VIETNAM

BUSINESS REVIEW

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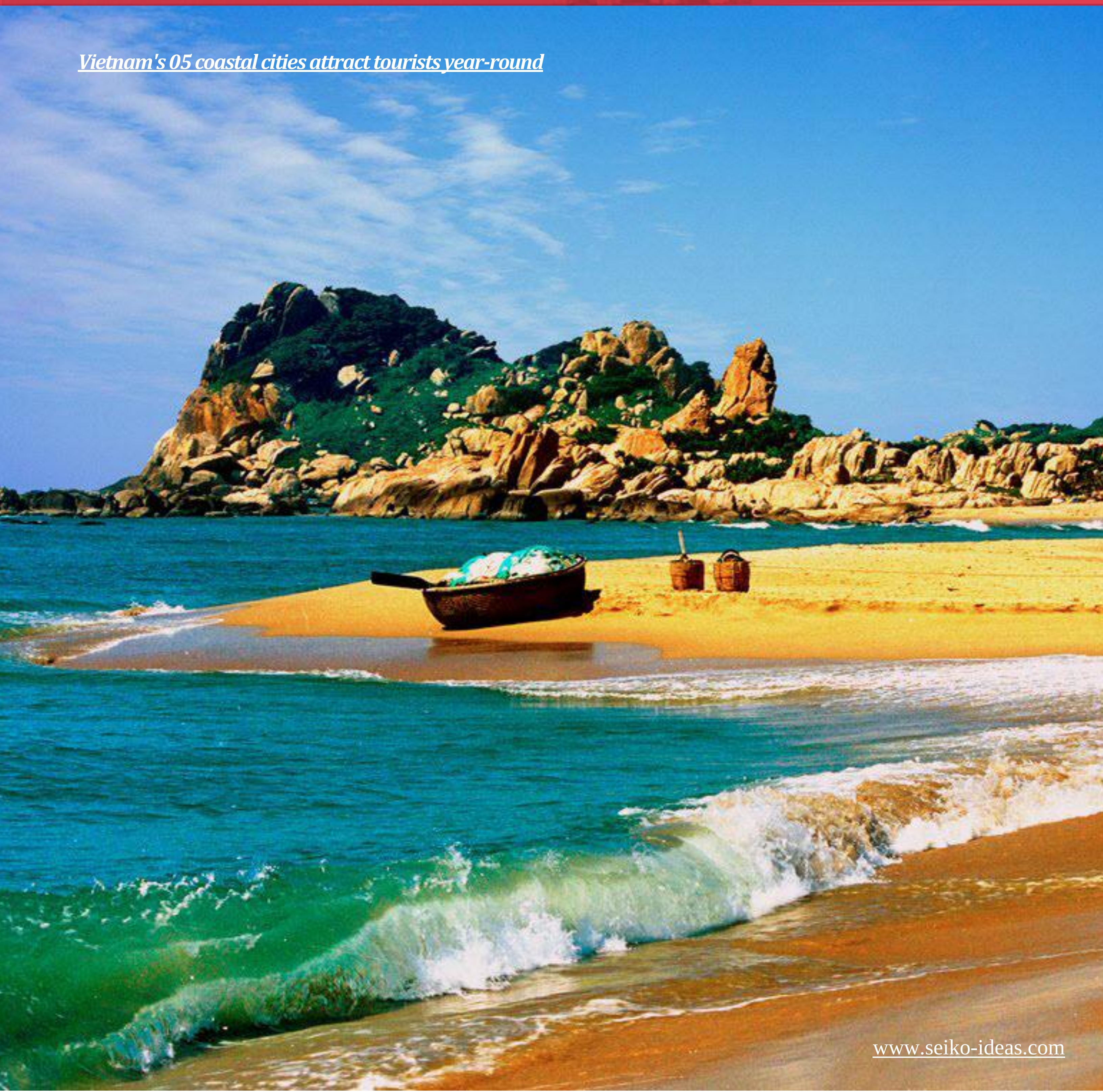

Vietnam's 05 coastal cities attract tourists year-round

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ECONOMY

Trade surplus reached $2.45 in 8 months

VNS - VN enjoyed a trade surplus of $2.45b in the first 8 months of this year, a report from General Statistics Office (GSO) revealed.

The 8-month trade surplus was totally contributed by the foreign-invested sector, which posted an export surplus of $15.18b, while the domestic sector witnessed a deficit of $12.73b.

Export revenue of domestic sector reached $32.62b, up 4% YoY, while that of the foreign-invested sector stood at $79.57b, up 6.1% YoY.

Among the key export items witnessing significant turnover increases were mobile phones and components ($22.3b, up 11%), garments and textiles ($15.5b, up 4.2%), electronics, computers and parts ($11.1b, up 11.2%) and footwear ($8.6b, up 8.1%).

Meanwhile, several other products witnessed export revenue reductions, including crude oil (some $1.5b, down 46.2%), rice ($1.5b, down 14%), rubber ($887m, down 4%) and cassava ($698m, down 26%).

The US remained the largest importer of Vietnamese goods with revenue of $24.6b. It was followed by the EU with $21.9b, China with $12.6b, Japan with $9.3b and South Korea with $7b, GSO said.

From January to August, the country's imports saw a yearly modest decline of 0.3% to $109.74b. Imports of the foreign-invested sector plunged by 1% to $64.39b, while that of the domestic sector experienced a slight increase of 0.5% to $45.35b.

Despite a yearly decline of 3% in turnover, China continued to be the leading import market for VN.

Tourism sector sees strong growth

VNS - The number of foreigners visiting VN in August reached 899,700 arrivals, up 34.4% over the same period last year.

The number of international arrivals in the first eight months of the year totaled 6.45 million, a YoY increase of 25.4%.

Tourists from China topped the tourist markets, with 1.75 million arrivals, followed by South Korea (one million), Japan (482,300), U.S. (386,800), Taiwan (341,200) and Australia (219,000).

Decree 56/NQ-CP, issued in July, allowed for visa exemptions to be extended by an additional year for tourists from five Western European countries - the UK, France, Germany, Italy & Spain & resulted in strong growth from these markets.

Revenue from the tourism sector was estimated at VND265.15 trillion ($11.83b), up 22.5% over the same period last year.

The tourism sector has targeted receiving 8.5 million int'l tourist arrivals this year, up 600,000 yearly.

BANKS & FINANCE

Inter-bank rates hit record low

VNS - Following the continuous decline over the past weeks, inter-bank rates across all tenors hit a record low, staying at below 1% per year.

This was disclosed in Bao Viet Securities Co (BVSC)'s report.

According to the BVSC weekly bond news report between August 22 and 26, thanks to abundant liquidity, the inter-bank rates for all tenors last week reduced by roughly 0.5% to 0.59% per year for overnight loans, 0.59% for one-week loans and 0.92% for two-week loans. Early this year, the inter-bank rate averaged at 5% per year.

The State Bank of VN (SBV) last week also maintained the net withdrawal status of VND26 trillion ($1.16m) on the Open Market Operation (OMO) through the issue of treasury bonds. According to BVSC, it was the 13th consecutive week that the SBV managed the Dong supply and demand through the issue of short-term T-bonds.

BVSC noted that the interest rate of T-bonds also dropped sharply by roughly 0.3% each week during the past month. Currently, the rate of 14-day T-bonds has hit the lowest level of 0.59% per year against the 2.75% reported in June.

Together with the net withdrawal status on the OMO, the low record of the inter-bank rates showed that the abundant liquidity in credit institutions has not only been maintained, but is also rising further in the past week.

BVSC also forecast that the central bank is still continuously buying a relatively significant amount of foreign currencies to increase foreign exchange reserves.

"With the abundant liquidity, we expect inter-bank rates will stay at the low level of around 1-2% per year across all tenors in the next few weeks," analysts said.

Increased pressure on domestic banks comes from foreign rivals

VNN - Foreign banks are increasing their presence in Vietnam through various forms by establishing 100% foreign-owned banks or opening branches. With advantages of capital and services, once the Trans-Pacific Partnership (TPP) takes effect, foreign banks will have more advantages in Vietnam.

Meanwhile, domestic banks that are still undergoing restructuring, lack financial resources and are weak in technology and administration,are under pressure.

The State Bank of Vietnam (SBV) has issued a written notice of approval in principle, allowing Woori Bank (South Korea) to establish a 100% foreign owned bank in Vietnam. If it is licensed, this will be the seventh bankwith 100% foreign capital in Vietnam.

In March 2016, the central bank licensed the establishment of 100% foreign-owned bank for Public Perhad Bank (Malaysia) in Vietnam to take effect from April 1 with the name MTV Public Vietnam Limited Bank,1 with charter capital of

BANKS & FINANCE

VND3,000 billion and a duration of 99 years.

The central bank has also permitted ***SinoPac Bank, HCMC Branch*** to increase capital by $40m, to $65.951m. In March, this bank was also allowed to increase its duration in Vietnam to 99 years.

At the same time, the central bank approved the proposal to change the capital allocated to ***BPCE International et Outre-Mer Bank***, ***HCMC Branch*** by $15m, to $76.708m.

The SBV also approved in principle the establishment of the Hanoi branch by ***Nonghyup Bank*** (S.K).

In early 2016, Citibank said that if it receives SBV's approval, it will establish a 100% foreign owned bank in Vietnam.

NH E.SUN (Taiwan) said it would develop into a 100% foreign-owned bank in Vietnam after opening its first branch in Dong Nai province.

This suggests that foreign banks are very interested in the Vietnamese market.

According to the Institute for Financial Policy and Strategy, since Vietnam joined the WTO, the number of branches of foreign banks has increased by 51.4%.

Previously, foreign banks focused on foreign-invested businesses in Vietnam but now they have shifted their attention to local firms, particularly private firms with good development.

Although the market share of foreign banks in Vietnam is still small, along with their expansion and their longer time in Vietnam, in the long term they will encroach on the market share of Vietnam's banks.

Previously, foreign banks mainly looked for profit from foreign exchange services and charges, and they are now trying to increase credit growth.

In 2015, the central bank approved adjusting the maximum credit growth target of 18 banks, including four foreign bank branches and one wholly-owned foreign bank.

Competition

According to the SBV's International Cooperation Department, when Vietnam joins the TPP, the financial - banking sector must also open.

The commitment of Vietnam in TPP is basically equal to the WTO commitments: Vietnam must not discriminate between domestic investors and investors from the TPP countries, not use measures to restrict the market, and other measures. But there are also many new features.

Most notably, if Vietnam allows local credit institutions to provide new financial services without having to build new or amended laws, the banks of the TPP member countries are also allowed to offer similar services.

Currently the services of domestic credit institutions are not varied so if th regulations are applied, they will face big competitive pressure.

So far, though foreign banks have massively invested in Vietnam, domestic banks have not yet invested much overseas and Vietnam has no bank at the regional level.

In terms of scale, the largest commercial banks in the country have average capital of $30-$35 billion while in neighboring countries such as Thailand and Indonesia, the capital of some large banks is double that figure. The quality of governance is much better.

Dr. Le Xuan Nghia, a member of the National Advisory Committee on Financial and Monetary Policy, said the work was using the NH 3.0. standard. Accordingly, the transaction bureaus of European banks have up to 7 employees or even only one staff because all activities are electronic. The power of technology has helped foreign banks optimize profit and cut costs effectively.

INVESTMENT

Japanese food firms flocking to Vietnam

VNS - Many Japanese companies are exploring investment opportunities in the Vietnamese food market, which is expected to grow at around 5% this year.

Takimoto Kogji, head of Jetro HCMC, said the number of Japanese firms coming to VN to study the market is constantly increasing.

While past Japanese investors focused on manufacturing industries, current investors have turned their attention to the food and service sectors.

A report from the Ministry of Industry and Trade said the food market grew at 5.1% per year from 2011-16.

This increase has sparked interest among foreign investors, especially the Japanese, who have opened retail chains and more than 500 restaurants in HCMC. In supermarkets, there are shelves dedicated to Japanese products.

Besides, many retail shops have opened in HCMC to distribute Japanese foods.

With TPP set to take effect soon, more Japanese companies are expected to come to take advantage of the privileges the agreement will confer on members.

The Vietnamese market is hugely promising with its more than 90 million consumers and an increasing clamour for clean and safe food.

A spokesperson for Tarami, a Japanese company that produces jelly, said he was very happy to see his company's products sold by many retailers like Aeon and Family Mart.

His company targets exports of US$100,000 to VN in the first year and more in the coming years.

Takashi Igarashi, general director of Igarashi Seimen Company, which produces instant noodle, said Vietnamese consumers now prefer products which are good for their health. His company has introduced its products to Family Mart and Aeon and has received good feedback.

Kazuhiko Nemoto of a livestock association in Ibaraki Province said his company has three stores distributing beef in VN and plans to sell to supermarkets next.

Kogji said Jetro has organised many events and programmes to link up Japanese and Vietnamese companies and provided information about the market, Vietnamese tastes and how to trade in VN to Japanese companies.

It also helps Japanese companies quickly set up business and sell products in VN, he added.

Vietnam trying to juice up power sector with foreign investment

Nikkei - On Sept. 2, **Japanese leasing company Orix** announced plans to spend $50m buy more than 10% of Vietnam's Bitexco Power, together with Singapore's United Overseas Bank.

The stake purchase is to take place in mid-September. The move represents Orix's first foray into the hydropower sector as the company looks to help meet growing demand for power in the Southeast Asian country.

Orix is among the newest foreign investors in Vietnam's electricity market. Previously the country's power was supplied solely by state-owned Electricity of VN, but the industry has gradually has opened to private and foreign investors. In its revised Power Development Plan 2011-2020, or PDP VII, which was published in March and recently extended to 2030, Vietnam spelled out its plans to open the electricity market.

Demand for electricity is soaring in Vietnam as the economy develops and household incomes rise.

INVESTMENT

Industry accounts for more than 53% of consumption, while households use around 35%. Electricity consumption in the country of more than 93 million people is expected by 10.5% annually from 2016 to 2020, and 8.0% annually over the following decade, based on estimated economic growth of 7.0% annually over the next 15 years.

To meet that demand, the country has set targets to increase power generation and to raise up to $148b for energy development from 2014 to 2030, not including build-operate-transfer, or BOT, arrangements.

The government's primary means of fundraising will be to privatize companies that operate under its three big energy companies: Viet Nam Electricity (EVN), PetroVietnam (the parent company of PetroVietnam Gas), and the Vietnam National Coal and Mineral Industries Group, also known as Vinacomin.

In addition to issuing government-backed bonds, Vietnam is looking for foreign direct investment and other aid, as well as international commercial financing and loans from multilateral lenders to fund energy projects.

Outsiders welcome

Among 86 projects planned under PDP VII, 18 are designated for foreign investors. Of these, six projects have received operating licenses from the government, with the largest investors coming from China, the U.S., South Korea and Japan.

The energy sector is expected to be the next major driver for foreign direct investment in Vietnam. The sector is forecast to attract $4.5b in FDI this year, up 60% on the year.

Historically, Vietnam has depended heavily on coal-fired plants and hydropower. It is hoping to develop renewable energy, including wind, solar, biogas, with overseas help. It aims to generate 6.5% of its total consumption from renewables by 2020, and 10.7% by 2030.

Vietnam has an estimated potential wind power of 513,360 megawatts. It receives between 2,000 and 5,000 hours of sunshine annually with an energy of 150 kilocalories per square meter.

The authorities are soliciting competition for green energy projects, having set a target of cutting carbon dioxide by 8% to 10% by 2020 versus 2010 levels. It is hoping to spur investment in this area by providing incentives in the form of investment capital, taxation and land use rights.

Leaders in wind power such as Danish turbine manufacturer Vestas and South Korea's Woojin Construction are active in the country. General Electric of the U.S. has signed a memorandum of understanding to develop some 1,000MW of wind farms over the next 10 years.

Solar power investors from South Korea, such as Hanwha and Solar Park, have recently visited Vietnam to conduct feasibility studies, after Belgium's Enfinity, Malaysia's Timur and Worldtech of the U.S. failed to complete projects.

There are more than 50 approved wind power projects and a dozen solar power memorandums signed, but few projects have gotten underway due to the low price offered by EVN and vague investment regulations.

Vietnam has raised its wind power purchase price from 7.8 cents to 9.8 cents per kilowatt-hour for offshore farms, and at least 12 cents per kilowatt-hour for solar power. However, investors had hoped for a price that was at least 30% higher than the new price, and would be stable for the first 10 years, to be reduced by 10% over the following decade.

ENTERPRISES

Hanjin Shipping Global ceases operations in Vietnam

VOV - The Vietnamese Representative Office of Hanjin Shipping Global, the Republic of Korea (RoK)'s giant container shipping company, announced that it would not accept any new booking of freight orders from August 31.

According to the Ministry of Industry and Trade, bankruptcy of the Hanjin shipping line would possibly affect local businesses' export and import shipping and receiving activities.

The ministry recommended businesses to quickly complete procedures to receive imported goods at the ports and take them out of the Hanjin containers.

With regard to export goods which were already inside the firm's containers, the ministry asked businesses to get back the goods as soon as possible and contact their foreign partners to find ways to change to other shipping firms and to organise the goods booking schedule.

Those batches of goods that had already been shipped, the businesses were told to keep in touch with the Hanjin representative office in Viet Nam to keep track of the itinerary and co-ordinate with their foreign partners to ensure the goods were received at the ports on time.

The ministry, in co-ordination with the Ministry of Transport, said it would direct the ports to support businesses to ship and receive goods to avoid affecting the businesses' schedule and traffic congestion at the sea ports.

According to the Associated Press (AP), Hanjin, the world's seventh-largest container shipping company, filed for bankruptcy protection on August 31 and stopped accepting new cargo.

With its assets being frozen, ships from China to Canada were refused to offload or take aboard containers because there were no guarantees that tugboat pilots or stevedores would be paid.

This also led to a rise in shipping rates and could also hurt some trucking firms with contracts to pick up goods from Hanjin ships.

The RoK's giant represents nearly 8% of the Trans-Pacific trade volume for the US market. While some retailers may already be hit with their merchandise for the holiday season getting delayed, experts say it is important for the issue to be resolved before the critical shipping month of October.

Regarding the bankruptcy of Hanjin Tran Thanh Hai deputy head of Import-Export Department of the Ministry of Industry and Trade (MIC) said the ministry has worked with authorised agencies to assist Vietnamese exporters after Hanjin Shipping Global stops operations in Vietnam.

ENTERPRISES

Hai said Hanjin accounted for 5% of logistics market in Vietnam. Therefore, industries with large volume of export such as garment, footwear, timber or fisheries would be affected by the bankruptcy.

To solve this problem, the Ministry of Industry and Trade announced on its website for those who have to change their shippers. The ministry will work with Ministry of Transport and port authorities to offer inventive for containers influenced by the bankruptcy

Nguyen Viet Hoa, CEO of Vietnam Container Corporation (Viconship) said the impact to Viconship was negligible. Hanjin just entered the Viconship's Green Port for the last 3 to 4 months.

Hoa said in the last four months, Hanjin maintained only one ship every week and made a contribution of around 3% and 5% of revenue.

Currently, Hanjin owes a debt of about US$100,000 to Viconship. However, Viconship was holding 500 to 700 containers worth more than US$1 million.

Do Van Minh, General Director of Gemadept JSC said his company did not suffer from the "incident" of Hanjin. At the moment, Gemadept did not work with this container shipping company.

PAN Group to lift foreign ownership bar

Bizhub - The State Securities Commission has approved PAN Group JSC's lifting of the limit of foreign ownership in the company's capital.

With the decision, PAN Group has become the second firm in the food industry after dairy firm Vinamilk to lift the bar for foreign investors.

Foreign investors now hold 46.15 per cent of PAN Group's chartered capital. The two largest shareholders are Singapore-based investment fund Tael Two Partners Ltd with 21 per cent and Finland-based Mutual Fund Elite with 9.52 per cent.

Two other sizeable shareholders of PAN Group are Singaporean sovereign fund GIC with nearly 5 per cent and the World Bank's International Finance Corporation (IFC) with more than 4.8 per cent.

In the first half of the year, PAN recorded revenue of VND1.33 trillion (US$59.37 million) and pre-tax profit of VND225.6 billion, a year-on-year increase of 19.2 per cent and 53 per cent, respectively.

The company has invested more than $150 million in the food and agriculture industry. PAN Group possesses six plant seed companies nationwide, such as Vietnam National Seed JSC (Vinaseed), and is the largest shareholder of a famous food producer in the food industry.

MARKET & PRICES

Vietnamese fruit loses market share at home

VNN - Vietnam has many advantages for tropical fruits, but because of poor packaging, marketing and high prices, local fruits cannot compete with imported products.

Imported fruit at a supermarket in Hanoi.

In Hanoi, imported fruit is priced reasonably and sells well. For example, apples imported from the US and New Zealand are only VND56,000 to VND70,000 ($2.5-3) per kilo, similar to the prices of some local fruits like Hoa Loc mango or mangosteen.

According to the Ministry of Agriculture and Rural Development, about 17,000 to 18,000 tons of fruit arrive at HCM City's Thu Duc fruit wholesale market every night, including 30% of imported fruits. Apples, pears, and oranges from Thailand, South Korea, and the US are more favored and sell very well.

Imported fruit is not only available at supermarkets but also traditional markets and mobile markets in Hanoi.

Customers say that imported fruits are well packed and the prices are also reasonable.

According to the Ministry of Agriculture and Rural Development, in January-July 2016, Vietnam earned $1.4b from export of vegetables and fruits. Many picky markets are now opened to Vietnamese fruit such as the US, EU, Japan, South Korea ... It is expected that fruit exports will bring in over $2b for the country this year.

Deputy Minister of Agriculture and Rural Development Le Quoc Doanh said that the fruits are considered a "savior" for agricultural exports of Vietnam. The Ministry and related agencies are speeding up trade promotion for this item, which has potential in both quantity and quality.

Doanh said it is good to explore foreign markets but the domestic market is also important.

"Vietnam is spending a lot of money to import fruit. If Vietnamese fruits satisfy picky foreign markets, then there is no reason that local customers cannot choose it. The matter is our poor marketing and promotion activities. Some customers still favor foreign than local products," said Doanh.

Ho Quoc Nguyen, Director of External Relations of Big C supermarket chain, said that besides imported fruit, supermarkets also sell fruit of foreign origin grown in Vietnam.

This kind of fruit is cheaper than imported fruit of the same kind. It sells very well.

Nguyen Khac Huy, Director Hoang Phat Fruit Co., after a long time of improving quality, Vietnam's fruits have satisfied the condition of imports of many countries such as the US, New Zealand, Japan...

Besides foreign markets, fruit exporters are beginning to pay attention to the local market.

Fruit and vegetable imports from Australia skyrocket

Vietnam imports from Australia have risen sharply in recent times, particularly industrial raw materials, according to the latest statistics from the General Department of Vietnam Customs.

Worthy of notice were fruit and vegetable imports, which grew by 322% to more than US$19.8 million in the first half of this year. Other products saw a sharp growth, such as cotton (up 319.7%), coal (160.8%), ores and minerals (88.8%) and base metals (41.7%).

Vietnam Customs also reported that trade turnover between

MARKET & PRICES

Vietnam and Australia hit more than US$2. 4 billion in the first six months, of which Vietnam's exports to Australia were US$1.3 billion (down 17% against the same period last year) and imports reached US$1.1 billion (up 9.1%).

Cement industry busy with many takeover deals

NCDT - Vietnam has the largest cement plant in Southeast Asia as well as many other plants, creating excessive supply. This has led to more merger and acquisition (M&A) deals in recent years.

Being the second largest cement manufacturer in Thailand, Siam City Cement (SCCC) is buying 65 percent of stakes of LafargeHolcim Vietnam in a deal worth 479 million euros ($524 million).

The deal is expected to wrap up in the fourth quarter after administrative procedures are completed.

Some other Thai groups also eye Vietnamese cement companies. SCG Cement bought Buu Long cement plant in Dong Nai province in 2012. SCG Cement, belonging to SCG, has been developing many projects in Vietnam.

In 2012, SCG bought 85 percent of stakes of Prime Group Vietnam, the tile manufacturer. It also invests in Tin Thanh, Tien Phong and Binh Minh Plastics and building material manufacturers.

In case of LafargeHolcim, analysts said that its owners decided to leave Vietnam because they cannot see bright prospects in the Vietnamese market.

However, according to SCCC, LafargeHolcim's revenue in 2015 reached VND5.3 trillion, an increase of 19 percent compared with the year before, while the net profit increased by twofold to VND539 billion.

2015 and 2016 are believed to be the years for Vietnam's cement industry recovery.

A report of the Vietnam Cement Corporation (Vicem) shows that the pretax profit of the corporation increased from VND617 billion to VND1.507 trillion in 2014 and VND2.792 trillion in 2015.

With VND25 trillion in turnover, Vicem is one of the three major players in the Vietnamese market.

Though running the largest plants in Vietnam, foreign players such as LafargeHolcim and other joint ventures could only hold 28 percent of the market in 2014 as reported by StoxPlus.

The strong recovery of the real estate market with many projects resuming could be an important reason behind the development of building material manufacturing.

Analysts said that the cement M&A market has become busier than ever.

Vissai has bought Dong Banh, Ha Nam and Do Luong. Xuan Thanh Group has bought Minh Tam and Hoang Long and taken over Sai Son.

Meanwhile, Ha Long, Song Da and Song Thao have merged with Vicem. Prior to that, Viettel took over Ha Long and Cam Pha plants.

The analysts believe that more M&A deals in the industry will be made in the time to come, mostly because of existing internal problems.

Excessive supply still exists, but more large-scale projects (with the capacity of 6 million tons a year) are expected to open.

LEGAL UPDATES

New tax rate on artemia imports hurt shrimp breeding industry

VNN - Artermia egg importers have complained that if they have to pay 5 percent import tax arrears, they will be pushed into a corner, while farmers will suffer the most.

Artemia egg importers and shrimp breeder producers have lodged a complaint to the Prime Minister about the imposition of the 5 percent import duty which they say will harm the shrimp breeding industry.

The Ministry of Agriculture and Rural Development (MARD) and the Vietnam Association of Seafood Exporters and Producers (VASEP) have also said the tax rate is unreasonable.

Some shrimp breeder production units which are members of the Binh Thuan provincial Shrimp Breeder Association, the Binh Thuan shrimp breeder brand, the best one in Vietnam, is under threat because of declining quality. Artemia, the best shrimp feed product, has to bear the high import tax of 5 percent but the other feed products have only zero percent.

An importer said that Artermia is priced at VND2-3.5 million per kilo. If the 5 percent tax rate is applied, the price will increase, thus pushing up the production cost. This will force businesses to use other normal feed products instead.

A representative of Thong Thuan Company, a shrimp breeding company in Ninh Thuan province, said the company imported two kinds of shrimp feed products from the US (the HS – harmonized system - code was 2309.9013 with the confirmation by the export country) five years ago.

But recently, it has been informed by customs agencies that the product must have another HS code - 0511.9100 - and the product must bear the import tax rate of 5 percent. The company has also been asked to pay tax arrears for the consignments it got five years ago.

The company said that it had sold out all the imports and it cannot ask for more money from farmers to pay tax arrears.

When asked why the customs agency accepted the tax declaration submitted by the importer five years ago and let the imports get cleared, Nguyen Anh Tuan, head of the Post-customs clearance Examination Agency said importers must take responsibility for their declarations, while customs agencies have the right to check the declarations within five years and collect tax arrears.

The General Department of Customs (GDC), which insists on imposing the HS code 0511.91, affirmed that many other countries including Japan, South Korea, Singapore, India, Brunei and Indonesia also assigned the HS code to Artermia imports.

In the latest news, MARD on August 12 sent a dispatch to the Ministry of Finance and GDC asking to apply a zero tax rate on Artemia.

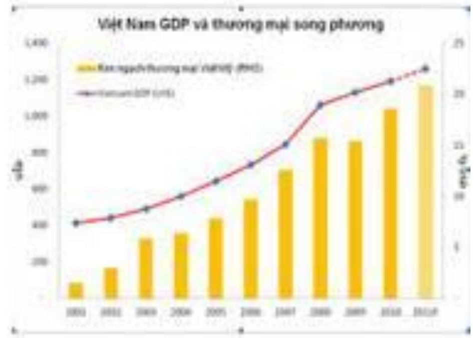
LEGAL UPDATES

The 2016 import & export Tariffs shall be applied from September 1, 2016

VLO - Dispatch No. 12167/BTC-TCHQ dated August 31st, 2016 of the Ministry of Finance on deployment of the implementation of the provisions of the Law on import duty, export duty.

The document is to request Customs Departments of provinces to deploy the application of the provisions of the Law on import duty, export duty No. 107/2016/QH13 and its guiding documents as from 0 o'clock September 1st, 2016 with the following noticeable important points:

- From September 1st, 2016, the preferential import and export Tariffs (also including the provisions on absolute tax rate, mixed tax, non-quota import duty), common import Tariff shall be applied according to the new Tariffs issued together with Decree No. 122/2016/ND-CP and Decision No. 36/2016/QD-TTg



- With regard to especially preferential import Tariffs, they are still applied according to the current Tariffs issued together with the Decrees guiding the implementation of the bilateral, regional and multilateral Free Trade Agreements

- With respect to tax guarantee, permissible cases of tax guarantee shall be carried out according to Article 9 and point dd Clause 9 Article 16 of the Law on import duty, export duty No. 107/2016/QH13; procedures for tax guarantee shall be complied with Circular No. 38/2015/TT-BTC

- Time limit for paying tax applicable to prioritized enterprises shall be carried out according to Article 9 and point dd Clause 9 Article 16 of the Law on import duty, export duty No. 107/2016/QH13.

HIGHLIGHTS

Should Vietnam take drastic measures to eleminate monopolies?

VNN - he telecommunication fee in Vietnam has been decreasing sharply thanks to the policy on eliminating the monopoly in the telecom sector. However, monopolies still exist in other business fields.

Prof Michael Woods, an international consultancy expert, recently spoke about a big automobile manufacturer in Australia which could not survive competition with imported cars.

The Australian government plans to save the manufacturer in an effort to maintain laborers' jobs with the state budget's money.

However, the country's national competition council asked the government to let the manufacturer go bankrupt. Analysts commented that this may not happen in Vietnam because of the differences in views.

The difference can be seen in the policy on car imports. The Ministry of Industry and Trade, reasoning that domestic production protection and the task of easing the trade deficit, released Circular 20 five years ago, stipulating that car importers must be authorized by manufacturers.

As a result, 200 businesses had to leave the market, because foreign manufacturers only authorized a few Vietnamese companies to import cars.

VCCI has been repeatedly calling on to abolish the circular, emphasizing that the legal document is not in line with the spirit of the competition laws.

"The circular sets discriminatory treatment on different businesses (authorized and unauthorized), thus indirectly restricting the number of suppliers," it stated. With the regulation, customers can only buy goods from certain suppliers, which is a competition restriction.

Director of the Central Institute of Economic Management (CIEM) Nguyen Dinh Cung cited a series of legal documents that show 'anti-competition'.

Transport firms, for example, must have 20 vehicle units at least to provide transport services in central cities and provinces and 10 vehicle units at least in other localities. In the past, they just needed to have one vehicle to join the market.

"They (the policymakers) argue that the requirement on high capacity will help encourage large production, thus reducing prices and benefiting consumers. However, this is quite illogical in competition," Cung said.

Cung commented that Vietnamese both like and hate the market economy, and are hesitant to apply market economy rules. Vietnamese, for example, still prefer a subsidy for electricity prices. They don't want the market rules because they fear the prices will be higher. This do not realize that it is the market mechanism, not a monopoly, that will bring long-term benefits.

That is the reason why reform in the power sector has been going slowly. 'Fear of competition' is one of the reasons behind Vietnam's low position in WEF's (World Economic Forum) ranking in competition. Vietnam ranks 71st among 140 economies.

Wealthy Vietnamese advised to "buy" European citizenship

VNE - As the governments of the US, Australia and Canada have tightened their immigration policies, Vietnamese consultancy firms are

HIGHLIGHTS

now advising wealthy Vietnamese to apply for citizenship in countries which have more open regulations, especially in Europe.

Only when Nguyen Thi Nguyet Huong, a businesswoman, was dismissed as a National Assembly delegate, after she was found holding Malta citizenship, did people realize that many wealthy Vietnamese seek foreign citizenship.

There are many consultancy firms which promise to help them obtain citizenship. The consultants suggest European citizenship instead of the US, as the US EB5 Program has become too strict with new regulations.

The attractiveness of European citizenship includes quick approval, the required minimum number of days of stay (7-14 days a year in the first years), and no requirement on age limitation and native language.

It takes 3-4 months to obtain Malta, Portugal, Ireland and Cyprus citizenship, while but 16-17 months to obtain US citizenship. The countries also offer attractive tax incentives for non-residential citizens.

Quang Hung, a consultant, said some European countries apply relatively 'loose' requirements on taxation, such as Malta, Cyprus and Cayman. This partially explains why the European settlement programs attract many Vietnamese.

Hung revealed that after Nguyet Huong was dismissed as a National Assembly deputy, the number of clients decreased. However, now business has resumed because most of his clients are businessmen and don't intend to go into politics.

According to Hung, the number of investors is limited for every investment program, while the required investment level increases. The IPP (individual Investor Program) of Malta, for example, required the minimum investment capital of 1 million euros, but only 1,800 will be accepted. Meanwhile, the US EB-5 Program requires minimum investment capital of $500,000, but there are only 700 seats for each country.

If people want to invest in the US, they are advised to invest in real estate, especially in relic restoration projects. However, the procedures would be very complicated.

The investment programs in Europe are less diverse than in the US, but the conditions are believed to be easier. Some countries don't ask investors to prove their money is clean.

In Hungary, investors just need to buy 300,000 euros worth of 5-year government bonds. In Portugal, investors need to buy existing real estate worth at least 500,000 euros and keep the assets for five years.

Ireland requires investment capital of 500,000 euros in projects designated by the government.

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