since the receipt of written requests by investors.

The Ministry of Planning and Investment is assigned to review and summarize and make public investment conditions applicable to foreign investors via the national portal on foreign investment.

Before applying for the issuance of or adjustment to business registration certificates, foreign investors shall have to declare information on their investment projects on the national information system on foreign investment.

Within 15 working days, since the date they complete online information declaration, foreign investors submit documents asking for the issuance of or adjustment to the business registration certificates to the investment registration authorities.

Once the investment registration authorities receive the documents, investors shall be provided accounts to access to the national information system on foreign investment to track the document processing.

Investors shall have to comply with legal regulations on investment, construction, land, environmental protection, and labor and relevant stipulation during the process of implementing projects.

To ensure the implementation of projects, investors shall have to pay

security deposits in case they are allocated land by the State.

For project with investment capital of up to VND 300 billion, the security deposit rate is 3% of the project value.

The security deposit rate shall be decreased to 2% for project worth between VND 300 billion to VND 1 trillion, and to 1% for project worth above VND 1 trillion.

Regarding the application of the minimum energy performance standards



VLO - Official letter No. 2125/TCNL-KHCN dated October 19th, 2015 of the Ministry of Industry and Trade regarding the application of the minimum energy performance standards.

The document is to reply to 3 issues regarding bases used to determine devices subject to energy labeling; minimum energy performance standards applied to air conditioners, office equipment; and exemption of energy

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efficiency certification for goods being replacing items

Accordingly, with regard to devices and equipment subject to energy labeling prescribed in Article 1 of Decision No. 51/2011/QĐ-TTg, the determination of specific devices and equipment subject to energy labeling is based on Vietnam's Standards rather than HS codes. In particular, any goods item that has Vietnam's Standards must be subject to energy labeling and application of minimum energy efficiency. In contrast, any product that does not have Vietnam's Standards, the energy labeling and application of minimum energy efficiency are not required.

According to the Ministry of Industry and Trade's opinions, at present HS codes are used for the major purpose of goods classification and tax imposition, whereas the energy efficiency certification is determined based on Vietnam's Standards. Moreover, current HS codes are not enough to classify specific products according to Vietnam's Standards. The energy efficiency certification is only based on goods items instead of intended use of the goods. For separate items that are imported for the purpose of replacing those of old machinery rather than being

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circulated in the market, they are still subject to the energy efficiency certification.

The regulation on management of waste sludge (in HCMC)

VLO - Decision No. 44/2015/QĐ-UBND dated September 09th, 2015 of Ho Chi Minh city People's Committee on promulgation of regulation on management of waste sludge in areas of Ho Chi Minh city.

This Regulation provides for the identification, classification, registration and management of waste sludge; prescribes the collection, transport and treat of waste sludge in the areas of HCM City

"Sludge" prescribed in this Decision includes:

a) Sludge from the water drainage: is the sludge regularly generated from the exploitation, utilization, maintenance and management of water drainage system.

b) Sludge after wastewater treatment is the sludge generated from the centralized wastewater treatment stations/plants, from the local wastewater system of production and service business facilities.

c) Sludge after feed water treatment is the sludge generated from the centralized feed water treatment stations/plants.

d) Dredged sludge is the sludge dredged from rivers, canals, ditches irregularly generated during the implementation of City's environmental hygiene improvement projects, technical infrastructure and urban traffic works.

According to this Decision, the organizations or individuals having activities which regularly generate waste sludge in construction, production, business and services, they must identify, classify and register the sludge management in accordance with the current regulations of law on waste management (Clause 1 Article 4)

For volume of sludge generated in constructional activities, the investors must make identification and classification to define its nature and components. Such generated volume of sludge must be informed in writing by the investor within three (03) months before the time of generation to the functional authorities (Clause 2 Article 4)

This Decision takes effect from the date of its signing.

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HIGHLIGHTS

ASEAN economy to grow 5.6% on average through 2019

VNA - Malaysian Prime Minister Najib Razak on November 20 said after the formation of the ASEAN Economic Community (AEC), economies in the bloc would grow at an estimated average pace of 5.6% through 2019.



Speaking at the 2015 ASEAN Business and Investment Summit, PM Najib Razak said foreign direct investment in the region will continue rising after the formation of the AEC and the member economies will grow sustainably, bringing in prosperity and improving living standards.

The AEC will also create more economic and job opportunities in ASEAN, and help the association continue to be an attractive destination for international investors and businessmen, he said. The PM also emphasised the important role of public-private partnership and the private sector in driving the economy forward.

According to the ASEAN Integration Report (AIR) announced the same day, the economic growth of ASEAN in 2015 will continue at 4.6%, which is higher than the global average of 3.3%. The rate for 2016 is predicted to rise to 4.9%.

Regional economic integration should continue to help accelerate the economic recovery and boost growth. After 2015, the ASEAN economy will continue transforming to overcome global economic challenges.

According to the AIR, the structure of ASEAN economies has changed since the passing of the AEC blueprint in 2007, with the proportion of service sector in 2014 climbing to 50.2%, while industry and agriculture have fallen to 38% and 11%, respectively. The share of intra-bloc trade out of total trade is relatively sustainable at 25%. In 2014, it increased 58.9% in comparison with 2007, higher than outside-bloc trade of 51.7%.

According to the report, ASEAN is a key destination for FDI capital, which hit 136.2 billion USD in 2014. FDI outside the bloc now accounts for 17.8%, compared to 11.3% in 2007.

Farmers cheer as Vietnam inks deal to export straw to Japan for cow feed



TNN - Rice straw, which is usually treated as waste and burned after each harvest in Vietnam, will become a valuable export product for the country next year.

A new agreement signed on Wednesday in the Mekong Delta city of Can Tho allows the state-owned Song Hau Collective Farm to sell straw from the coming winter-spring crop to the Japan Beef Import Export Association for cow feed production.

But they have not decided on the specific amount or prices, Nguyen Thanh Phu, director of Song Hau, told the media.

Yutaka Aoyama, director of the Japanese association, told Saigon Times Online that Japan needs to import around 220,000 tons of processed straw every year and nearly half of that used to come from China.

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But the country has stopped sourcing from China after detecting harmful bacteria in its straw, he said. That makes Vietnam, one of the biggest rice producers in the world, a great alternative supplier.

Phu said the new export deal is "a major opportunity" for farmers in the Mekong Delta to earn a better income.

"Usually, farmers just burn or bury the straw after a harvest, which causes air pollution or organic contamination of the soil," he said.

Phu said the Japanese association will provide equipment and training to help his collective farm process the straw properly before exporting. The agreement also discussed plans for the two partners to cooperate in raising milk cows in the Mekong Delta, with funding from the Japanese government.

Vietnam to raise minimum wage by 13% in 2016

TNN - The government has decided to raise the minimum wage next year by up to 13%, despite calls for a higher increase from labor unions.

Starting January the monthly minimum wage, which is used by businesses to calculate salaries for their workers, will be between VND2.4 million and VND3.5 million

(US\$107-156), depending on regions. The amount is said to be able to help workers cover 80% of their basic demands.

The National Wage Council, which comprises 15 members representing the national labor force, employers and the labor ministry, proposed the increase in September, after labor unions and business associations failed to reach an agreement following months of negotiations.

The Vietnam General Confederation of Labor demanded a 16.8% bump to help workers cover 89% of their basic needs.

But the Vietnam Chamber of Commerce and Industry, which represents thousands of employers in the country, only agreed to a 10% raise.

The labor unions last month made another statement, asking the government to increase the wage by 14.4%, which would almost match the rate seen earlier this year.

They pointed out that many workers across the country are still struggling to make ends meet even though they work very hard.

Businesses however have warned that a big wage bump will threaten

profitability and eventually lead to job cuts.

HCMC is the second most expensive retail location in Southeast Asia: report

A downtown spot costs \$150 a square feet a year, even more than prime locations in Bangkok

A global property survey has named Ho Chi Minh City downtown as one of the most expensive retail locations worldwide.

The southern metropolis, which is the largest commercial center in Vietnam, ranks 32 out of 65 cities featured in the latest version of Cushman & Wakefield's annual research "Main Streets Across the World."

Locations on a "prime high street" in the city, such as Le Loi, Nguyen Hue or Dong Khoi, cost an average of US\$150 a square feet a year. In Southeast Asia, that rate is after Singapore's \$336.8.

That compares to \$125.4 in Bangkok, \$111.3 in Kuala Lumpur and only \$56.4 in Metro Manila.

It is equal to the rent in Israel's Tel Aviv, whose GDP per capita in 2014 was \$42,614 and more than eight times that of Ho Chi Minh City.

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