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VIETNAM BUSINESS REVIEW

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[Vietnam auto imports nearly double in 2015]

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ECONOMY

November trade deficit narrows to $3.8b

A worker at Hanam Textile Company prepares fiber reels for export. Garment and textile exports rise 9.1% during the first 11 months of this year

VNS - Vietnam's trade deficit narrowed to $3.8b in the first 11 months of this year, from the $4.1 billion recorded for the first 10 months.

According to the General Statistics Office (GSO), the reduction was thanks to an $18.8 billion trade surplus achieved by foreign direct investment (FDI) enterprises, compared to a $15 billion deficit generated by domestic businesses during 11 months.

So far this year, export revenues have totalled about $148.71 billion, up 8.3% over the same period last year.

Exports by FDI companies hit $105.10 billion, a YOY increase of 13.5%, while those by local firms reached $43.6 billion, a YOY decline of 2.1%.

The FDI sector posted high turnover for most of its major exports. For example, telephones and components reached $28.5 billion, up 29.6%; computers, electronic products and components reached $14.3 billion, up 38.2%.

Garment and textile products reached $20.7 billion, up 9.1%, machinery and equipment reached $7.4 billion, up 11.2%, while timber products reached $6.2 billion, up 9.5%.

Meanwhile, the domestic sector witnessed reduction in its key exports, with crude oil especially falling by 48.3% YOY at $3.53 billion, following global oil price declines.

Rice was also down 48.3% at $2.66 billion, while coffee dropped by 29.3% at $2.34 billion, and rubber declined 14.2% at $1.38 billion.

During the first 11 months, the country's import values totalled nearly $152.5 billion, an increase of 13.7% over the same period last year.

The total import value of local businesses was $62.3 billion, a YOY rise of eight%, while that of FDI companies was $90.2 billion, up 18.1%.

The GSO said imports mainly served production and processing for export, and the main imports were machinery and equipment, growing by 25.7% at $25.3 billion; computer, electronic products and components, increasing 27.7% at $21.6 billion.

They also included telephones and components, which rose by 29.7% at $10.1 billion, cloth, which increased 8.3% at 9.3 billion, garment, textile and footwear materials, which were up eight% at $4.6 billion.

Automobile imports soared 60% at $5.3 billion.

However, iron and steel were down one% at $6.84 billion, with cheap products being imported massively, and petrol plummeted nearly 32% at $4.83 billion, due to the fall in the global oil price.

The GSO forecast that the country's trade deficit will expand next month as crude oil and farm produce exports are likely to continue to decrease.

But the agency expected that the deficit will be controlled at less than five% of all export revenues, as the country has targeted this year.

Garment, textile exports to expand

VNS - The garment and textile sector expects its exports will grow an average of 11.5% per year between now and 2020, the Viet Nam Textile and Apparel Association (Vitas) said last week.

Vitas reports said the sector is expected to generate export revenue of US$27.5 billion this year, and increase this value to $31 billion

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next year and $45 billion to $50 billion by 2020.

Fibre is manufatured at the Hue Textile Garment Company. The garment and textile sector is expected to generate export revenue of $27.5b this year

In the first nine months of this year alone, Viet Nam's garment and textile exports totalled $20 billion, an increase of 10% over the same period last year.

Vu Duc Giang, who was voted chairman of the Vitas at a congress last week, said that global integration will facilitate Vietnamese garment and textile products over the next five years.

Tariffs for these products will reduce from 18% to zero% following the Trans-Pacific Partnership (TPP), and from an average 11% to zero% following the Viet Nam-European Union Free Trade Agreement.

"When these pacts take effect, they will boost the development of the garment and textile industry in the long run," Giang said, adding that accelerating investments in the sector will enhance the value of local products in the global value chain.

Dau tu (Vietnam Investment Review) online cited data of the American Chamber of Commerce, forecasting that after taking into account the impact of the TPP, Viet Nam's exports to the United States are likely to reach $51.4 billion, with garment and textile products alone touching $15.2 billion by 2020.

The garment and textile exports to this market may hit $20 billion by 2025.

Viet Nam has been among the top 10 garment and textile exporters in the world for the last 10 years. Last year, it ranked fifth after China, Turkey, Bangladesh and India.

The country exports its products to 180 countries and territories, with the United States, the European Union, Japan and South Korea being major markets. It is also exploiting emerging markets such as Russia and Australia.

Many domestic enterprises have reported significant profitability and market expansion, with some officially recognised as national brand names such as Viet Tien, Phong Phu, Nha Be, Garment 10 and An Phuoc.

Shrimp exports to hit $3b

VOV - Shrimp exports dipped 30% to around US$3 billion this year, according to the Vietnam Association of Seafood Exporters and Producers (VASEP).

VASEP Secretary General Truong Dinh Hoe said the value of seafood exports in the 11 months leading up to December dropped more than US$1 billion against the corresponding period last year.

Hoe said the shrimp export price has fallen by 30% since mid last year, resulting in a decrease of export revenue.

He also attributed the decline to the farming of white-leg shrimp in India and Indonesia to compete in the world market.

Besides export spurring, trade promotion and market expansion measures, shrimp breeders should take measures to offer competitive prices and control antibiotics in their farming process to ensure food hygiene and safety, Hoe said.

He urged the Ministry of Industry and Trade (MoIT) to take drastic measures to help shrimp farmers maintain exports.

The MoIT should ensure the quality and prices of inputs like feed and by-products to help shrimp farmers reduce production cost and improve competitiveness to stabilise exports, Hoe asked.

BANKS & FINANCE

Ceiling interest rate of 20% remains an open question

VIR - The revised Civil Code adopted by the National Assembly on November 24 clearly stated that negotiated interest rate must be controlled below 20% a year.

Delegates at the recent 10th session of the 13th National Assembly (NA) voiced their support for a fixed interest rate of 20% a year at most, as stipulated by the Civil Code.

Accordingly, negotiated interest rate should not exceed 20% a year, excluding those loans stipulated in other laws or regulations.

Cao Sy Kiem, former Governor of the State Bank of Vietnam (SBV) said that many NA deputies voted for a fix interest rate of 20% as it would help reduce fraud on the black credit market that often involved high interest rates and negative consequences for the society, Kiem noted.

The former governor emphasised that the 20% rate were applicable to all loans, excluding those stipulated by relevant laws with different regulations. This means credit institutions operating in accordance with the Law on Credit Institutions and the Law on the State Bank of Vietnam will not be affected by the latest adjustment on the 20% rate as regulated in the Civil Code, but affected by the Law on Credit Institutions.

Therefore, he said credit institutions could set interest rates through negotiations with partners and customers. However, in some special cases or in emergency, the central bank can made immediate requests to control the market promptly in line with the Law on the State Bank of Vietnam.

According to Kiem, it is essential to put forth the ceiling interest rate of 20%, when banks operate well and businesses gain high confidence. Otherwise, when the negotiated rate surpasses 20% a year, due to certain factors like inflation, natural disaster, epidemics, and war, it may lead to unexpected high demand for loans.

Earlier on in October, the NA deputies proposed a plan on ceiling interest rate but did not mention any exceptional cases as stipulated in other relevant laws. After that, they reached an agreement on adjustments to Article 468 of the Civil Law, in line with practical conditions.

Economist Nguyen Tri Hieu, meanwhile, suggested that the ceiling interest rate should be controlled. The rate should be adjusted in line with market changes rather than being fixed at 20% a year. The rate should be adjusted in accordance with real operations of credit institutions and deposit rates, as well as interests on loan.

In addition, the rate margin should be carefully calculated due to risks in credit institutions' operations. For example, when the deposit rate is around 11%, lending interests are about 9, and risk management rate is at 2%, while bank profit is at least 3%, the real ceiling rate must rise to over 20%.

"When the risk of credit institutions' operations is high, the margin of interest rate should be widened. In some cases, the margin of interest rate may reach 10% or even higher," said Hieu.

According to Hieu, it is necessary to encourage the participation of all economic sectors and banks to identifying the risks and thus set interest rates based on lending interests. The fixed ceiling rate of 20% a year may prevent banks from launching credit packages with even more risks.

However, Hieu also noted that all participants must follow the regulations. Relevant agencies, such as the Ministry of Justice, the NA Office, the SBV, and the court, should issue more specific documents and guidelines on the implementation of the Civil Code in a transparent manner and in accordance with market mechanism of credit institutions,

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thus stabilising the overall interest rates and promoting the development of financial and banking system.

Hieu's view was shared by Truong Thanh Duc, chairman of the Vietnam Banking Association, who stressed that the new adjustment to the fixed ceiling rate of 20% a year shows positive sign in ensuring transparency in the local credit market.

Duc also expressed his support for further raising the ceiling rate to above 20% a year, to 30-50% in some special cases.

Shares fall for third consecutive day

VIR - Shares declined for the third consecutive day on the two exchanges this morning, with the slump of large-cap shares continuing to weigh on the market.

On the HCM Stock Exchange, the VN-Index decreased 0.54% to end at 579.7 points.

Meanwhile, the HNX-Index on the smaller exchange in Ha Noi was down 0.72% to close at 80.9 points.

The overall market condition was negative, with 37% of the 682 trading stocks declining, and only 15% advancing.

The largest stocks by market capitalisation, such as Bank for Investment and Development of Vietnam (BID), Vietcombank (VCB), PV Gas (GAS) and software producer FPT Corp (FPT), besides real estate FLC Group (FLC) and Tien Phong Plastics (NTP), fell.

Dairy giant Vinamilk (VNM), Tan Tao Investment Industry Corp (ITA) and Kinh Bac City Development (KBC). Very few blue chips performed well this morning.

Liquidity was low, with more than 82 million shares, worth almost VND1.3 trillion (US$58 million), being traded on the two markets.

Only 13 stocks saw trading of more than one million shares, of which FLC Group was the most active, with more than nine million of its shares being exchanged. FLC slipped 1.2% to stand at VND8,200 per share.

The afternoon session will start at 1pm.

Major shareholders to exit Techcombank

VNN - Techcombank has announced that shares belonging to major shareholders are to come on to the market, as part of ownership limitations introduced by the State Bank of Vietnam.

Chairman Ho Hung Anh has registered to sell 9,530,700 shares, accounting for 1.07% of the bank's charter capital. His wife, Ms. Nguyen Thi Thanh Thuy, has also registered to sell 27,689,656 shares, or 3.11% of charter capital.

The AT&T Finance Service Company, where Ms. Thuy is Director, is to sell all 9 million Techcombank shares, equal to 1.07% of its charter capital.

Mr. Ho Anh Ngoc, the brother of Mr. Hung Anh, will sell his 8,883,286 shares, or 1%.

After the sale Ms. Thuy and Mr. Ngoc will no longer hold any Techocombank shares and Mr. Hung Anh will only hold some 0.27% of the bank's charter capital.

Meanwhile, Deputy Chairman Nguyen Thieu Quang and his relatives will also sell Techcombank shares. He has registered to sell 1,584,328, accounting for 0.17% of the bank's charter capital. His wife, Ms. Phung Minh Nguyet, has registered to sell 3,225,596 shares, or 0.36%, while his brother, Mr. Nguyen Thieu Nam, is to sell 10,058,477 shares, or 1.13%. After the sales the three will hold about 0.20% of the bank's charter capital.

Another board member, Mr. Nguyen Dang Quang, has registered to sell 2,755,158 shares, or 0.31% of charter capital. His wife, Ms. Nguyen Hoang Yen, is to sell all 6,944,121 shares she holds, or 0.78%.

INVESTMENT

Jan-Nov FDI inflow to hit record high of $13.2b

Reuters - Nov 26 Vietnam's actual FDI during the first 11 months of 2015 is expected to rise 17.9% to a record high of $13.2b, beating a government forecast.

New FDI pledges in January-November edged up 1.1% from a year earlier to $13.55b, while the additional funds for existing projects were estimated at $6.67b in the period.

The actual inflow is an all-time high, beating a forecast by a gov't minister in Sept of $12.5b.

More than half of the new investment pledges would go to the processing industry, followed by the energy and property sectors, the report said. South Korea & Malaysia are biggest investors.

FDI inflows are an important source of foreign exchange for Vietnam to help stabilise the domestic currency, the Vietnamese dong as well as to offset its trade deficit, estimated at $200m for November alone.

HCMC leads in FDI projects

DTI - HCMC is leading the country in terms of FDI projects while 16 provinces have failed to attract the investment according to a new report by General Statistics Office.

By Nov 20, HCMC had received 500 new projects valued at $2.56b, accounting for 18.8% of the total new projects, followed by Tra Vinh $2.52b (18.6%) & Dong Nai $1.46b (10.8%).

VN has had 1,855 new FDI projects with a registered capital of $13.55b, up 30% in number of projects & 1.1% in capital over a year earlier.

In addition, 692 on-going FDI projects registered an increased capital of $6.67b during the period.

On the whole, newly-registered and added FDI capital totalled $20.22b, a YOY increase of 16.7%. Disbursed FDI capital in the first 11 months was estimated to reach $13.02b, up 17.9% YOY.

The processing and manufacturing industry attracted the biggest FDI capital at $12.93b, making up 64% of the country's registered FDI capital. It was followed by production and distribution of electricity, gas, and air conditioners $2.78b (13.7%), real estate $2.33b (11.5%) and the remaining sectors $2.18b (10.8%).

More investors show interest in bad debts

VNS - Rising interest of investors recently in non-performing loans (NPLs) of credit institutions is expected to help expedite the handling of bad debt.

According to Banking Times, after finishing an acquisition deal of a property project listed as a bad debt asset in HCMC in July more successfully than expected, a group of Taiwanese investors is keenly surveying some other bad debts mortgaged by real estate assets in the city for acquisition.

Funds such as Saigon Asset Management (SAM) and Viet Nam Asset Management (VAM) are also negotiating with local banks for some debt assets.

Industry insiders said that it was a good time for long-term investors with a strong financial status to take part in the bad debt trading market thanks to the recovery of the real estate market. Most of bad debts in VN are mortgaged by real estate assets.

However, they also suggested to Gov't that it streamline the existing legal framework that hinders measures aimed to recoup mortgaged assets.

Vice Chairman of National Financial Supervisory Commission (NFSC) Truong Van Phuoc said that shortcomings in legal framework had hindered foreign institutions from stepping in to purchase NPLs in VN at market prices.

Chairman of VN Asset Management Company (VAMC) Nguyen Quoc Hung also recommended that Gov't quickly ratify regulations on debt trading conditions in accordance with VN's conditions to allow for the creation of a debt trading market.

ENTERPRISES

Five Vietnamese enterprises on Nikkei Asia300

TNN - FPT, Vietcombank, PetroVietnam Gas (PVGas), Vinamilk, and Vingroup are five Vietnamese enterprises that appeared on the Asia300 report, which was released recently by Nikkei Asian Review.

The Asia300 features leading companies from eleven countries and regions, including China and members of ASEAN.

The companies were selected based on factors such as market capitalisation and growth potential. The Nikkei Asian Review also provides in-depth analysis on their operations.

FPT, the report wrote, is the largest information technology company in Viet Nam, engaged in a wide array of activities including software development, telecommunications, and the marketing of IT products.

Its market capitalisation, at about US$800 million, is one of the largest among non-State entities.

Vietcombank, meanwhile, is one of Vietnam's four largest State-run commercial banks. It has been a major player in international trade payment settlement and is also boosting its retail lending, according to the report.

While the bank was listed on the Ho Chi Minh Stock Exchange in 2009, the government still holds a sizable 77% stake. Vietcombank's market capitalisation is about $3 billion, according to the report.

The bank, highly profitable in the domestic market is now setting its sights on global markets, aims to become one of the world's 300 largest banking institutions in terms of profitability and deposits by 2020.

PVGas is one of Vietnam's largest State-run companies, the Asia300 report noted. It runs integrated operations, from drilling for gas through to marketing, and controls nearly 70% of the domestic market for liquefied petroleum gas. It has a market capitalisation of about $9 billion, making it one of the largest publicly traded Vietnamese companies.

The company is actively pursuing a policy of collaborating with foreign companies, and in June 2014 signed a liquefied natural gas trading contract with Royal Dutch Shell.

Vinamilk is Vietnam's largest food processor and deals in a wide variety of dairy products, including milk and yogurt. It is said to account for about 50% of Viet Nam's dairy market.

Vinamilk's high potential is recognized outside the country as well and foreign investors own 49% of the company. Its market capitalisation is the second largest in Viet Nam, at around $5.5 billion.

Vingroup, lastly, is Viet Nam's largest real estate company and deals in a host of different properties, including houses, shopping malls, hotels, golf courses, and hospitals. The company has enhanced its brand cachet by targeting its Vincom shopping malls and Vincom Village residential areas at affluent customers.

One of the few entirely non-State concerns in Viet Nam, Vingroup is about 30% owned by its largest shareholder and founder, Pham Nhat Vuong. Its market capitalisation, at approximately $3 billion, is the largest among non-

ENTERPRISES

State companies, according to the Asia300 report.

Viet Nam had the lowest number among countries with enterprises listed in the Asia300. China and Hong Kong recorded 83, Taiwan 40, South Korea 42, Singapore, Thailand, and Indonesia 25, Malaysia 22, the Philippines 20, and India 44.

Vietnam asked Uber to set up local company and legalize its service

TNN - The Ministry of Transport has blocked an attempt from US company Uber to legalize its ride-hailing service in Vietnam, saying the company needs to set up a branch in the country first.

Deputy minister Nguyen Hong Truong told news website VnExpress that officials could not approve Uber's recent proposal to launch a pilot project to provide transport connection services through its mobile app.

Truong said the proposed plan lacks a legal basis because Uber said its parent firm, Uber B.V. in Netherlands, would be in charge of handling contracts with Vietnamese service users.

This concerns Vietnamese authorities as they are afraid that it would cause difficulties in tax collection and they would not know who would take responsibility in case of disputes, he said.

Dang Viet Dung, general manager of Uber Vietnam, told VnExpress that Uber will set up a legal entity in Vietnam and resubmit the proposal within weeks.

In a meeting with representatives of Uber Asia late last month, deputy minister Truong had already ordered Uber to set up a legal entity in Vietnam, otherwise the transport ministry would not allow it to operate the pilot project.

In October, the government approved a similar project by GrabTaxi to apply connection services to contract based passenger cars with fewer than nine seats in Vietnam (GrabCar).

Under the project, GrabTaxi will “regularly report the list of transportation entities and vehicles” that use its ride-hailing app to help the authorities “manage tax payment and other regulatory responsibilities,” according to a press release.

The two-year pilot project requires participating cars to be equipped with route monitoring devices and have ‘contract-car’ badges.

It will be carried out in Hanoi, Ho Chi Minh City, Da Nang, Quang Ninh and Khanh Hoa.

MARKET & PRICE

IIP increases close to 10% in the first 11 months

VNS - The national index of industrial production (IIP) retained a YOY growth rate of 9.7% in the first 11 months of this year due to economic recovery.

The General Statistics Office (GSO) said that the IIP growth reached 9.4% in Q1, 10.2% in Q2 & 9.9% in Q3.

The economic recovery also showed a reduction in growth rate in the index of product inventory to 9.7% in the first 11 months of this year from 10.9% in the first quarter of this year, the office said.

The IIP of the processing and manufacturing industry, accounting for 80% of production from the whole industrial sectors, gained a YOY growth rate at 11.3% in the first 11 months.

Some key products achieved high production growth rate at 55.6% for automobile, 51.1% for television, 38.7% for mobile telephone and 18.2% each for footwear and steel.

Meanwhile, some other products reported low growth in production or even reduction in production, including garments which showed an increase of 5.3%, processed seafood products and coal which each surged 5.2%, cloth which reduced by 3.7%, and motorcycles which fell 11.6%.

The GSO's economic experts in charge of industrial sectors said the recovery in industrial production for the first 11 months was not really sustainable because the index of consumption for industrial products had a growth of around 13% for each of the first seven months, first eight months and first nine months, but reduced to 12.8% in the first ten months against the same period of last year.

According to the GSO, with positive results in industrial production in the first 11 months, the production was expected to gain by this year end because local enterprises planned on increasing imports of material for production and have stable orders of garment, textile, footwear and electronic components.

The enterprises have remained growth in production and business, increased trade promotion activities and diversified local and foreign markets.

However, the national industrial sector would face risks and challenges on the world market, establishment of the ASEAN Economic Community and impacts from free trade agreements that come into effect.

Vietnam beer market bubbles

DTI - Vietnam is becoming a promising market for foreign beer producers. According to a Lotte Mart representative, Vietnam's beer and beverage market is experiencing an average annual growth rate of 30% and beer-drinking is still on the rise.

The Vietnam Beer Alcohol Beverage Association reported that 3.14 billion litres of beer were consumed last year, an increase of 8.1% on 2013. As of November, 2015, over 2 billion litres of beer were produced, an increase of 6.8% on last year. It is predicted that 3.3 billion litres of beer would be consumed this year.

Market research company Kantar Worldpanel Vietnam said Vietnamese were buying more high-end beer and Vietnam was in the top five beer drinking countries in Asia.

It has been attracting increasing numbers of investors.

Mikio Masawaki, director of Japanese brewing company Sapporo Vietnam, said the local market still had lots of room for expansion and opportunities for high-end beers. He went on to say that competition would be tough due to the participation of many foreign companies.

LEGAL UPDATES

New policies take effect in Vietnam in December

VGP – Under Decree No. 87/2015/ND-CP dated October 6, 2015, the Ministry of Finance (MOF) will be responsible for coordinating with other related ministries and sectors in performing the supervision of state capital investment in enterprises.

The new regulation also lays out five criteria for assessing efficiency of enterprises' operation, including turnover; after-tax profits and return-on-equity ratio; overdue debts and capacity to pay due debts; observance of the law on investment, management and use of state capital, laws on taxes and other budget remittances, and regulations on financial statements and reports for financial supervision; and provision of public-utility products and services.

SOEs banned from capital contribution to real estate, banking sectors

The Government Decree No. 91/2015/ND-CP bans SOEs from contributing capital or investing in real estate business, or purchasing shares of insurance companies, banks, securities companies, venture capital funds and securities investment funds, except those permitted by the Prime Minister.

SOEs that have invested in those fields will be forced to divest, according to the Decree.

Extension of passport duration

According to the Government Decree No. 94/2015/ND-CP dated October 16, 2015, the validity of diplomatic and official passports shall be five years since the date of issuance

The above passports shall be extended for only one time and the maximum duration of extension is three years.

Social enterprises

The Government Decree 96/2015/ND-CP dated October 19,2015 encourages the establishment of social enterprises to deal with social and environmental issues for community benefits.

Business leaders

The Government on October 19, 2015 issued Decree No.97/2015/ND-CP on management of title and position holders at wholly state-owned single-member limited liability companies.

Environmental police

According to the Government Decree 105/2015/ND-CP on October 20, 2015, environmental police forces shall be responsible for handling crimes and administrative violations pertaining to environmental protection, natural resources, and food safety discovered during the cooperation.

They shall have to cooperate with agencies and units affiliated to relevant ministries and bodies in inspecting, discovering, dealing with crimes and administrative violations pertaining to environmental protection, natural resources, and food safety;

Processing zones, processing enterprises

Under the Government Decree No. 114/2015/ND-CP dated November 9, 2015, processing zones and enterprises may apply legal provisions applicable to non-tariff areas excluding separate preference for border gate economic zones.

Processing enterprises are stipulated in investment registrationlicenses or document of competent registration agencies in case they are not subjected to comply with investment registration procedures.

Detailed implementation of revised Law on Investment

The Government Decree No. 118/2015/NĐ-CP defines some articles of the Law on Investment, which facilitates investment

LEGAL UPDATES

procedures in forms of capital and stakes contribution for foreign investors.

Foreign investors who buy shares in or contribute capital to economic organizations won't have to deal with procedures involved in investment certification.

Foreign investors will themselves have to register with the planning and investment departments in localities where the economic organizations are headquartered, in the following cases:

- The economic institutions engage in business areas that are accompanied by certain conditions for foreign investment, as stipulated by the authorities.
- The stake acquisition or capital contribution increases the share of foreign investors in the economic institutions from below 51% to 51% or more; or from 51% to higher levels.

Decree eases foreign investment red tape

DTI - Foreign investors who buy shares in or contribute capital to economic organisations won't have to deal with procedures involved in investment certification.

This is in accordance with Decree No 118/2015/ND-CP, which was issued on November 12 and takes effect on November 27, providing guidelines for the Investment Law 2014.

Quach Ngoc Tuan, the deputy head of the Ministry of Planning and Investment's (MPI's) legal department, said the decree would ease procedures for foreign direct investment (FDI) enterprises.

The economic institutions, with foreign investors' stakes or capital contribution, will be responsible for registering changes in shareholders or members with business registration agencies, if any.

This process is to conform to the laws on enterprises and economic institution-related legislation.

However, foreign investors will have to register with planning and investment departments themselves, in localities where the economic organisations are headquartered, in the following cases:

- The economic institutions deal in business areas that are accompanied by certain conditions for foreign investment, as stipulated by the authorities.
- The stake acquisition or capital contribution increases the share of foreign investors in the economic institutions from below 51% to 51% or more; or from 51% to higher levels.

After receiving foreign investors' registration documents, the planning and investment departments will notify them whether they are qualified for their investments or not, within 15 days.

Tuan said foreign investors who are set to establish companies in Viet Nam would also be able to get investment certificates for their projects within 15 days with one-stop shop procedures.

The MPI will coordinate with other ministries and relevant agencies to review business sectors with conditions for foreign investment, in conformity with domestic and international laws, and release them on the national portal on foreign investment.

Following the new decree, the Government said it would provide support and incentives to investment projects involved in high-tech nursery, biotechnology development, information technology software manufacturing, and recycle and clean energy production.

The announcement has reportedly excited domestic startups, many of them told Deputy Prime Minister Vu Duc Dam recently that there was inadequate government support for the startup community.

HIGHLIGHTS

Vietnam to benefit from ASEAN's investment wave

NCDT - Making investments in Vietnam is the choice of many ASEAN countries when implementing their expansion plans.

Malaysia has jumped into the second position on the list of the foreign investors which poured the highest capital into Vietnam in October. The upgrade was made after Janakuasa was officially appointed to become the developer of BOT (build, operation, transfer) Duyen Hai 2 thermopower project in Tra Vinh.

Duyen Hai 2 is a key power project which will help improve electricity supply in the southern region. Janakuasa, a subsidiary of Malakoff Group, began giving consultancy on the project in 2009.

Malaysia, like other investors in ASEAN, now tend to head for Vietnam when implementing their investment expansion plans. With the total foreign direct investment (FDI) capital of $56 billion in Vietnam, ASEAN countries make up 21 percent of total FDI registered capital.

Vietnam has experienced three stages of FDI. In 1990s, Vietnam began opening its market to receive foreign investors, including the ones from ASEAN. However, the capital flow from the bloc was stopped because of the financial crisis in 1997.

In the second stage, which began in early 2000, Vietnam entered a new era after it signed important trade agreements with the US (in 2001) and WTO (2007). The foreign investors in the period included those from Asia, especially South Korea and Japan, which registered many projects in heavy industries – shipbuilding, automobile and steel.

The next stage, from 2011 to now, has seen the presence of the highest number of investors from ASEAN. Singapore, Malaysia and Thailand have been the 'three major players'.

Malaysian companies tend to make investment in Vietnam through joint ventures and 100 percent Malaysian invested enterprises, focusing on infrastructure, real estate, school, education centers and oil & gas.

Thais have not only set up manufacturing factories in Vietnam, but also injected money into Vietnamese manufacturing companies and retail chains.

Singapore is the biggest foreign investor in ASEAN, along with South Korea and Japan. It has poured money into many business fields, especially industrial zones, real estate and tourism.

Analysts believe that Vietnam would get big benefits from the investment wave from ASEAN which will be even stronger in the time to come. Political certainties and the "golden population" are the two reasons which attract ASEAN investors to Vietnam.

The golden population not only means 'high population' (Indonesia and Malaysia have higher populations than Vietnam), but also a high percentage of consumers, high consumer confidence and low labor cost.

Somhatai Panichewa, general director of Amata Vietnam, said at the 2015 Business Forum that the business cost in Thailand is very high compared with Vietnam.

AEC is the 7th largest economy in the world, valued at $2.4 trillion.

HIGHLIGHTS

US named Vietnam's biggest export market

Workers at the Hoa Tho Textile-Garment Joint Stock Corporation in the Nam Dong Ha Industrial Park in Quang Tri

VNA - The US was Vietnam's biggest export market in the first 11 months of 2015 with a turnover of 30.6 billion USD, up 17.6 percent year-on-year, said the General Statistics Office (GSO).

It was followed by the European Union (EU), with 28.1 billion USD; ASEAN, 17 billion USD; China; 15.6 billion USD; Japan, 12.8 billion USD; and the Republic of Korea, 8.4 billion USD.

According to the GSO, Vietnam's export turnover was estimated at 148.7 billion USD in the 11-month period, an 8.3 percent year-on-year increase.

Of the figure, 43.6 billion USD was contributed by domestic businesses and the remainder by the foreign investment sector (including crude oil).

Phones and spare parts topped the list of foreign currency earners, fetching 28.5 billion USD, up 29.6 percent. It was followed by garments, with 20.7 billion USD; computers and spare parts, 14.3 billion USD; and footwear, 10.8 billion USD.

However, some agricultural and mineral products such as crude oil, coal, and coffee saw decreases in both export volume and value in comparison with the same period last year.

The export turnover of rice and rubber declined 4.6 percent and 14.2 percent respectively.

The GSO revealed that the import turnover of goods for manufacturing and assembling continued to skyrocket, such as machinery and equipment, with 25.3 billion USD, up 25.7 percent year-on-year; and computer and spare parts, with 21.6 billion USD, up 27.7 percent.

China remains Vietnam's biggest import market with a total estimated value of 45.1 billion USD, a 15 percent increase compared to the same period last year. It was followed by the Republic of Korea, with 25.6 billion USD and ASEAN, with 21.8 billion USD.

In the 11-month period, Vietnam recorded a trade deficit of 3.8 million USD or 2.5 percent of the country's export turnover.

Logistics upgrade - a must to integrate

VNS - International logistics co-operation is essential for Viet Nam, especially in the context of global integration and ASEAN Economic Community (AEC), delegates heard at an international logistics conference held in HCM City yesterday.

"According to the World Bank's Logistics Performance Index, Vietnamese logistics ranks fourth in ASEAN and 48th in the world. The infrastructure index has improved in recent years," said Nguyen Nhat, deputy minister of the Ministry of Transport, at the conference.

"ASEAN logistics co-operation began in 2011, and this relationship should deepen in upcoming years so that we can take advantage of the AEC," he said.

To prepare for a more robust and competitive trade environment, the Government has been developing infrastructure for transport and logistics, including 18 national highways linked with ASEAN and a railway system connecting Laos and Cambodia. Local waterways between Thailand and Cambodia have also been improved.

HIGHLIGHTS

"However, limited legal framework, poor human resources and weak connections among different means of transport, especially railway and sea, and unprofessional and small companies are all challenges for the logistics industry in Viet Nam," he said.

To improve the situation, Nhat suggested that in the future Viet Nam should deploy an infrastructure network for multi-modal transport, build an entrepot system at international ports, establish big multi-modal transport corporations and strengthen administrative reform to promote commodities circulation.

Speaking at the conference, Alvin Chua, chairman of the ASEAN Federation of Forwarders Association (AFFA), presented an ASEAN master plan for achieving overall ASEAN Connectivity through enhanced physical infrastructure development (physical connectivity); effective institutions, mechanisms and processes (institutional connectivity); and empowered people (people-to-people connectivity).

"ASEAN governments must also address non-tariff barriers to facilitate intra-ASEAN trade and investment along with harmonising standards and achieving conformity of assessment procedures," he said.

In the future, the ASEAN master plan will need to upgrade existing infrastructure, build new infrastructure and logistics facilities and harmonise the regulatory framework as well as nurture an innovative culture.

"Viet Nam must pro-actively participate in acceleration of AEC 2015 Integration into the ASEAN Economy," Stanley Lim, chairman of the Singapore Logistics Association, said.

He suggested that ASEAN governments must concentrate on four key pillars: a single market, as trade barriers among nations fall to a minimum; a competitive economic region, fostering a culture of fair competition; equitable economic development by assisting the growth of SMEs, the backbone of ASEAN's economy; and deep integration into the global economy by deleting trade barriers.

"ASEAN logistics will support trade with efficient movement of goods with professionally skilled labour by efficient cross-border of goods through trade facilitation; a single window for speedy customs clearance; human resource development through training in competence logistics skill sets; and connectivity with multi-modal transport," he added.

According to the ministry of Industry and Trade's master plan for logistics, by 2020, the industry will contribute 10 per cent to GDP at a growth of 25 per cent each year and by 2030 the figure will be 15 per cent and 35 per cent, respectively.

"The master plan targets to reduce logistics costs by 0.5 – 1 per cent of GDP every year, equivalent to $1-3 billion, with investment in logistics to grow by 25-30 per cent annually and create jobs for 4-5 per cent of the population," said Tran Chi Dung, deputy director of the Viet Nam Logistics Institute.

The conference was organised by the Viet Nam Logistics Association with participation of ASEAN top logistics experts from 10 nations, government officials and 150 local companies involved in import, export, logistics, forwarding, transport, airlines, ships, sea ports, insurance and consultancy.

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