

VIETNAM

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# BUSINESS REVIEW

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*One of the biggest coffee makers VINACAFE confessed to sell coffee mixed with soybeans*



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## ECONOMY

### Ministry eyes promoting stable realty market



VOV - The construction ministry is drafting a project on management of the property market through six measures to support transparency and stability, Minister of Construction Pham Hong Ha said.

The minister said at a meeting with property developers -- held by the Vietnam Real Estate Association last week -- that the property market in the first seven months of this year was stable and that no unusual developments were seen.

However, there were potential risks to which special attention must be given.

Ha said the imbalanced developments in supply and demand of luxury projects and housing projects for low-income earners are a problem, adding that oversupply of the former and shortage of the latter is forecast for next year.

The country needs 10 million square metres of social housing, but currently has only 30% of that. In

addition, there is a severe shortage of housing projects for lease. Promoting social housing developments will be the focus, and policies will be prepared to encourage property developers to invest in this segment, the minister said.

The concentration of the credit flow in high-end projects or a minority of developers is another risk, although outstanding loans in the property sector remained at a safe eight% of the total outstanding loans, he said. He added property developers should tighten management of their own projects to ensure liquidity and be prepared for credit tightening policies.

He also noted that while there was some speculation in some projects, it had not become a widespread phenomenon.

The ministry will closely watch the market developments to ensure sustainable growth and efficient and cost-effective use of resources, Ha said, stressing the importance of the real estate market in macro-economic stability.

According to the minister, financial resources for property development played a key role. "It's time Vietnam eyes new capital sources such as from real estate investment trusts," he said. Capital

for property development in Vietnam now mainly comes from developers, banks and citizens.

In the draft, the ministry is seeking to prepare policies to accelerate the capital market for property development. Improving the transparency of the property market is also an important measure.

President of the Vietnam Real Estate Association Nguyen Tran Nam said detailed instructions for transactions in unfinished property projects are needed, together with tighter management to ensure compliance.

According to Nam, the construction ministry should work with relevant ministries and agencies to publicise areas where foreigners will not be allowed to buy houses or apartments.

He said the association will work with construction authorities in building a market database that is necessary to boost the development of the real estate market.

## BANKS & FINANCE

### Vietnam listed among top 5 fastest growing market



VNN - A bright economic outlook and strong foreign capital inflows have made Viet Nam's financial market among the five best performing markets in the world, a press conference held by the State Securities Commission.

A bright economic outlook and strong foreign capital inflows have made VN's financial market among the five best performing markets in the world, a press conference held by the State Securities Commission yesterday announced.

The benchmark VN-Index has increased 13.8% since the beginning of this year. Total market capitalisation reached VND1.59 trillion (\$71.3b), or equivalent to 38% of the country's GDP, higher than the previous ratio of 34% of GDP seen last year.

Liquidity has improved with daily trading value touching VND6.2 billion (\$278m) on the two exchanges, a YoY increase of 25%,

of which trading in stocks rose 16% and trading in bonds climbed 34%.

Overseas investors have poured a net value of \$772m into the local stock market in August, a rise of 350% over the same period of last year, bringing the total value of foreign investment portfolios to \$16b.

Foreign investors have been net buyers here since 2005.

"The VN-Index returned to its March 2008 peak while market capitalisation also reached the highest level in the past 6 years.

"Viet Nam's stock market is among the five fastest growing markets in the world and the second best performer in Southeast Asia in the second quarter."

In a July report, the World Bank revised down its estimate for Viet Nam's GDP growth for this year to 6% from the previous 6.2% and maintained the country's positive medium term outlook.

Bang said the new Government has supported enterprises and improved the business environment. The trade surplus reached \$1.8b in the first 7 months of this year. Bank credits have expanded 8.54% during the period. Registered FDI has risen 46.9% YoY, hitting \$12.9b.

Capital raising through the stock market has increased 81% during

January-July, taking VND254.4 trillion.

Sales of State holdings in State-owned enterprises have attracted attention with 79 auctions in the first seven months, collecting VND7.2 trillion for the State Budget.

Vu Bang said the commission was making efforts to promote Viet Nam's stock market from a frontier to an emerging market.

### Tokio Marine to strengthen insurance lineup in Vietnam

Nikkei - Tokio Marine Holdings plans to add agricultural, auto and life insurance policies to its offerings in Vietnam, aiming to tap one of Asia's fastest-growing markets.

The plans were revealed by President Tsuyoshi Nagano on a visit to the Southeast Asian nation, where the company's premium income has logged 20% annual growth.

"With the middle-class population growing in Vietnam, demand for insurance policies will accelerate," Nagano said. "We plan to make the Tokio Marine brand take root in Vietnam over the long term." The goal is to have Asia account for 20% of net income in the near future, up from less than 10% now.

The agricultural insurance will be developed with a Vietnamese

## BANKS & FINANCE

university. Based on data and analysis on the effects of rainfall levels and temperature on crop yields, policyholders will receive payments when certain conditions are met. Agricultural insurance is not yet available in Vietnam, according to Tokio Marine. The government plans to cooperate with the company in hopes of stabilizing farm operations.

For autos, the insurer will work with Vietnamese dealerships affiliated with Japanese automakers. The plan is to sell insurance to drivers when they purchase new cars, possibly starting in April 2017.

Savings-type life insurance, a category popular in Vietnam, will be developed with Bao Viet Holdings -- the top player with a sales network spanning 90,000 locations.

### IFC commits to Vietnam by buying into TPBank

VNN - World Bank Group member IFC now owns some 5% of Tien Phong Bank's stakes, to further assist the lender in expanding its loan services to better serve growing Vietnamese businesses.

Once converted, the quasi-equity investment of VND403.1 billion (roughly \$18.35m) in dividend preference shares would allow IFC



to become a shareholder in TPBank, owning 4.999% of the bank's equity capital. Through this investment TPBank has the ability to offer loans to more than 40,000 SME in Vietnam, achieving a loan portfolio growth of more than \$2b over the next 5 years.

IFC is also providing advisory services to further improve the lender's corporate governance standards, risk management and digital services, as well as banking products tailored for SME. "We are excited to have IFC join us as a preferred shareholder, marking a long-term strategic cooperation in the future," said TPBank chairman Do Minh Phu.

IFC's investment supports TPBank's long-term plan of becoming the country's leading digital bank, expanding its retail and SME reach, which comprises about 85% of TPBank's portfolio.

"The investment in TPBank demonstrates IFC's continued support to the Vietnamese banking sector and to developing diverse financial products and services to

small and medium-sized enterprises, which will, in turn, increase financial inclusion and employment, as well as reduce poverty," said Kyle Kelhofer, IFC country manager for Vietnam, Cambodia, and Lao PDR. Established in 2008, TPBank has grown into a medium-sized bank with the total assets of \$3.7b as of mid-2016. TPBank joined IFC's Global Trade Finance Program in December 2015 with an initial trade line of \$10m. IFC has recently increased its trade exposure to \$30m, based on the active utilisation of the lender.

### Singapore's GIC to take 7.7% stake in Vietcombank

Reuters - Singapore sovereign wealth GIC Pte Ltd said on Monday it will acquire a 7.73% stake in Vietcombank, Vietnam's biggest lender by market capitalisation.

GIC will purchase 305,810,895 new shares in Vietcombank as part of the deal, it said in a statement without disclosing the value of the transaction.

Reuters had reported earlier this month GIC is in talks to own a stake of at least 7% in Vietcombank in what would be the sovereign wealth fund's 2nd major investment in Vietnam this year.

## INVESTMENT

### Renewing policies to attract more FDI

VOV - By the end of last month, Vietnam had attracted nearly \$13b from foreign direct investment (FDI), a year-on-year increase of 47%.

This proves Vietnam has become an attractive destination for foreign investors. But the country still needs more new policies to draw in investment projects using advanced technologies and ensuring environmental safety.

Statistics by the Ministry of Planning and Investment show that Vietnam lured in almost \$13b of foreign direct investment (FDI) over the past seven months of 2016, with a sharp rise in both the number of registered projects and the amount of committed capital.

FDI companies contribute about 20% of the total state budget and 20% of the national GDP.

According to Vietnam's Association of Foreign Invested Enterprises, FDI has proven itself is a driving force for national economic growth this year, which has seen the biggest ever increase in disbursement.

Specifically, implemented FDI grew 12% last year, the highest rate over the past fifteen years.

Nguyen Van Toan, Deputy President of Vietnam's Association of Foreign Invested Enterprises, said,

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"This year's FDI data illustrates a positive outcome for the integration process. More disbursement means foreign investors feel secure about the host country's investment environment, and it demonstrates that Vietnam has been good at attracting foreign investment."

Despite these achievements, the increase in FDI presents many obstacles and has negative consequences for the environment and business performance.

Associate Professor To Trung Thanh of the National Economics University said that when foreign companies make low tech investments in Vietnam, it will have a serious impact on the environment and cannot help Vietnam to raise its technological capacity.

"Statistics from Data of the Ministry of Planning and Investment reveal that over the past 25 years, 80% of the technologies used by FDI companies in Vietnam are average technologies and only 6% of FDI companies have used advanced technologies," Thanh said.

"If we still depend on FDI to grow, we must accept the fact that most FDI businesses investing in Vietnam are here to make the most of its natural resources and low labor costs. Their technologies are low

and bring in little added value," he noted.

Do Nhat Hoang, head of the Foreign Investment Department of the Ministry of Planning and Investment, underscored the need to make a comprehensive evaluation of FDI to outline appropriate policies to improve its effectiveness.

He said, "Management decentralization is a good guideline. But we should take into consideration how to manage post-decentralization and issue regulations on management decentralization with the aim of making more reforms."

"Moreover, recent government resolutions have clarified the management of foreign investment and how to make FDI useful for Vietnam, especially as regards to environmental protection, social responsibility, and dealing with violations of the law by foreign investors," he added.

To fully tap the FDI for national economic development and improve Vietnam's status in the world, economists said policies aimed at attracting FDI from now until 2020 should focus on specific areas and prioritize production activities with more added value and high-tech investment projects.

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## INVESTMENT

### Industrial zones getting hot again

VNN - Investors have poured money into industrial zone (IZ) projects again and many large-scale projects will be completed in the time to come.

Thai Amata Corporation has announced an investment project capitalized at \$800 million in Dong Nai province, under which 40% of area will be reserved for an IZ, while the remaining 60% will be for apartments and trade development.

The foreign investor has revealed that it is seeking another license to build another IZ in the north which is expected to be even larger than the project in Dong Nai.

In HCM City, one more IZ, with the total area of 300 hectares, joined the market in the second quarter.

Under the city development plan, 2,600 hectares of IZs would be put

into operation by 2030, thus increasing the total IZ area in the city by 66%. These include the third phase of Le Minh Xuan IZ, Tay Bac Cu Chi, Hiep Phuoc and Vinh Loc 1 IZs.

The District 9 People's Committee has urged state agencies to speed up the construction of the hi-tech park in Long Phuoc Ward capitalized at VND4 trillion, because the existing hi-tech park is nearly fully occupied.

In the central region, investors have also poured money into beachfront resorts and IZs. Da Nang City, for example, plans to have four new IZs by 2020 with the total area of 1,600 hectares. In Quang Ngai province, Dong Dinh IZ has become operational recently.

Northern investors are also busy with IZ development projects. Viglacera has kicked off the second phase of the Yen Phong IZ in Bac Ninh

province. Many big investors, including Samsung, Orion, Flexcom, Dongsin, Mobase, Dawon Vina and Hansol are present in Bac Ninh, which means higher demand for premises in IZs and bigger business opportunities for IZ developers.

Analysts commented that the IZ development has been supported by favorite conditions. The foreign direct investment (FDI) has seen a strong recovery since 2015. In the first seven months of the year, the total FDI registered capital reached \$13 billion, a sharp increase of 46% compared with last year.

This is an encouraging result if noting that some other regional countries, such as Thailand, see FDI capital decreasing dramatically by 90%.

The strong FDI flow has helped real estate developers prosper. The Kinh Bac Urban Area Development Corporation (KBC), for example, reported a sharp increase of 72% in the first six months of the year to VND1.11 trillion and a 67% increase in net profit to VND419 billion.

However, analysts have warned that investors would face high risks with IZ projects because of the current low occupancy rate, about 40%.



## ENTERPRISES

### Vinacafe's scandal is hot discussion on social media



VNN - Vinacafe has admitted that it made "coffee mixed with soybeans" and vowed never to do it again. How will the public react? Vinacafe caught the public's attention after launching a new advertisement campaign with the statement: "At Vinacafe, we believe that coffee must be 100% coffee. From August 1, Vinacafe's coffee means pure coffee." With the statement, Vinacafe has declared war on 'dirty coffee', a formula that helps roasters optimize profits.

Pham Quang Vu, chair of Vinacafe Bien Hoa, the owner of Vinacafe brand, has appeared in the media, admitting that the company's two coffee products had "soybeans inside", but "coffee with soybeans won't be seen in the market from August 1".

"In fact, Wake-up and Phinn (their products) bring good business results, but we are ashamed because we were not adhering to our original philosophy," he told

Infonet,

Analysts commented that Vinacafe takes risks when following such a marketing campaign. Consumers could respond positively or could boycott the brand.

A branding expert said that he thinks the second scenario could happen. The problem is that Vinacafe has said the same thing twice.

Three years ago, Vinacafe marketed TVC and also advertised that the product was "coffee made of coffee only".

"It may happen that consumers won't believe Vinacafe anymore," the expert commented. "Consumers may get angry when realizing that they drank 'dirty coffee' in the past."

Meanwhile, another expert said that Vinacafe has taken a wise move.

"Vinacafe is not the only roaster which mixed coffee with soybeans, but it is the only roaster that has admitted it. And this is key," he said. Imonitor, a tool that monitors social networks, showed negative comments about the 'Vinacafe phenomenon', especially comments made on August 9 and 10, just days after Vinacafe's statements were released.

Vietnamese consumers are angry after local newspapers reported that police discovered many roasters who sold 'coffee mixed with soybeans, flavors and chemicals'.

Most recently, in early 2016, the Vung Tau City Police discovered a roaster in the city selling dirty coffee. Vinacafe Bien Hoa's shareholders in 2015 felt disappointed when they were informed about the unsatisfactory business result.

The revenue increased modestly by 5.3% in the first quarter of 2015 to VND481 billion, while the profit was VND5.56 billion only, or just 7% of the same period of the year before. This was a record low profit Vinacafe Bien Hoa has reported since it listed shares on the bourse. By the end of the third quarter, Vinacafe Bien Hoa had earned VND88.2 billion in pretax profit.

### 20 wooden - furniture manufacturers are in trouble with Global Home

CV - At least 20 manufacturers located in many cities and provinces have disputes with Global Home, a Czech-based wooden furniture importer, represented in Vietnam by Otto de Jager, well known as the husband of famous Vietnamese singer Thu



## ENTERPRISES

Minh, according to the Handicraft and Wood Industry Association of HCM City (Hawa).

The companies have fulfilled the contracts on making and providing wooden products to Global Home after receiving orders from the company, but have not been paid for the products.

"We have found that at least 20 other enterprises are facing the same problems with Gia Han," a Hawa's representative said.

Gia Han was the first company to denounce Global Home. The Dong Nai-based wooden furniture manufacturer submitted a letter of complaint about Global Home's violations to the police, saying that Global Home had repudiated its debt of \$493,000.

After that, a company in Da Nang City and another in Hanoi also affirmed that Otto de Jager, the foreign husband of Thu Minh, who represents Global Home, has not made payment for their batches of products, worth hundreds of thousands of dollars.

Most recently, a company in Bien Hoa City of Dong Nai province has filed a complaint to the Ministry of Public Security about the Global Home's behavior of appropriating the enterprise's money for many years.

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From May 2011 to May 2012, the Viet My Import/Export Wood Company signed contracts on providing wooden furniture products to Global Home worth \$100,000. Viet My still cannot ask for payment of \$66,000 from Global Home.

Hawa's representative said the other 20 companies have not lodged official complaints to the police possibly because they don't want to spend time to claim small amounts of money of tens of thousands of dollars.

On August 24, Hawa organized a meeting of its members to share experiences on risk management following the dispute between wooden furniture manufacturers and Global Home.

Lawyer Nguyen The Truyen, on behalf of Gia Han Company, noted that there were some disadvantages for Gia Han if it brings the case to arbitration centers. Under the contract signed between Gia Han and Global Home, the disputes must be settled by arbitrators in Hong Kong. However, Gia Han accepted to pay money to clarify the case.

In the latest news, Nguoi lao dong reported that on August 24, before the meeting started, Jager came and informed Global Home has paid half of the contract value it owes to a company in Da Nang City.

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## MARKET & PRICES

### Purchasing power decreases 0.3% in August



VOV - The total national retail value of goods and services in August reached nearly VND292.8 trillion (\$13b), with purchasing power declining 0.3% against July.

This was reported by the General Statistics Office (GSO).

GSO expert Vu Manh Ha said the decrease in purchasing power in August was unusual when compared with the previous years. Ha attributed the decrease to the busy month, when school supplies were bought for the new school year, along with the heavy rainfall and the storms, due to which locals were forced to purchase more home appliances and construction material to repair their homes.

In addition, the inclement weather also hit travel and tourism activities. The total revenue from transportation and restaurant service sales declined to between 4 and 5.4%.

Ha also attributed the decrease in purchasing power to the "wandering ghost month" in Vietnam. The Vietnamese widely believe that July is the month when ghosts roam and create trouble for the people.

The decrease in August lowered the total national retail value of goods and services compared with the same period last year – an increase of 9.3% compared with the increase of 10.5% in August 2015.

The increase is estimated at 7.3% if the price factor is excluded, lower than the 9.2% growth in the first eight months of 2015.

The revenue from retail goods, which accounts for three-quarters of the total revenue, hit \$78.2 billion, up 9.7%.

Food and foodstuff retail increased 14%, garment retail was up 11.9%, home appliances increased 11.1% and transportation services were up 7.5%. The retail of cultural and educational products saw the lowest growth at 3.5%.

The total revenue from accommodation and restaurant service sales, which account for 11.4% of the total revenue of \$11.72 billion, witnessed the lowest increase at 6.8%.

Localities which witnessed low growth included Hanoi (4.7%), HCM City (5.3%), Thai Nguyen (4.9%), Thai Binh (0.4%) and Hung Yen (0.5%).

### HCM City's annual promotion 'month' set to begin

HCM City's annual sales promotion "month" from August 30 until the end of the year is expected to boost retail sales and attract a large number of local and foreign visitors.

According to the Department of Industry and Trade, this year the event has attracted more than 2,300 businesses and 5,000 business households, 15% and 25% higher than last year.

There will be more than 7,000 establishments selling goods at a discount this year, besides offering freebies, compared to 6,200 last year.

They will sell among others consumer products, electronics, fashion, foodstuff, cosmetics, pharmaceuticals, telecom services, interior decoration items, tourism services, hotels and others at discounts of 5-49%.

It begins with a "Promotional Month" fair at the Phu Tho Indoor Stadium in District 11 from August 30 to September 4, in which 300 businesses will take part.

## MARKET & PRICES

Many other fairs intended to boost consumption will be held at many places across the city.

Supermarkets and traditional markets that took part in the promotion month last year reported an increase in sales of 3-20%.

Retailers, electronics stores and supermarkets have announced a slew of promotions in response to the city programme and to celebrate National Day (September 2).

Supermarket chain Big C is offering discounts of up to 49% on more than 1,600 products, including fresh and processed foods, spices, cosmetics, clothes, footwear, interior decoration items, and kitchen and bathroom accessories until September 5.

It has also set aside VND500 million (\$22,420) for a programme called "Loving Vietnam so much" to gift hats and T-shirts with the country's red flag with yellow star to customers with Big C cards who buy for VND1 mln (US\$44.8) or more.

Saigon Co.op has tied up with 600 suppliers and spent VND200 billion (\$8.96m) on its "Proud of Vietnamese Goods 2016" promotion programme at its Co.opmart and Co.opXtra outlets, which offers discounts on thousands

of local products between August 27 to September 18.

Lotte Mart has launched promotion programmes offering discounts of 5-49% on more than 1,000 items until August 6.

It has also lined up a "Meat Festival" with discounts of 10-30% on various kinds of local and imported meats.

Many other supermarkets and electronics shops like Nguyen Kim, Thien Hoa, and Cho Lon are offering attractive discounts.

### State gives approval for big players to dominate automobile market



VNN - If new suggestions by state management agencies receive approval, the automobile market is expected to benefit bigger dealers. Not only cars with fewer than nine seats, but passenger cars with 10 or more seats, specialized vehicles, trucks, new/used imports and domestically assembled cars would have to show certificates from manufacturers' authorized maintenance services.

The proposed regulations are expected to keep small traders away from the market.

### Removing sub-licenses, installing technical barriers

In a report to the Prime Minister about Circular 20 on August 18, the Ministry of Industry and Trade (MOIT) admitted that the legal document was not the best solution to protect consumer rights and ensure transport safety.

It said the circular only covered vehicles with 9 and fewer seats; it applied only to imports, not to domestically made products, even though the risks are the same for all kinds of vehicles and from all sources.

The ministry believes that in order to protect consumer rights and transport safety, Circular 20 should be applied to all kinds of vehicles in circulation, no matter whether they are passenger or cargo vehicles or where they are produced.

The only agency which has the right to issue regulations is the Ministry of Transport; the regulation must be applied to both imports and domestically made products.

Circular 20 does not cover used cars and cars with nine and fewer seats imported to Vietnam as gifts and assets.

## LEGAL UPDATES

### Conditions for exemption from export duty on environmental friendly products



VLO - Circular No. 128/2016/TT-BTC dated August 9th, 2016 of the Ministry of Finance regulating the exemption and reduction of export duty on environmentally friendly products; products from the recycling and treatment of waste as prescribed in the Government's Decree No. 19/2015/ND-CP dated February 14th, 2015 detailing the implementation of a number of articles of the law on environmental protection.

According to Article 3 of this Circular, if export products have the certification of Vietnam Green Label, they shall be considered to be environmentally friendly products and exempted from export duty

If products are certified the products from the recycling and treatment of waste, they shall be reduced 50% export duty

However, this tax exemption, reduction policy is only applied to goods which are named in the export Tariff; with regard to products are not named in the export Tariff, they shall be carried out according to Clause 2 Article 2 of Circular No. 182/2015/TT-BTC, applying the tax rate of 10%

Apart from the customs dossier as prescribed in Article 16 of Circular No. 38/2015/TT-BTC, the photocopy of the written certification of Vietnam Green Label or the photocopy of the certificate of products from the recycling and treatment of waste of the above – mentioned products which are entitled to the exemption, reduction of export duty must be provided

This Circular takes effect from September 23rd, 2016.

### New process of VAT refund

VLO - Circular No. 99/2015/TT-BTC dated June 29th, 2016 of the Ministry of Finance on

management of value added tax refund.

This Circular provides for the process of value added tax (VAT) refund at tax authorities, including classification of claims for VAT refund, determination of refundable VAT amount and making of VAT refund decisions

Accordingly, there are 07 cases subject to inspection before VAT refund.

With regard to outstanding tax debt, refundable VAT amount shall offset against such tax arrears of each taxpayer. Apart from an enterprise's own tax arrears, refundable VAT amount shall be offset against tax arrears that are more than 90 days overdue of the enterprise's dependent cost-accounting branches

This Circular takes effect from August 13th, 2016. To replace Circular No. 94/2010/TT-BTC dated 30th, 2010; Decision 2404/QĐ-BTC dated September 27th, 2012 and Circular No. 150/2013/TT-BTC dated October 29th, 2013.

## HIGHLIGHTS

### Vietnam sets no-fishing zones as toxic spill scandal lingers

TNN - Vietnam's agriculture ministry has demarcated no-fishing zones along the central coast, saying these swaths of water need time to recover from the toxic spill scandal linked to Taiwanese conglomerate Formosa.

In an official statement, the ministry set the zones over 800 square kilometers in total around Son Duong Island off Ha Tinh Province, Nhat Le Beach in Quang Binh Province and Son Cha Island off Thua Thien-Hue Province. The zones stretch as far as 1.5 kilometers from the shore.

Nguyen Ngoc Oai, deputy head of the fishery department at the ministry, said the temporary ban is mainly to give time for sea creatures in the areas to recover.

Oai admitted that the levels of iron as well as the toxic phenol and cyanide in the zones are higher than elsewhere, but said they are still "within permitted levels."

The ministry also asked fishers to refrain from harming deep-sea habitats within 20 sea miles from the shore in the four affected provinces, which also include Quang Tri.

"Our research team found that the ecology system, like coral reefs, is starting to recover, and fishing at or

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*Fishers in central Vietnam now have to send their catch for testing every several days.*

near the seabed will compromise that process," Oai said, as cited by news website VnExpress.

Fishers are also required to send samples from their catch to be tested for toxins and heavy metals every two or three days, the ministry said.

An estimated 70 tons of dead fish washed ashore along more than 200 kilometers of coastline in April in what was possibly Vietnam's most devastating environment disaster.

A unit of Taiwan's Formosa Plastics which operates a steel plant in Ha Tinh has been held responsible.

The government said the company had discharged waste containing phenol, cyanide and iron

hydroxides in the water, harming the livelihoods of more than 200,000 people, including 41,000 fishers. The company has pledged to pay compensation of US\$500 million.

The disaster has created a seafood scare across the country and also hindered tourism in local beach towns.

The environment ministry last week released a study assuring that the water is now safe for swimming and aquaculture. The new fishing ban from the agriculture ministry may have weakened that assurance somewhat.

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## HIGHLIGHTS



### Mining industry faces serious challenges

TBKTSG - Once the driving force for economic growth in 2015, the mining industry has been facing great challenges this year.

Some years ago, investors had to struggle for every mining license, simply because mining was considered a profitable industry.

In 2009, Tay Bac Investment & Minerals Company made a modest profit of VND2 billion.

In 2010, the company's profit soared to VND196 billion, or 200% higher than the previous year. Its profit did not jump in the next years, but was still very satisfactory – VND38 billion in 2011 and VND40 billion in 2012.

However, things changed rapidly later when the company shares were forced to delist from the HCMC bourse because it took a loss. Two months ago, the shares were also delisted from UpCom.

The story of Tay Bac reflects the situation of the mining industry. Though witnessing a slowdown, the industry still had a growth rate of 6.5% in 2015 compared with 2014.

But things got even worse in the first half of 2016 with the decrease of 2.2%, compared to the same period last year of 8.8%.

The bad performance of the mining industry explains why Hoa Phat Group returned Tung Ba and Cao Vinh iron mines in Ha Giang province to the State.

According to An Thong Investment & Minerals, a subsidiary of Hoa Phat,

the mining cost is very high, while the iron ore price globally has dropped by 30-50% compared with early 2014.

As such, though Hoa Phat needs large quantities of ore for its steel plants, it would rather import ore than exploit it domestically.

A report of the Yen Bai provincial authorities showed that 31 out of 32 mining and ore processing companies had to shut down in 2015.

The machines that were bought to serve production lines worth hundreds of billions of dong have been left idle because of production suspension.

In Ha Giang province, only 11 out of 52 licensed mining projects had become operational by the end of 2015.

The other 20 projects had stopped operation, while the remaining are not operational yet.

Even Vinacomin, the biggest miner, also reported a decrease of 2 million tons in the first half of the year.

The same situation is occurring with crude oil exploitation. The exploitation cost is high, while the world's oil price, though having recovered, only hovers around \$50 per barrel.

## CONTACT

For more information, please contact us:

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