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BUSINESS REVIEW

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ECONOMY

Vietnam's outlook rating remains stable: S&P

VNA - The Ministry of Finance has announced that the rating agency Standard & Poor's (S&P) on April 29 gave Vietnam a crediting rating of BB-/B and a stable outlook, unchanged from the ratings announced in March 2015.

Accordingly, the stable outlook reflects Vietnam's economic growth, while macro-economic factors have been positively recognised with improved outlook by the agency and investors.

The factors that contributed to the positive S&P ratings include a relatively diverse and flexible economy, and per capita income reaching an estimated US$2,200 in 2016.

Besides, macroeconomic stability at a relatively high level is a factor that makes a positive impact on export and foreign direct investment.

In the past two years, appropriate socio-economic development policies have contributed to macroeconomic stability and effective inflation control at a low level.

Stable export growth, FDI, and remittances that tended to increase, along with the comparative advantage on labour costs compared to other countries in the region, continue to be significant factors that help to improve the balance of payments and the economy's competitiveness.

S&P also noted that, in the coming time, Vietnam should pay attention to controlling its budget overspending, and the increase rate of public debt and bad debt in the banking sector.

The issues have been also recognised by the Vietnamese Government and National Assembly with detailed plans to tackle them from now to 2020, aimed at controlling and bringing the budget over-expenditure to below 4% of GDP and keeping the public debt growth rate within the ceiling limit of 65% of GDP.

EU trade deal may result in growing Vietnam trade deficits

VOV - As part of a continuing effort to support European companies gain access to the Vietnam market, the EU-Vietnam Business Network (EVBN) organized a recent dialogue in Ho Chi Minh City.

The event was the result of a collaboration with the European Chamber of Commerce in Vietnam (EuroCham), a non-government organization with its headquarters in Ho Chi Minh City.

The EVBN is comprised of 19 EU companies from the nine countries of Belgium, Bulgaria, France, Lithuania, Italy, Ireland, Poland, Portugal and the UK. EVBN receives its financial funding from the EU Delegation to Vietnam and the EU Ministry of Foreign Affairs.

The dialogue featured high profile speakers from various EU ministries including the EU Delegation, Ministry of Industry & Trade, Ministry of Agriculture & Rural Development, Ministry of Science & Technology and Ministry of Health, Ministry of Finance as well as representatives from EU member state embassies.

In addition, a large number of Vietnam governmental officials, local businesses, non-governmental organizations and experts in diverse prospective fields were in attendance.

The dialogue was a follow-up to similar ones held subsequent to the launch of the EuroCham Whitebook earlier this year on March 2 and was a valuable opportunity to promote the collaboration between EU and Vietnam in the context of the EU-Vietnam Free Trade Agreement.

ECONOMY

Following the EuroCham Sector Committee presentation on regulatory issues and recommendations, EU companies were provided a chance to raise their concerns related to market access during an interactive and fruitful open discussion with representatives from the Ministry of Industry and Trade, Ministry of Health, Ministry of Science & Technology and Ministry of Finance. The dialogue also addressed key impacts of the EU-Vietnam Free Trade Agreement (EVFTA) on the business communities both in the EU and Vietnam and the readiness of the Vietnam government in preparing for implementing the EVFTA.

Among the many speakers was Miss Miriam Garcia Ferrer, head of the trade section of the EU Delegation to Vietnam, who along with other leaders plays an instrumental role in preparing for implementing the agreement.

Other speakers included Mr Le Trieu Dung, deputy director general of Multilateral Trade Policy Department under the Ministry of Industry and Trade who discussed the changes brought about by the EVFTA and what need be done to

prepare for implementing the agreement.

The presentations were followed by a stimulating and constructive panel discussion where an update and recommendation towards the realization of the Vietnam government commitments executed under the EVFTA were openly discussed.

A significant area of discussion was with regard to the free trade agreement and the likelihood that Vietnam local businesses stand to lose their trade advantage and surplus they have enjoyed with the EU over the past 10 plus years.

According to statistics of the General Department of Vietnam Customs for 2015, which were cited by Miss Ferrer, Vietnam exports reached US$30.9 billion for which Vietnam enjoyed a trade surplus.

However, after the free trade agreement is fully implemented the current trade surplus will most likely turn into a trade deficit as more and more EU businesses migrate to operate their companies in Vietnam.

The bottom line is that Vietnam is a choice location of EU investors, and as a result more companies will likely migrate here making it more difficult for local companies to compete, unless they can up their game and become more competitive.

The areas Vietnam companies are weakest in competing said Miss Ferrer, are those related to quality, food hygiene and safety— for which the EU requirements are some of the strictest in the world.

BANKS & FINANCE

Vietnam banks heed PM call, cut lending rates for businesses

An undated photo of an employee counting notes at a bank in Hanoi

TNN - Many banks have cut interest rates by 0.5-1 percentage points on loans for businesses following a call by PM Nguyen Xuan Phuc.

Vietcombank, one of the country's largest lenders, Friday reduced the maximum interest rate on medium- and long-term loans from 11% to 10% a year.

The bank plans to lend businesses around VND300 billion ($13.32m) at low rates.

The same day other big lenders such as BIDV and Vietinbank and some smaller banks like Saigon-Hanoi Commercial Bank and Techcombank promised to reduce their cap on short-term loans by 0.5 percentage points.

Before the cuts businesses borrowed at 6.8-9% in case of short-term loans and 9.3-11% for medium- and long-term loans, according to the central bank.

Since the beginning of this year, after many banks hiked deposit interest rates, many economists have been expecting lending rates to go up.

However, at a meeting with businesses on Friday the PM called on the central bank and lenders to reduce interest rates to support businesses who said high borrowing costs were affecting their competitiveness.

Interest rates in Vietnam are much higher than in other Southeast Asian countries such as the Philippines and Malaysia where they are only 2.1-2.2%.

Vietinbank to complete merger with smaller PGBank this year

A Vietinbank office. The bank is set to finish its merger with PGBank, controlled by state-owned fuel trader Petrolimex.

TNN - Vietinbank, one of Vietnam's biggest lenders, is set to finish its merger with PGBank, controlled by state-owned fuel trader Petrolimex, after two years of planning, local media reported on Tuesday.

The deal is expected to be approved by the government next month and completed in September, news website Dau Tu cited Nguyen Van Thang, CEO of Vietinbank. He was speaking at a shareholder meeting the same day.

The merger will help Vietinbank expand its retail activities, Thang said, adding that the lender plans to continue to increase its presence and market share through mergers and acquisitions in the future.

Vietinbank expects its equity to be more than VND64.45 trillion ($2.88b) after the merger, up 14.8% from the end of last year, while the chartered capital will increase 31.6% to around VND49.02 trillion ($2.19b).

According to a plan announced last year, the bank will issue 270 million shares to swap for 300 million shares of PGBank, one of Vietnam's smallest banks by chartered capital.

First announced in early 2014, the merger was one of many similar deals orchestrated by the central bank in an attempt to restructure the overcrowded banking sector that was blamed for dragging on the economy with bad debts in previous years.

BANKS & FINANCE

Foreign, domestic shareholders fight over control at Eximbank

VIR - Domestic shareholders at Vietnam Export Import Bank (Eximbank) refused to show up at the annual shareholders' meeting on April 29 possibly to protest foreign shareholders' pushing them out of the Board of Directors.

Eximbank failed to hold the annual shareholders' meeting on April 29 as the number of participants did not meet the minimum requirement of 65% voting stake as per Eximbank's charter. As of 10am on April 29 the number of shareholders at the meeting was 50.19%.

Ngo Thanh Tung, representative of Eximbank's Board of Directors, said that there were two groups of shareholders holding the respective stake of 11.82% and 10.42%, a total 22.24%, who didn't register to join the shareholders' meeting even though the bank was proposing increasing the number of members in the Board of Directors.

Tung did not mention another 27.57% stakeholders who did not register to join.

Clause VII of the bank's rule on nominating, running for and voting for members of the Board of Directors and the internal audit and control committee of Eximbank for

the 2016-2020 term ratified at the extraordinary shareholders' meeting of Eximbank on December 16, 2015 said, "In case the number of members of the Board of Directors is lower than the planned number, but not lower than two thirds of the number needed to be voted into the board, and with the correct makeup as agreed on beforehand then the shareholders' meeting will ratify this new board and there's no need to vote to add more members right in this meeting. The bank will add members in the next nearest meeting."

However according to the report of the April 29 meeting, although two groups of shareholders nominated members to the Board of Directors, the board did not put them up for voting. The board now has nine members and is short of two. This affects the right of those groups.

Many shareholders who did not join the meeting may have done so to show their disagreement. Eximbank's big foreign shareholders including Sumitomo Mitsui Banking Corporation, Mirae Asset Exim Investment and VoF Investment Limited, a fund under VinaCapital, did not protest the board's decision to not add members. They even proposed reducing the number of members in the board from 11 to 9 after they had enough people in the board to prevent other groups of shareholders to have people in the board.

According to Eximbank's audited financial statement, in 2015 the bank earned net profit of VND40 billion ($1.79m), down 88% from 2014.

INVESTMENT

9 foreign funds buy into Vietnam's top mobile retailer

TNN - Nine foreign funds have acquired more than 4.4 million shares, or a combined stake of around 3%, in one of Vietnam's biggest mobile retailers — The Gioi Di Dong (Mobile World Group).

The funds, including the US's Chambers Street Global Fund and Thailand's Thanachart Securities Pcl, bought the shares from British Virgins Islands-incorporated CDH Electric Bee Limited, Vietnam Securities Depository reported on Friday. The deal was reportedly worth around VND334 billion ($14.8m) in total.

Electric Bee, which bought nearly 20% of the company in 2013, now owns a stake of 5.27%, following several sales over the years.

Reports by market research firms and The Gioi Di Dong suggested the company now controls around 30% of VN's mobile retail market with 646 stores around the country.

The retailer, which also runs a chain of 91 home electronics stores and online sale services, reported revenues of more than VND9.6 trillion ($425.6m) in the first quarter, an increase of 75% from the same period last year.

Its online sales doubled to VND680 billion ($30.14m) in the first three months, or around 7% of the total revenues, according to the company's new data.

In a January report, London-based market research company Euromonitor named The Gioi Di Dong as Vietnam's biggest online retailer with a market share of 10 percent, local media reported. It was followed by Germany's Rocket Internet with popular e-commerce businesses Lazada and Zalora, and tech giant FPT.

Canada energy firm eyes $150m solar power plant in Vietnam

VOV - Canadian company CMX Renewable Energy Inc. has sought a license to build a 150-megawatt solar power plant in the central province of Ninh Thuan at an estimated cost of $150m, news website Dau Tu has reported.

Around 1% of the plant's output would be provided free to locals, a company executive was quoted as telling the province's authorities at a meeting. CMX is the latest foreign investor to have expressed interest in producing solar energy in Vietnam even as the government is drafting policies to encourage private investment in the sector.

According to one of the plans being considered by the government, state monopoly Electricity of Vietnam and other electricity distributors will be obliged to buy all the output from solar power plants in 10-20 years, the government's website reported.

The plants are also expected to get special treatment with respect to taxes and land, it said.

With around 2,000-2,500 hours of sunlight annually, Vietnam's solar energy potential is considered to be the equivalent of 43.9 million tons of oil a year.

However, VN's first solar power plant will not go on stream until next year. It is a 19.2-megawatt plant being built in the central province of Quang Ngai by VN investor Thien Tan Group at an estimated VND862 billion ($36.12m).

Last year South Korea's SolarPark Korea Company sought to build a 300-megawatt plant in another central province, Ha Tinh, at $650m. Another Korean investor, conglomerate Hanwha, also reportedly planned to invest $200m in developing a 100-200-megawatt plant in Thua Thien-Hue.

ENTERPRISES

RoK firms shift overseas business focus to Vietnam: Yonhap

NDO/VNA – The Republic of Korea's (RoK) consumer goods firms are shifting their overseas focus to Vietnam, increasing investment and aggressively opening up new branches, Yonhap news agency quoted industry watchers in an article on May 2.

In its article, Yonhap says with a population of over 90 million and 60% in their 30s or younger, Vietnam stands out as a market promising robust growth.

A recent report by the Korea Trade-Investment Promotion Agency said the RoK government is pursuing the expansion of consumer goods exports to Vietnam to make up for VN's slowing trade. It describes VN as a good investment opportunity for local firms.

CJ Group, whose affiliates range from entertainment to food and beverages, made an early start when it opened an office in Vietnam in 1998. The group's chairman, Lee Jay-hyun, declared in 2012 that the conglomerate will build a "third CJ" in VN following the success of the first two in the RoK and China.

In February, it took over Ong Kim's, a popular kimchi brand in Vietnam. A month later, it acquired a 4.08% stake in VN's meat manufacturer Vissan and is planning to obtain more in the future.

According to company officials, it has started to look into the local livestock industry.

Yonhap quoted a CJ official as saying that they will be making active investments throughout Vietnam in different industries. They will expand the scale of investment, such as increasing milling factories, to raise their market status in VN.

RoK retail giants, Lotte and Shinsegae, are also strengthening their brands in Vietnam.

Lotte Mart opened its 12th VN branch in Go Vap, an urban district of HCMC, last week. After first venturing into the Asian country in 2008, Lotte chalked up 217 bln won ($190m) in sales last year.

The conglomerate continues to enlarge its market presence, opening the Lotte Center Hanoi that includes a Lotte Mart, Lotte Department Store and Lotte Hotel, in addition to acquiring a local department store, the Diamond Plaza.

In HCMC, the company is building an eco-smart city that combines a shopping mall with residential and office facilities.

Shinsegae is making most of its strides through its discount chain E-Mart, whose first VN branch opened late last year in Go Vap district. Vietnam is the chain's second overseas entry after China.

E-Mart officials say they hope to eventually export products directly to VN, according to Yonhap.

Central Group wins bid for Big C Vietnam

VOV - Thailand's Central Group and a Vietnamese partner have beaten many strong local and foreign rivals in a highly competitive bid for Big C assets in Vietnam.

ENTERPRISES

Central Group announced on April 29 that it and its local partner Nguyen Kim Trading Company had jointly acquired Big C Vietnam for €920m ($1.05b) from France's Casino Group. However, details about their capital contribution structure is unknown. Nguyen Kim is now 49% owned by Central Group.

With the acquisition of Big C Vietnam, Central Group is committed to continuing using products of local suppliers, maintaining strong relationships with Big C customers, employees and local authorities, and sourcing local goods for Big C stores, according to the Thai firm.

Casino's disposal of its unit in Vietnam in a bid to reduce its debt by selling assets in Asia and Latin America will bring its total divestments to €4.2b.

Big C Vietnam has 33 supermarkets, ten convenience stores and e-commerce site Cdiscount.vn. The firm earlier expected to fetch some $800m from the sale.

Some 20 companies joined the bid for Big C Vietnam, including Aeon of Japan, Lotte of the Republic of Korea, BJC of Thailand, Saigon Co.op and Masan of Vietnam and Central Group.

Saigon Co.op, the owner of the extensive Co.opmart supermarket chain in Vietnam, was a serious contender but the prevailing regulations on foreign investment prevented it from acquiring Big C Vietnam. Saigon Co.op currently has no license to invest overseas while the bid for Big C Vietnam requires the local cooperative to conduct the transaction abroad.

Big C Vietnam's 2015 revenue was €586m. Big C Vietnam is ranked second after the Co.opmart chain in terms of store number, so the acquisition of Big C Vietnam will help Central Group save at least seven years of development on the local retail market.

Retailers exit shopping malls in HCMC

A shop assistant takes a nap during working hours at a deserted Saigon Pearl Plaza stall in Binh Thanh District, HCMC.

TTN - Individual shopping mall vendors in across HCMC have been leaving, due to continuously rising costs and weak sales.

At midday on a recent weekend in Now Zone shopping mall, located in District 5, even discount signs of up to 50% off fail to attract the attention of passing shoppers.

"There're slow days on which only one to two items are sold. Our average monthly sales oscillate between VND30 million (US$1,345) and VND45 million (US$2,018), which means a loss, Q., owner of a stall selling famous Korean cosmetics, lamented.

Retailers at Saigon Pearl, a recently opened mall in Binh Thanh District, are not faring any better.

A number of unoccupied spaces stick out across its three first floors, despite the mall's auspicious location.

The eye-catching jewelry, clothing and sports shops remain unnoticed, even by window shoppers.

Though shops at established malls including Vincom A, Vincom B, Diamond Plaza, Parkson Ly Tu Trong, Parkson Truong Son, and Crescent Mall appear busy, most visitors are cinema goers or diners.

Despite its bustling appearance, investor V.'s mall chain, scattered across District 1, have also languished and contain a large number of unoccupied stalls.

ENTERPRISES

Causes

According to investors and stall owners, weak sales at shopping centers has existed since mid 2015, with only a slight improvement recorded before this year's Tet (Lunar New Year), which fell in early February this year.

The investor of a T. cosmetics chain added that the number of customers has slumped since Tet, including on weekends, though the situation brightened up substantially on Valentine's Day and Int'l Women's Day (March 8).

Part of Now Zone mall in District 5, which is empty of customers despite numerous discounts

YoY sales have plunged by 20%-30% against the same period last year. Shop owners at less luxurious malls have also complained that they maintain their loss-making business mainly to collect debts from their clients.

Cosmetics vendors at Now Zone center bemoaned their monthly revenues vacillating between VND70 million (US$3,097) and VND140 million (US$6,193), or a 10%-20% drop against previous years.

The quality of products at malls, however, is not always guaranteed. Apart from righteous shop owners, more than a few others cunningly sell shoddy goods or even copycats at the sme price as foreign brand items, according to investors.

Kha Tu, a long-time supplier of clothing items at shopping malls, revealed that a number of shop owners choose to purchase low-quality goods from local or Chinese producers before labeling them with famous brand names.

Exorbitant prices have also driven customers further away from extravagant shopping centers.

Surveys conducted by Tuoi Tre (Youth) at a number of malls revealed that items displayed at these centers fetch prices 10%-20% higher than those at other places or even more.

Exorbitant leasing fees have also driven retailers to turn their back on luxury malls.

According to the Tuoi Tre surveys, shop owners pay rents of US$20-US$37/m² per month for spaces in inner-city areas, and as low as US$10/m² per month in suburban districts, excluding value-added tax.

Tran Thuy Khanh, sales manager of T. fashion brand, said her company had finally given up on a shop housed inside Vincom mall in District 1 over steep rent and plummeting sales.

"We paid US$5,000 for our 80m² shop each month, but the shop earned us less than one-fifth of the sum in turnover," she explained.

Meanwhile, Tuong Vi, owner of K.N. furniture brand, said that she is considering insisting on lower rents from owners of shopping malls in inner-city areas because of intolerably sluggish sales since Tet.

The brand is currently sold in eight shops nationwide, though even the best selling store at Vincom B Mall in downtown HCMC continues to make a loss.

Long-running investment?

Nguyen Huu Phung, chair of Viet Fashion Corp., acknowledged that despite heavy losses and costly rents, local retailers try their best to run their shops in malls in a bid to increase their coverage and better promote their brands.

Le Hoang Chau, president of the HCMC Real Estate Association (HoREA), asserted that the metropolis, with its population exceeding 10 million, is a haven for shopping malls.

MARKET & PRICES

Small auto market brings big profits to car manufacturers

TBKTSG - Thaco, a 100% VN owned automobile company, has released the 2015 finance market which shows a two-fold increase in revenue in the year compared to 2014. The manufacturer had VND41.432 trillion in revenue and post-tax profit of VND7.037 trillion.

Thaco in 2015 for the first time saw the number of cars sold exceeding 80,000, which accounted for 30% of the total market revenue. Meanwhile, the manufacturer only projected a sale of 70,000 of products of different kinds.

With the high growth rate, Thaco's post-tax profit in 2015 was higher than that of a series of Vietnamese large conglomerates, including Vingroup (real estate developer), Hoa Phat (steel manufacturer) and Masan (food processor), though its total assets were lower.

The financial report released by TMT Automobile JSC also showed a 2015 prosperous year.

TMT sold 7,360 cars with revenue of VND3.311 trillion and post-tax profits of VND190 billion, three times higher than 2014.

The other two listed automobile companies – Hoang Huy Investment & Service JSC (HHS) and Truong Long Automobile Technique (HTL) – both also had a very successful 2015.

HHS reported net profit of VND481 billion, 3.5 times higher than 2014, while HTL VND135 billion, double that in 2013.

Hyundai Thanh Cong, an automobile assembler and distributor, has reported that it sold 27,200 cars in 2015, an increase of 73% over 2014.

Ford Vietnam reported that it made a record in sales in 2015 with the growth rate of 48%. This was the first time in the last 20 years that it had sold more than 20,000 cars.

Purchasing power increases slightly

VNS - The purchasing power in the total national retail value of goods and services until April 2016 reached nearly VND1.14 trillion, the General Statistics Office (GSO) reported. This was equivalent to $51.7b, up 8.8% YoY .

The increase was estimated at 7.5% if the price factor was excluded, lower than the growth of the first four months of last year at 8.3%, and the lowest growth since the beginning of this year.

In particular, the growth of January was 11%, of the first two months is 8.3%, and of the first three months was 7.9%.

GSO expert Vu Manh Ha attributed the decrease in purchasing power of the first four months of this year to the significant growth of CPI of the first four months compared to the same period last year.

However, total sales still saw a fairly positive increase.

Of these, the total revenue of retail goods, which accounted for more than 75% of the total revenue, hit $39.5b, up 9%.

Of these, food and foodstuff retail increased 13%, garment retail increased 10.6%, transportation services 10%, home appliances 9.2% and retail of culture and education products increased 1.3%.

The total revenue of accommodation and restaurant service sales, which accounted for 11.2% of the total revenue, increasing 8% in the first four months.

Localities which had a high growth in the sector's revenue included Thanh Hoa (15%), Ninh Binh (9%), Ha Noi (nearly 9%) and HCMC (nearly 8%).

LEGAL UPDATES

Foreign firms may be permitted to open 500m2 retail outlets in Vietnam

VNN - Foreign-invested enterprises (FIEs) with distribution rights will be able to open retail outlets of up to 500 sq m under a draft decree clarifying the trading of goods by FIEs under the Commercial Law.

Convenience stores predicted to develop quickly if draft decree comes into being.

Convenience stores predicted to develop quickly if draft decree comes into being.

The Ministry of Industry and Trade (MoIT) is collecting opinions on FIEs establishing such outlets or outlets in planned areas for retailing goods made overseas without the need to conduct an Economic Needs Test (ENT).

If the draft decree comes into effect, distributors and foreign investors will have the right to open outlets of less than 500 sq m without needing an ENT from the local city or province.

By limiting outlets to less than 500 sq m, retailers will not be able to develop such outlets into supermarkets or shopping malls.

If it comes into effect the decree will create favorable conditions for the development of convenience stores that open 24/7, which have developed quickly in Vietnam over recent times.

MoIT will also release a stipulation that when FIEs establish their first wholesale or retail outlet they must have a license. Economic organizations can only sign contracts for building or leasing retail outlets after gaining a license for a retail outlet.

Such licenses have a term of five years but MoIT can consider and provide an extension on a case-by-case basis.

New regulation on tightening foreign currency credit

VOV - Domestic firms have taken the first measures in an effort to adapt to the State Bank of Vietnam (SBV)'s new regulation on tightening foreign currency credit.

Under Circular 24/2015/TT-NHNN, commercial banks are no longer allowed to provide lending in foreign currency to firms which do not need it for offshore payments since March 31 this year. The tightening in foreign currency credit is aimed to step up the central bank's anti-dollarisation drive.

LEGAL UPDATES

SBV said that the new regulation affects only those firms which often obtain foreign currency loans from banks and will later convert them into dong to fund their domestic production.

The new rules on foreign currency loans are expected to stabilise exchange rates and strengthen the dong. However, it also has side effects on firms, especially agriculture and seafood exporters, which often take loans in foreign currencies to meet their great funding demand.

Banking expert Nguyen Tri Hieu estimated that without foreign currency loans, interest rates for which were often roughly 6% to 9% lower than that of the dong, input costs could increase for exporters.

To adapt with the new rule, many exporters have paid more attention to the movement of the dong - US dollar exchange rate. They are even hunting for high ranking personnel specialising in finance and foreign exchange. Previously, only FDI firms were interested in such activities.

A high-ranking official of an Ho Chi Minh City-based human resources consulting company, who declined to be named, said that her company had received urgent orders from five major domestic companies to recruit senior personnel in finance and capital resources. Recruitment positions are required to have experience in finance, foreign exchange, capital resources management and structured products.

The executive, with nearly 20 years of experience in finance and human resources, forecast that this was only the beginning of the 'thirst' for senior personnel to service transactions of firms in foreign currency derivatives and interest rates besides normal forward transactions currently.

Besides, banking experts said that the exporters had also paid more attention to insurance services of exchange rate and interest rate. Bidding demand of firms for dollar forward contracts surged sharply against early this year, they said.

Representatives from Sacombank and Maritime Bank told Nhip cau dau tu (Bridge for Investment) newspaper that more firms had been interested in financial products. Bids for interest rate swap (IRS), forward rate agreement (FRA), or interest rate option (IRO) products in the inter-bank market, were heating up due to rising consultancy demands from firms.

To offset the capital source that was previously transferred from foreign currency loans, some major listed companies are also preparing plans to call for new funds or issue corporate bonds in wake of the tightening of foreign currency credit and the high dong lending interest rate.

HIGHLIGHTS

It's more costly to carry garments to Haiphong, Vietnam than to Japan

TBKTSG - Textile & garment companies have to pay many kinds of fees and taxes, including "under-the-table" fees to be able to go faster on rough roads where there are many check points.

The director of a garment company said he has to pay $400 for one container of exports to be carried from Hanoi to Hai Phong City. Meanwhile, it takes $100 only to carry the container from Hai Phong City to Japan.

"$400 is the sum of money paid for many types of fee, including unofficial fees," he said, adding that unofficial fees burden his business.

Deputy chair of the Vietnam Textile and Apparel Association (Vinatas) Pham Xuan Hong confirmed that the fees exist in reality.

Hong said there was no basis defining service fees, and powerful service providers have the right to set fees. They try to raise fees, reasoning the increases in input costs.

"Transport service providers say they have to charge high because of high input costs. But there is no arbitrator who can say if they tell the truth," he explained. Hong, who is also a businessman, said that of unofficial expenses, the 'lubricant fee', or the fee paid to 'lubricate' state agency apparatus, is high.

There are two types of 'lubricant fee'. First, if businesses want everything to go smoothly through state agencies, they will have to pay normal lubricant fee. Second, if businesses want to 'worm their way through a crowd', or 'dodge the laws' they will have to pay special lubricant fee.

Garment & textile enterprises, for example, complain about the smuggling of cloth and input materials from China. Those who smuggle the products have to pay the special lubricant fee.

Smugglers can sell products at lower prices than the importers who have to pay tax.

Therefore, Hong pointed out that the national economy will have to pay a heavy price for the underground fee, because this leads to unhealthy competition.

"Nowadays, since state officials receive salaries which are not high enough to cover their basic needs, they try to get money from all possible sources," he said.

Therefore, Hong said, administrative reform should be the 'long-term story'. In the immediate time, businesses have to spend time on other problems.

"Enterprises complain that the high trade union fee and social insurance premiums have been burdening them," Hong said, adding that in Myanmar, insurance and healthcare premiums are just 5 percent, while they are 30 percent in Vietnam.

VN bananas on Japan's supermarket shelves

VOV - Vietnamese bananas have marked their official presence in Japan's market with the first bunches hitting the shelves of the discount chain Don Quijote on April 30.

HIGHLIGHTS

Nguyen Trung Dung, a representative of the Vietnamese Embassy's Trade Office in Japan, said about 15 tonnes of bananas exported by the Huy Long An company are sold at over 10 Don Quijote stores in Tokyo and nearby Saitama and Chiba prefectures.

Japan is expected to double its banana imports from Vietnam and sell them at more places in the near future, he noted.

The Northeast Asian country consumes approximately 1 million tonnes of bananas per year. Up to 85% of its imported bananas currently hail from the Philippines.

However, many Japanese companies say they want to seek more suppliers.

Vietnam's bananas were first shipped to Japan in 2013 as a step to survey the local market, and they were not present at big retail chains like Don Quijote.

Hidekatsu Ishikawa, President of Vient Co. Ltd, said Japanese importers highly regard the quality of Vietnamese bananas as their sweetness suits Japanese people's taste, and they are sold at competitive prices.

Aside from Don Quijote, some local supermarket chains such as Chalenger in Niigata prefecture are also offering the product, he added.

The Vietnamese Trade Office said it will work with businesses to step up marketing the bananas at trade promotion events in Japan in the time ahead.

Investment risks and opportunities in VN education system

VNS - Education is an attractive sector for foreign investors. However, investors should be aware of the opportunities and the challenges in investing in the sector.

The education sector is being facilitated.

VN's WTO commitments on opening up the education sector have, in fact, created opportunities for foreign investors. With Viet Nam in desperate need of an international-standard learning environment, the education business may lead to significant profitability for the investors.

When establishing educational institutions, foreign investors and enterprises do not, in all cases, have to build and complete the construction of the facility before starting operations.

For educational institutions that are registering to operate for less than 20 years, it is not necessary for foreign investors to build separate facilities; instead, they can rent schools, classes, workshops and other areas that are suitable and stable for at least five years.

For those that are registering to operate for 20 years or more, the construction of new facilities is mandatory. In the initial period of up to five years, these facilities must have a lease contract or an agreement, in principle, to provide necessary and stable facilities for training and teaching and to ensure investment for the construction of such facilities is in accordance with the progress of the project.

Foreign investors can also open their branches in the same province or city as the main educational institutions or in other provinces and cities.

Legal issues to be noted

1. The scope and form of foreign investment in education

According to the schedule of commitments with the WTO, for the education sector, Viet Nam has only committed to the fields of engineering, natural sciences, technology and business administration, as well as business science, economics, accounting, international law and language training. However, for the aforementioned fields, which

HIGHLIGHTS

Viet Nam's World Trade Organisation commitments on opening up the education sector have, in fact, created opportunities for foreign investors.

belong to the higher education and adult education sectors, the training programs must be approved by the Ministry of Education and Training of Viet Nam.

With respect to general education services, which includes elementary schools, secondary schools, high schools and pre-schools, Viet Nam has not yet committed to opening the sector to foreign investors. Institutions operated by foreign investors that provide general education are meant for foreign students and a fixed number of Vietnamese students only. Pre-schools can only enroll foreign students, not Vietnamese children.

Foreign investors are permitted to establish educational institutions in two forms: wholly foreign-owned educational institutions or joint venture educational institutions.

2. Restrictions foreign investors will encounter in establishing educational institutions

Foreign investors must perform the necessary procedures to obtain three types of licences:

1. Investment Registration Certificates
2. Decision permitting the establishment of educational institutions
3. Licence for educational activities.

Please note the "Decision permitting the establishment of educational institutions" will be revoked if the educational institutions have not qualified for the "Licence for educational activities" within 36 months for higher education and vocational institutions (excluding vocational training centres) and 24 months for other educational institutions.

The percentage of Vietnamese students studying at educational institutions offering foreign educational programs and a foreign diploma cannot exceed 10 per cent for primary and secondary schools and must be 20 per cent or less for high schools. This provision will create difficulties for the schools when the number of Vietnamese students demanding admission exceeds the established quota.

As stipulated in Decree 73, the percentage of lecturers with a doctoral degree from colleges and universities with foreign investment must be at least 25 per cent and 35 per cent, respectively. For colleges and universities that do not have foreign investment, the percentage of lecturers with a doctoral degree has not yet been unfixed, so it can be expanded to meet the requirements of the schools.

CONTACT

For more information, please contact us:

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Research & Consulting Division

Our services	Market Research Business Matching Investment Consulting Translation - Interpretation Training (Language & Soft skills)
Our clients	Thinktanks, Universities Japanese & Vietnamese Government Organizations Manufacturers, Retail companies Advertisement agencies, Mass media, etc
Address	Floor 5th – A Chau Building No.24 Linh Lang Str., Ba Dinh Dist., Hanoi, Vietnam
Telephone	+84-4-6275-5246 ; +84-4-6273-6989
Fax	+84-4-6273-6988
Email	newsletter@seiko-ideas.com
URL	www.seiko-ideas.com
PIC	**Nguyen Thi Quynh Tram (Ms.)**
HP	+84-91-4994-830

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