

VIETNAM

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ECONOMY

Agro-forestry-fishery exports hit \$27b in 9 months



VNA - Export turnover of agro-forestry-aquatic products reached US\$3.04 billion in September, bringing the nine-month figure to nearly US\$27 billion, up 14.1% year-on-year.

According to the Ministry of Agriculture and Rural Development, export earnings from farm produce in the January-September period were estimated at US\$14.38 billion, up 17.7% year-on-year.

Meanwhile, aquatic and forestry products raked in US\$5.91 billion and US\$5.78 billion, representing respective year-on-year increases

of 18.1% and 10.6%.

Vietnam exported 466,000 tonnes of rice worth US\$210 million in September, raising the nine-month volume and value to 4.57 million tonnes and US\$2.02 billion, up 20.8% and 18.6%, respectively.

China remained the biggest importer of rice from Vietnam, accounting for 38.8%.

The country earned US\$201 million from shipping abroad 86,000 tonnes of coffee in September. The nine-month volume and value were 1.11 million tonnes and US\$2.54 billion, down 20.7% in volume but up 1% in value.

Rubber exports hit 174,000 tonnes worth US\$279 million in September, raising the nine-month figures to 979,000 tonnes and US\$1.66 billion, up 13.3% and 52.7% year on year, respectively.

The shipment of cashew nuts surged to 32,000 tonnes, worth US\$320 million in September. The total volume shipped abroad in the first nine months reached 257,000 tonnes worth US\$2.55 billion, falling 0.2% in volume, yet gaining 25% in value from the same period of 2016.

Tea exports were estimated at 103,000 tonnes with a value of US\$165 million in the reviewed period, up 12.6% and 11.9%, respectively.

Vietnam shipped US\$2.64 billion worth of vegetables and fruits in the first nine months of 2017, up 44.2% year on year. China, Japan, the US and the Republic of Korea were the four leading importers of Vietnamese vegetables and fruits, accounting for a combined total of 85% of the export value.

Pepper exports were estimated at 181,000 tonnes in nine months, bringing home US\$966 million. The figures represented a 23% rise in volume but a 19% drop in value.

The ministry also reported that Vietnam spent US\$21.15 billion on importing agro-forestry-aquatic products, up 19% from the same period last year.

ADB lowers VN growth forecast

VNS - The Asian Development Bank (ADB) has projected the economic growth of Viet Nam will be 6.3% this year, taking 0.2 percentage points off from the previous forecast.

Tan Vu Port. The Asian Development Bank forecast Vietnamese economic growth at 6.3% this year.

This is followed by a projected growth of 6.5% in 2018.

However, the Vietnamese economy continued to perform well despite several setbacks, the ADB said in the Asian Development Outlook Update 2017, which was launched on Tuesday in Ha Noi.

"Despite the drop in mining and oil output, the rest of the Vietnamese economy has continued to perform well, driven by its twin engines of export-orientated manufacturing and rising domestic consumption," said Eric Sidgwick, ADB Country Director for Viet Nam, at a conference in Ha Noi.

"Manufacturing expanded by 10.5% in the first half of the year, as new foreign-invested factories ramped up production, while the services sector continued to pick up steam as a result of rising retail trade, growing bank lending and a 30% jump in tourism arrivals," he said.

Sidgwick said Viet Nam's economic growth was expected to rise in the second half of this year, buoyed by further increases in foreign direct investment and exports, domestic credit growth, a further recovery in agriculture from the 2016 drought and accelerating disbursements of capital expenditure on national infrastructure programmes.

However, the report stressed that while Viet Nam's economy remained bright, two emerging policy challenges would need to be addressed to ensure growth remained sustainable.

Sidgwick said that the first challenge related to the authorities' efforts to reduce the fiscal deficit.

The report said that recent progress in trimming the budget deficit was commendable; it led to a drop in capital spending which if not rebalanced could erode Viet Nam's long-term performance.

ADB said the authorities might focus on adopting additional taxation measures while cutting non-core public expenditures such as administrative expenses.

Sidgwick said the second challenge related to recent moves to bring down interest rates and raise already strong bank lending growth.

ADB said that in the report, cutting interest rates to historical lows had the potential to increase financial sector risks, given the large stock of past, unresolved bad debts.

It would be vital to strengthen regulations and supervision on loan quality and to continue the introduction of more stringent (Basel 2) regulatory standards over the next 12-18 months, the bank said.

The report said it was critical to relax current tight controls on foreign ownership to effectively resolve bad debts.

Inflation was projected slightly higher than foreseen in April, fueled by the recent interest rate cuts, buoyant domestic demand and strong GDP growth.

Planned increases in fees for public education and health care will exert additional upward pressure on inflation.



BANKING & SECURITIES

Bad debt settlement resolution: Six banks selected



BIDV is among six banks to pioneer the application of Resolution 42 on settling non-performing loans of credit institutions

VNS - The State Bank of Viet Nam (SBV) has selected six commercial banks to pioneer the application of the recently-issued Resolution 42 on settling non-performing loans of credit institutions.

The banks are ACB, Sacombank, BIDV and Vietcombank, as well as VietinBank and Agribank.

According to the SBV, the resolution is aimed at eliminating negative experiences and addressing obstacles faced in NPL settlement. The banks will then make effective recommendations to relevant ministries and bodies to streamline legal regulations on the issue.

Resolution 42/2017/QH14 on piloting bad debt settlement of credit institutions, which came into effect on August 15 this year, provides thorough guidance on the procedures for recovery and repossession of collateral.

According to the resolution, credit institutions, foreign bank branches or the Vietnam Asset Management Company (VAMC) may directly repossess an NPL's collateral held by a borrower or third party defaulter, and foreclosure may be aided by the police and other local authorities.

The new legal framework also provides incentives to encourage NPL trade, as it allows sale at a price lower or higher than the par value. It also sets a framework for a secondary debt trading market, which was high on the wish list of both foreign and domestic investors.

According to Moody's, the ability to repossess collateral is the next critical step in resolving NPLs, and the rating agency expects the resolution, which removes previous legal impediments, will help improve the rate of collateral repossession by banks and the VAMC. The new regulation also rebalances the bargaining power of banks and the VAMC vis-a-vis borrowers.

HOSE to start trading covered warrants in November

VNS - The new investment tool, covered warrant, will start listing and trading on the HCM Stock Exchange (HOSE) in November, according to the State Securities Commission (SSC).

According to Viet Nam's securities market regulator, HOSE has completed the trading system for the new product.

Covered warrant is expected to become a new investment tool for investors to reduce the chance of risks, and to provide more options at a lower cost, as compared to common stocks and fund certificates. It allows the holder to buy or sell a specific amount of equities, currency or other financial instruments from the issuer, usually a bank or a similar financial institution, at a specific price and time.

Covered warrants can have a wide variety of underlying financial products such as company's stocks, market indices and fund certificates that meet the requirements of the SSC.

According to HOSE, the first covered warrant products will be the large-cap stocks that are listed in the VN30 and the HNX30 indices as they meet the requirements on market capitalisation, trading liquidity and the percentage of free-float shares.

The trading of covered warrants is similar to that of stocks, as investors are allowed to use their stock trading accounts to buy and sell covered warrants.

Investors must ensure that they have enough cash and covered warrants for trading if they want to make purchase or sale transactions. In addition, margin lending is not eligible for trading of covered warrant.

Issuers of covered warrants are securities companies and they must meet some standards, such as no accumulated losses, charter capital and ownership equity of at least VND1 trillion (roughly US\$44 million), as

reported in the latest annual and half-year financial reports, and fully licensed securities operations.

As of mid-2017, some 10 securities firms have charter capital and ownership equity of more than VND1 trillion, including Saigon Securities Inc (SSI), VNDirect Securities (VNDS), ACB Securities (ACBS) and VPBank Securities (VPBS), as well as HCM City Securities (HSC) and Viet Capital Securities (VCSC).

Some others have charter capital of between VND800 billion and VND1 trillion, such as FPT Securities (FPTS), Vietinbank Securities (CTS), BIDV Securities (BSC) and MayBank Kim Eng Securities (MBKE).



Vietnam Rubber Group approves equitisation plan

VNS - Viet Nam Rubber Group (VRG) has decided the amount and price of shares offering in its initial public sale schedule next year.

The rubber group will auction 475 million shares, equivalent to 11.88 per cent of its total charter capital of VND40 trillion (US\$1.76 billion) to the public. Another 475 million shares will be offered to strategic investors while the remaining amount will be sold to the group's employees and trade union.

The State will retain three billion shares, or 75 per cent of the capital after the equitisation, Tran Ngoc Thuan, VRG's general director said at the company's extraordinary employee's meeting on Monday.

Thuan said the group has agreed to propose to the Prime Minister the selling price of VND13,000 (\$0.57) a share at the auction on the HCM Stock Exchange.

The company's employees and trade union are entitled to buy at the price of 60 per cent of the lowest successful bidding price.

VRG is expected to collect over VND12.83 trillion from the share sale.

INVESTMENT

Republic of Korea remains Vietnam's top investor



Samsung Display Vietnam factory in Bac Ninh

VNA - The Republic of Korea (RoK) remained Vietnam's No.1 investor during the January 1-September 20 period, with total investment of \$6.31 billion, accounting for 24.7 percent of total foreign direct investment (FDI) Vietnam has attracted in the time, according to the Ministry of Planning and Investment.

The ministry reported that Japan ranked second with 5.91 billion USD, or 24.7 percent of total FDI, followed by Singapore with 4.14 billion USD, constituting 16.2 percent.

The RoK had a major project worth 2.5 billion USD of Samsung

Display Vietnam in Bac Ninh province.

Japan invested 2.793 billion USD into building the 1,200 MW Nghi Son 2 thermal power plant in north central Thanh Hoa province.

Meanwhile, Singapore investors were involved in the 1,109 MW Nam Dinh 1 thermal power plant with 2.07 billion USD in northern Nam Dinh province.

As of September 20, Vietnam attracted 25.4 billion USD in FDI, up 34.3 percent year on year, reported the ministry.

Of the total, 14.5 billion USD was poured into 1,844 new projects, while 6.75 billion USD was injected into 878 underway ones, and 4.16 billion USD was worth in company shares bought by foreign investors.

The MPI revealed that in the reviewed time, 12.5 billion USD of FDI was disbursed, a rise of 13.4 percent over the same period last year.

Government offers foreign investors opportunities to buy into Vietnamese banks

VNN - With attractive incentives from the Government, the opportunity for foreign investors to own 100 percent of a Vietnamese bank has never been better.

Earlier this year, the State Bank of Vietnam (SBV) stated that all weak credit institutions have been identified, and three 'zero dong banks' as well as Dong A Bank and Sacombank will be the focus for SBV in 2017.

To date, the restructuring plans for four out of the five banks have not been approved, except Sacombank. However, an SBV senior official said Ocean Bank is under due diligence from a bank in Asia, while foreign investors have shown interest in GP Bank and CB.

Though credit institutions are called 'weak banks', they still are attractive. Despite difficulties, they were able to recover somewhat after being taken over by or put under special control of SBV.

Ocean Bank reported profit in 2015, 2016 and the first six months of 2017. Dong A Bank reported total mobilized capital of VND700 billion in the first six months of the year, while VND1.26 trillion worth of bad debt had been collected.

The attractiveness of Vietnamese banks is explained by the great potential of the banking sector which operates in a fast growing economy with a high population and a low percentage of bank users.

An analyst commented that foreign investors find it attractive to pour money into weak banks because it is difficult to obtain licenses to set up 100 percent foreign owned banks in Vietnam.

Under current laws, foreign investors are not allowed to hold more than a 30 percent stake in a Vietnamese bank. However, in some cases, the PM can decide to lift the foreign ownership ratio limit in weak banks to 100 percent.

The weak banks also have large operation networks. Once foreign investors take over the banks, they would not have to spend time to expand the network of branches and transaction offices.

If taking over Dong A Bank, for example, foreign investors would immediately own a large network of 223 branches and transaction offices in 55 cities and provinces.

If they set up a 100 percent foreign owned bank in Vietnam right now, it would take 12 years of operation to have such a high number of offices and branches.

Foreign investors will also have a high number of existing clients if they take over the banks. Dong A Bank, by the end of December 2016, had 7 million clients.

Local investors want healthcare to be fully privatised



VNS - The Vietnam Association of Financial Investors (VAFI) has proposed that the Prime Minister privatise State-owned hospitals to reform the healthcare system and improve the quality of healthcare services.

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According to VAFI, the Government needs to implement changes in three stages to improve the

quality of the country's public healthcare services.

The first stage is to transform all the State-owned hospitals from a public to business organisation, and operate in accordance with the Law of Enterprises, VAFI said in its proposal.

"The State-owned hospitals have to publicise their financial reports, business operations and must be audited annually like listed companies, and each must be run by a management board and a supervisory board," the VAFI said.

To help them operate safely and efficiently, and avoid bankruptcy and dissolution, the Government must set a limit on the total loans provided to these hospitals, which will permit their borrowings to not exceed 50 per cent of their ownership equity, VAFI said.

The second stage is to equitise the largest hospitals, such as Bach Mai, Viet Duc, Cho Ray hospitals, the National Hospital of Obstetrics and Gynecology, and those that volunteer to be equitised, VAFI said.

“These hospitals should be listed on the stock market, so that their business operations are transparent and public; thus, they will be able to raise capital from the securities market.”

In the third stage, these hospitals should acquire the smaller ones that are located in the surrounding provinces and districts, and become parent hospitals, VAFI added.

“The plan is to turn the current hospitals into corporations in which the Government holds more than 65 per cent of their charter capital and set up their branches at the district level.”

“People who reside in the urban and countryside areas can visit the branches of these hospitals in their local areas, instead of struggling to go to the big cities for healthcare services,” VAFI said.

According to the association, the Government has had a lot of policies to improve the quality of the healthcare service sector, such as disbursing a huge amount of State budget to the public hospitals to improve their operations, raising more capital from the private sector and the society, and building satellite hospitals to reduce the large number of patients visiting central hospitals.

These policies have improved the quality of public hospitals by equipping them with advanced machines, and enhancing the profession of doctors and nurses working in these hospitals.

However, both patients and hospitals have been facing difficulties in the recent years, which have not been resolved or improved, the VAFI said.

The hospitals have spent a lot to purchase machines and equipment, but the equality of the purchased products are not good enough, resulting in relative increase in fees and loss to the State budget.

Patients have to pay “unofficial fees”, besides the official ones to please the doctors and nurses, to get good quality healthcare services. Meanwhile, the employees in the hospitals have been underperforming, as they receive low salary, while the management of the hospitals are not efficient.

In addition to this, the overload of patients at the central hospitals in big cities, such as Ha Noi and HCM City, shows that there is a big gap in the quality and professionalism of district-level and city-level doctors and nurses, VAFI said.

ENTERPRISES

Will Thai giant take over Binh Minh Plastics?

VNN - The State Securities Commission (SSC) has approved a plan to lift the foreign ownership ratio ceiling in Binh Minh Plastics (BMP) to 100%. Analysts believe that Nawaplastic Industries (Saraburi) from Thailand will be a candidate in the race for control of BMP.

Nawaplastic in 2012-2013 acquired a 20.4% BMP stake and sent its representative to the company's management board. Besides BMP, Nawaplastic also holds a 24% stake in Tien Phong Plastics.

Nawaplastic's CEO Kanet Khaochan once stated that the company is considering raising its ownership ratio to 49%, the highest possible level as stipulated by law.

However, the plan could not be implemented because the real foreign ownership ratio in BMP had hit the ceiling level (foreign institutional investors hold 48.53% and foreign individual investors 0.45%).

In mid-April 2017, SCIC stated it will divest from BMP. Once SCIC leaves and SSC approves the 100% foreign ownership ratio, analysts predicted that Nawaplastic will grab the opportunity to acquire more BMP shares.

Nawaplastic is a Thai manufacturer and supplier of PVC plastic tubes in Thailand, which is also the major product of Binh Minh Plastics.

SCG Group, its holding company, is the second largest corporation in Thailand and among the largest corporations in SE Asia.

BMP share price decreased in the last six months from VND100,000 per share to VND70,000. However, the share recovered recently with the price having increased by 9% to VND81,000 per share.

MB Securities, in its report released in late June 2017, predicted that if the foreign ownership ratio limit is lifted, Nawaplastic would be willing to pay a lot to acquire a controlling stake in the plastics company.

The amount of money the Thai enterprise has to pay for the stake from SCIC would not be high, estimated at VND1.8 trillion.

MB Securities believes that SCIC will complete the divestment this year.

Meanwhile, Maritime Securities in the report released on August 16 commented that the SSC's approval on foreign ownership ratio lifting has helped BMP price bounce back.

Bao Viet Securities' September update also said the lifting and the M&A possibility will give a push to BMP shares to help the share price rise again.

Commenting about Binh Minh's business performance, HSC's analysts said the plastics manufacturer's profit has decreased because of the crude oil price increase and problems in pricing.

The strong development of Hoa Sen in plastics tube products is a threat to Binh Minh.



Tien Phong Plastics' management board is being cautious about its business plan, pointing out that Hoa Sen is a rival with large capacity, powerful financial capability, large distribution network and flexible business policy.

Uber \$2.94 million in tax arrears

VIR - Uber BV Netherlands Co., Ltd. (Uber) will have to pay nearly VND67 billion (\$2.94 million) in tax arrears, including personal and corporate income tax, withholding tax and value-added tax (VAT), as well as late payment fine, according to newswire Vnexpress.



After inspecting Uber BV's tax records since it started operations in Vietnam in 2014 to June 2017, the Ho Chi Minh City Department of Taxation has requested Uber BV to pay its tax arrears.

Notably, Uber BV will have to pay VND10.5 billion (\$461,589) in withholding tax, as well as VND26.3 billion (\$1.16 million) of VAT and more than VND14.6 billion (\$641,841) applied to personal income tax.

Besides, the taxation authority issued a fine of VND10.3 billion (\$452,805) for its false declaration leading to the lack of tax that the company has to pay and the company will have to repay the tax worth VND4.9 billion (\$215,412) that it has yet to pay due to false declaration.

The Ho Chi Minh City Department of Taxation asked Uber BV to pay the tax arrears of VND66.68 billion (\$2.93 million) within ten days of receiving the authority's decision, otherwise it will be subject to enforcement measures.

Nguyen Nam Binh, deputy director of the Ho Chi Minh City Department of Taxation told Vnexpress that Uber BV agreed with the authority's findings, with the exception of the corporate income tax.

It also requested the taxation authority to provide an exemption over this tax, as the enterprise operates as a foreign contractor in Vietnam.

Damian Kassabgi, Uber's director of public policy for the Asia-Pacific, promised that the company will comply with Vietnamese regulations.

However, Uber BV had yet to grasp their tax obligations in Vietnam and was unaware of the arrears until MoF's recent official letter clarified their situation.

Previously, traditional taxi firms claimed that they have been subject to a variety of taxes and charges, while Uber and Grab Taxi were only subject to a tax rate of 4-5 per cent.

With about 30,000 taxis in Hanoi and Ho Chi Minh City, traditional taxi firms must pay an average VND2 trillion (\$91.7 million) in taxes annually, while the tax agencies have collected only VND20 billion (\$879,234) per year from the 31,000 Uber and Grab cars.

MARKET & PRICES

Vietnam's automobile sales falls despite attractive discounts

VOV - Although many carmakers in Vietnam have applied discounts and promotions, car sales in the first eight months of the year dipped 6% year-on-year to 177,000 units, according to the Vietnam Automobile Manufacturers' Association (VAMA).



Many automakers launched promotions to trigger sales in August. Honda Vietnam cut the prices of its Civic, Accord and CR-V models by nearly VND200 million (US\$8,800).

Thaco slashed tens of millions of VND off best sellers like Kia Morning and Cerato. Meanwhile, Hyundai Thanh Cong offered discounts of VND40-70 million (US\$1,760- 3,080).

However, sales of tourist, commercial and specialised cars experienced respective year-on-year declines of 4%, 7% and 12%.

The VAMA once forecast its car sales would grow 10% in 2017; however, the sluggish automobile market makes it unlikely this goal will be hit.

Slow sales during August-September, or lunar July, which is known as Thang Co hon (Month of lonely spirits) also contributed to the slow sales, as people traditionally keep purchases to a minimum during the unlucky period.

Additionally, consumers are awaiting further reductions in automobile prices as tariffs on completely-built-up (CBU) cars imported from ASEAN nations will fall to zero under the ASEAN Free Trade Agreement which will take effect at the beginning of 2018.

By the end of August, imports of CBU vehicles fell 5% to 65,490 units. Thailand remained the largest automobile exporter to Vietnam with 23,840 units, followed by Indonesia with 15,540 units and the Republic of Korea with 5,980 units.

Car sellers attributed the decline in CBU vehicles to the country's unstable automobile market.

Automobile producers expect big sales at the outset of 2018, also lunar November, as Vietnamese customers tend to spend a lot during end-of-the-year shopping season.

HCM City grapples with high-rise construction boom



A high-rise boom in ever-growing HCM City is posing new management challenges for authorities, a construction official reported on Monday

VIR - A high-rise boom in ever-growing HCM City is posing new management challenges for authorities, a construction official reported on Monday.

Speaking at a nine-month review meeting on the southern city's socio-economic development, the municipal Department of Construction Director Tran Trong Tuan said that approximately eight to 10 per cent of apartment buildings in the city were witnessing major conflicts between either the building's investor and its management board or the investor and the apartment residents.

Tuan said the disputes usually arise over the use of the apartment management fund, which makes up part of the sum apartment buyers pay to investors for their future home.

The investors often receive the apartment management/maintenance fee as part of the total sale price of an apartment are supposed to transfer the money to the building's management board, but often investors do not transfer the fee in a timely manner, leading to the conflicts.

The amount of the fund varies in each building.

"The management cost could be between five and seven million dong (US\$220 to 310) in some buildings. But there were also some having extremely large funds, about a few dozens of billion dong, or even up to VND70 billion," Tuan said.

The two new developing districts of Tan Phu and Tan Binh accounted for a remarkable number of such conflicts, he added.

"Some conflicts happen at apartments still under construction or even at projects yet to be built," Tuan said.

While the State management role is quite limited according to the law, the investors were granted considerable leeway to oversee their projects, which left the authorities little room to handle the issue.

The construction department had to set up a specific force to handle such conflicts, Tuan said, and was planning to open training workshops for members of any apartment management board in the city to better prepare themselves for the matter.

Construction violations

Breaches of construction regulations are extremely common among high-rise projects in HCM City, Tuan said at the review meeting, noting that up to 10 per cent of high-rises were found to have broken the law.

The rate in individual housing was much lower, at two to three per cent.

"It is like a ticking bomb with authorities unable to know when it will blow up," he said.

HIGHLIGHTS

Vietnam moves up global competitiveness list

VNE - The World Economic Forum's latest Global Competitiveness Index (GCI) presents a mixed picture for East Asia and the Pacific, with big gains by Vietnam, Indonesia, and Brunei Darussalam and demotions for some others.

Among the 17 East Asia and Pacific economies covered by the GCI, 13 have increased their score - albeit marginally - with Indonesia and Brunei Darussalam making the largest strides. Only Singapore, the Philippines, Cambodia, and Laos saw their scores decrease.

"Even with China's gradual slowdown, economic growth has continued to be robust in the region as a result of sustained domestic demand and increased exports from emerging economies," the report stated.

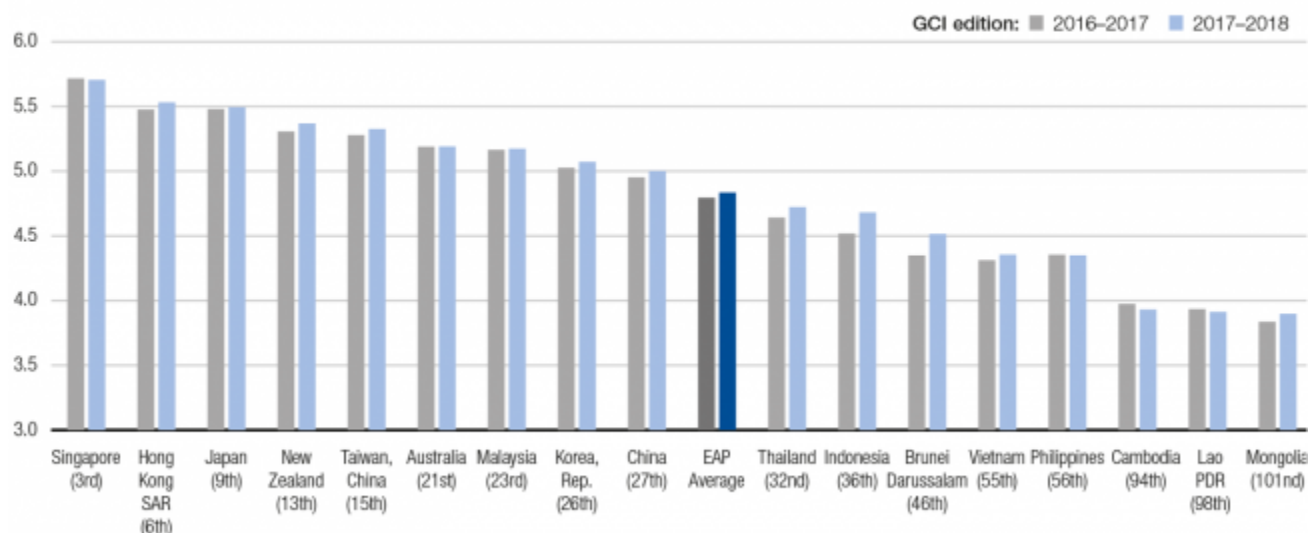
With a relatively modest increase in its overall score, Vietnam (55th) moves up five places to narrowly surpass the Philippines (56th). Vietnam's competitiveness is significantly driven by its market size (31st).

Although the withdrawal of the US from the Trans-Pacific Partnership (TPP) earlier in 2017 eliminated significant trade opportunities, the country's growth is nonetheless projected to remain robust from strong exports.

Significant improvements are necessary across all pillars, notably among the basic requirement factors (75th) and higher education (84th), as firms perceive that the lack of an educated workforce constitutes a significant hurdle for doing business.

Vietnam could also boost its competitiveness by closing gaps in innovation and sophistication factors with countries at a similar stage of development, such as the Philippines.

Figure 3: Overall GCI scores for East Asia and Pacific (EAP) for 2016–2017 and 2017–2018



Source: Calculations based on the results of the Global Competitiveness Index 2016–2017 and 2017–2018.

Singapore fell behind the US to rank 3rd globally but remains the most competitive economy in the region. Hong Kong SAR is closing the gap, rising from 9th to 6th, while Japan slipped back one place for the second year in a row, to 9th.

The lowest-ranked performer among the region's advanced economies continued to be South Korea, which remained at 26th for a fourth consecutive year, placing it behind Malaysia (23rd), the region's top emerging economy, and just ahead of China (27th).

Indonesia (36th) is inching its way up the competitiveness ladder, moving ahead five places since last year. Similar to South Korea, it improved its performance across all of pillars.

Its position in the rankings is driven mainly by its large market size (9th) and a relatively robust macroeconomic environment (26th).

Ranking 31st and 32nd in innovation and business sophistication respectively, Indonesia is one of the top innovators among the emerging economies.

Tough challenges foreseen for Vietnam's oil, gas sector



An oil rig of PVN affiliate Russia-Viet Nam Oil and Gas Exploration Joint Venture, (Vietsovpetro) at the Bach Ho (White Tiger) oil field off the coast of the southern province of Vung Tau.

VNS - The oil and gas industry is one of the country's key economic sectors, making important contributions to the national economy, but it is facing exceptionally tough challenges, especially in the context of deeper international integration, participants at a seminar in Ha Noi were told on Tuesday.

The Communist Review, a magazine of the Communist Party of Viet Nam, and the Viet Nam Union of Science and Technology Associations held the seminar to discuss the achievements, opportunities and challenges facing the oil and gas industry and to propose solutions to maintain

its dominance in the process of international integration.

Vu Van Ha, deputy editor-in-chief of the Communist Review, told seminar participants that the oil and gas industry, represented by the Viet Nam National Oil and Gas Group (PVN), annually contributed 25-30 per cent of the State's budget revenues.

While state-owned enterprises (excluding the oil and gas industry) contributed about 42 per cent of GDP, PVN separately accounted for 16-18 per cent of GDP, the highest level of one company in the 2008-2015 period, Ha said.

In addition, the development of the oil and gas industry contributed to national energy security, playing an important role in Viet Nam's sea strategy and contributing to the protection of national sovereignty, he added.

Its achievements raised Viet Nam position in the community of oil producing countries and contributed to enhancing Viet Nam's international reputation, while boosting international cooperation and investment activities in key areas including exploration and exploitation, oil refineries, gas services and power services.

Overall, the industry helped enhance the value of oil and gas resources, promoting national industrialisation and modernisation and improving the competitive position of Viet Nam's oil and gas industry in the world, Ha said.

However, he added, the national oil and gas industry was facing tough goals.

Under the development strategy of the oil and gas industry towards 2025, the industry aims to annually increase oil and gas reserves to 35-40 million tonnes of oil equivalent, oil and gas exploitation will increase by 10-36 per cent for each five-year period, of which the exploitation from overseas oil field must be 3 to 5 times higher than the current levels, the sector's annual revenue is expected to grow by 10 to 15 per cent.

"The future for the country's oil and gas industry will be tougher as the major oil fields near the shores are close to exhausting production. The calling for foreign investment in oil and gas exploration will also be more difficult," Ha said.

Tough goals ahead

Many large PVN projects lacked capital and access to credit while borrowing from international organisations is getting increasingly harder, Ha said. In addition, the company's skilled human resources supply was becoming limited. Implementation of key projects abroad also faced obstacles, greatly affecting the the achievement of short-term and long-term goals of the whole sector, Ha added.

Truong Dinh Tuyen, former minister of trade, said that under the free trade agreements and commitments that Viet Nam had signed, import taxes on diesel and mazut would be zeroed out, also affecting the domestic oil and gas industry.

Thus, local suppliers would face stiff competition from not only foreign investors but also domestic importers due to the tariff elimination, Tuyen said.

With the establishment of the ASEAN Economic Community (AEC), in addition to the tariff reduction issue, there would be a shift in the labour force within the industry, leading to "brain drain" for the sector, Tuyen forecast. For example, some of PVN's highly-skilled workers might move to other oil and gas groups from ASEAN countries if offered better working conditions.

At the seminar, participants agreed that the oil and gas industry should urgently build a human resource management system in accordance with international standards.

The whole industry would need to adjust its production and business strategy so that it could compete with foreign rivals locally and internationally. It would also need to put emphasis on the gas industry and consider it the driving force for the development of the whole industry.

At the same time, PVN research units should focus on research and application of technology to reduce the cost of exploration, exploitation and to diversify processed oil products.

HCM City seeks solutions to promote agriculture tourism

VNA - Agricultural tourism is one of the new tourism products of Ho Chi Minh City with high potential of development, but providers of this kind of tourism are facing difficulties in expanding their service.

According to the city Department of Tourism, demand for farm tours rises 20-30 percent each year. Some most popular areas for tourists include the 88-hectare Ho Chi Minh City Hi-Tech Agriculture Park in Cu Chi district.

Tran Kim Hang, Vice Director of the Infrastructure Exploitation under the Ho Chi Minh City Hi-Tech Agriculture Park, said that the park has offered a number of farm tours since 2014. The number of tourists to the park has risen sharply to reach over 12,000 in 2016 from only 7,000 in the first year. The figure is expected to hit 15,000 in 2017.

However, Hang said that the park has yet to give adequate investment to the product, with a lack of many services for tourists.

Nguyen Duy Son, Vice Chairman of the Management Board of the park, pointed to a lack of human resources for tourism in the park. Son stressed that in order to survive and develop, it is necessary to invest more in personnel quality targeting specific groups of tourists.

Truong Minh Hau, Vice Director of Tourism Promotion Agency under the city Department

of Tourism held that firms should decide which kind of customers they wish to attract and design their tourism services accordingly.

According to Hau, while investment in tourism infrastructure is necessary, only facilities to meet basic demand of tourists are needed to avoid stretching resources. What is more important is to train their tour guides, establish connections with local community and strengthen communications to promote their tourism products, especially through social media.

Local firms also proposed that the Government should design policies to support infrastructure system in rural areas to serve agriculture tourism, while building a set of criteria for standards of this kind of product.

Bui Ta Hoang Vu, Director of the city Department of Tourism said that tourism is a special economic sector that requires strong connection among sectors and regions.

In the future, the department will continue working with other departments and sectors to improve the city's tourism products with agriculture tourism one of priorities.



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