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Highlight of January: Telecommunication

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Telecommunication

Vietnam's 10 remarkable telecommunication and information technology events in 2012

Prime Minister planned to have at least 3 mobile networks to compete

On July 31st 2012, the Prime Minister approved the national telecommunication development plan till 2020. Accordingly, in every important telecommunication services such as cellular, broadband internet, fixed landline and international landline, there must have at least three service providers to ensure competition.

This plan will ensure the sustainable development of telecommunication market in the direction of quality and efficiency on the basis of creating an environment for fair and healthy competition. Besides, the telecommunication enterprises especially state-owned enterprises will be reorganized toward an inefficient operation. Furthermore, transfer, merger, acquisition other telecom businesses to form 3 – 4 powerful groups or corporations will be allowed.

Thus, the national telecommunication development plan till 2020 will be an important basis for restructuring the Vietnam Posts and Telecommunications Corporation (VNPT) in connection to the possiblity of merging the two mobile networks VinaPhone and MobiFone. If VinaPhone and MobiFone are allowed to merge, this will create a mobile market in the hands of two giant corporation that are VNPT and Viettel Corporation (Viettel), accounting for 95% market share. Meanwhile, the mobile market is preparing for the departure of small networks.

Beeline exits from Vietnamese market

On April 23rd 2012, after Vimpelcom Group does not see chances, they exits from Vietnam by selling shares in Beeline network for Gtel Mobile at discounted level for 45 million USD. A clause after Vimpelcom exits from Vietnam market is that Gtel Mobile will stop using the Beeline brand after six months from the date of transferring.

On September 17th 2012, Gtel Mobile announced the new brand Gmobile – officially replace and terminate the use of the Beeline brand in Vietnam. However, Gmobile is still having difficulties in the development of new subscribers, when the mobile market is still considered as a game of the big names like VNPT and Viettel.

MB24 scams selling more than 700 billion VND in the form of multi-level virtual shop

The event that many leaders of MB24 network (Online sales training JSC) were arrested and investigated has caused the market trembling. This is a special case that cought attention by the public since it involved high technology and impacted people being mainly low-income people, people that buy online shop but has never used computer.

Within a year, the network has grown to more than 100,000 shops with the amount paid into the system of more than 700 billion VND. On July 25th 2012, the Vietnam E-Commerce Association (VECOM) has announced the termination of this company with reason: the company's business activities caused damaging to the reputation and violating the rules of the Association. The investigation showed that the process faced many difficulties since the first cause is the lack of legal instruments to handle this model of business.

Central Resolutions point out that technology is national infrastructure

On January 2012, The 4th Conference of the the XI Party issued Resolution 13 in which stated that "Information technology and communication are infrastructures of the national infrastructure". This Resolution is expected to develop Vietnam's information technology and promote the development of the whole economy.

Successfully launched Vinasat-2 satellite

On May 16th 2012, Vinasat-2 satellite of Vietnam has been successfully launched into orbit. This event has not only showed significant representation the sovereignty of Vietnam, but also affirmed Vietnam's determination to invest in the telecommunications sector, to further strengthen the capacity of Vietnam's telecommunications network infrastructure.

Capital investment for this project is 280 million USD, of which 80% is through loan and 20% is from of VNPT. On July 4th 2012, VNPT has taken Vinasat-2 satellite, officially began business operation and management of this satellite. It is expected that Vinasat-2's capital will be recovered within 10 years The 5 – 6 remaining years, the satellite will help VNPT make profit.

Viettel surpassed VNPT the first time in terms of revenue

At the end of 2010, VNPT's revenue reached 100,000 billion VND and Viettel reached 91,000 billion VND. In 2011, these two corporations both reached 120,000 billion VND in terms of revenue, but profit of Viettel was 20,000 billion VND, while VNPT achieved only 10,000 billion VND.

At the end of 2012, this race was finalized when VNPT's revenue is of 130,000 billion VND and profit of 8,500 billion VND. Meanwhile, Viettel has surpassed VNPT with revenue of 140,000 billion VND and 27,000 billion VND in profit. Thus, Viettel's revenue in 2012 is 10,000 billion VND more than VNPT but profit of Viettel is 3 times more than VNPT.

After years of occupying the unique position in terms of revenue, VNPT for the first time was surpassed by Viettel.

Prepaid roaming charges

On October 23rd 2012, the Ministry of Information and Communications issued a Circular guiding the regulations on roaming charges for prepaid subscribers which is of 25,000 VND, for postpaid subscribers of 35,000 VND this is applicable from January 1st 2013. Updates in the Circular is the roaming charges for prepaid mobile subscribers.

Regulations on roaming charges for prepaid subscribers is a movement to regulate the current mobile market development towards market stability and avoid the use of SIM instead of scratch card.

S-Fone fired most of their staffs

S-Fone was mentioned as a pioneer breaking the monopoly of the Vietnamese mobile market. Now it was also considered as typical for the most dramatic case in Vietnamese mobile market. The lack of investment has led S-Fone to plunge. Since S-Fone does not have money to operate and pay rent fee for base stations, it has to narrow the network.

Fewer subscribers, lack of money to maintain the system are probably the most important reasons why S-Fone has to mass termination of contract with employees.

Music copyright charges

On November 1st 2012, many Vietnamese music websites claim the charges for downloading music with a fee of 1,000 VND / music file (online listening with low quality is still free). This is the result of collaboration between the Recording Industry Association of Vietnam (RIAV) with most of the websites that offer music service in Vietnam.

This partnership is initially be seen as a positive movement to tackle music piracy in recent time.

Forced to auction the mobile frequency

On March 12th 2012, the Prime Minister issued Decision 16/2012/QD-TTg on auction, transfer the rights to use radio frequencies. Accordingly, telecommunications companies would like to have radio frequency will have to auction the right to use instead of free as before.

According to the Decision, businesses are licensed to use radio frequencies through auctions transferable right to use the frequency band, radio frequency channel for other business for a period of at least three years from the date of issuance of the license to use radio frequencies. This policy shows the determination to manage frequency according to the market mechanism.

Source: http://www.consultvietnam.com

Vietnam's telecom ready for the broadband era

VietNamNet Bridge – Vietnam plans to fulfill the program on developing wired and wireless broadband infrastructure by 2020. However, it is very likely that the program would be completed before the deadline.

Le Thi Ngoc Mo, Deputy Director of the Telecommunication Agency under the Ministry of Information and Communication (MIC) at a conference held on January 15, 2013, that Vietnam has had a plan on broadband development by 2020. She also said that the broadband development has been going very well, but challenges still exist in fixed broadband.

According to her, the development of fixed broadband subscribers has slowed down over the last two years. Meanwhile, Vietnam wants to see the number of fixed broadband subscribers increasing.

At present, fixed line network is considered the best broadband infrastructure, while the Vietnam Post and Telecommunication Group (VNPT) provides 90 percent of the total services.

However, the service has been on the sharp decrease, estimated by 25 percent per annum. VNPT once had 13 million subscribers in the golden age, while the number has dropped to 6.5 million, and it is expected to decrease further.

While the actual number of fixed line subscribers decreases sharply, a target has been set up that the number of subscribers would be five times higher than the current number.

The requirements on the connection speed have also been cited as a big challenge for Vietnam's telecom.

As for Vietnam's broadband Internet, ADSL services now account for up to 80 percent. However, the technology has slow speed and calculated in Kbps. Meanwhile, the unit of calculation in developed countries is Mbps and higher than Gbps to be enough to satisfy the demand.

Vietnam has decided that broadband telecom would reach out to 90 percent of communes in the country by 2015 and to 100 percent by 2020. The modest target turns out to be a big challenge for Vietnam's telecom industry, which needs the support from the state to reach out to remote areas.

"There is a very important solution is VTCI – a fund for developing telecom for public purposes. It is expected that the fund would have VND10 trillion dong in 2013-2020.

Mobile broadband would be dominant

Doan Quang Hoan, Head of the Radio Frequencies Department of MIC, said mobile broadband would become popular, because this is considered the most important infrastructure item of the knowledge-based economy.

A report by the World Bank has pointed out that every additional 10 percent of population using broadband would lead to the 1.21 percent additional increase in GDP in developed economies and 1.38 percent in developing economies.

Hoan said that in the near future, Vietnam would have a high demand for broadband infrastructure, because video communications would be dominant. The number of 2G subscribers would develop more slowly, while the number of 3G would increase rapidly. HSPA would still be the most potential technology until 2020.

Experts believe that Vietnam has a very high quality wireless broadband infrastructure. 2013 is considered the year of 3G subscriber development. However, Vietnam would not witness a "boom," and it is still in the early development stage of mobile broadband.

Hoan went on to say that though Vietnam is a potential market, there is a restriction in the purchasing power. In developed countries, the transport infrastructure facilitates the use of broadband services, while in Vietnam, the conditions are not really favorable, since personal vehicles, not public transport, are more popular.

Source: Bao Buu Dien

GTel to use VNPT's infrastructure – new chapter in Vietnam's telecom industry

VietNamNet Bridge – Gtel Mobile, the owner of Gmobile network, has signed a principle agreement with the giant Vietnam Post and Telecommunication Group (VNPT) on roaming services. No agreement of this kind was inked in the past.

Thoi bao Kinh te Vietnam has quoted its sources as reporting that the roaming is likely to start in 2013 after the two sides reach consensus on the implementation details.

Two of the most important tasks Gmobile has to implement in 2013 are to implement the government initiated plan to restructure the telecom market and conduct the roaming with VNPT, also as requested by the government.

"Roaming," the term used in telecom, which means allowing a network use the waves of other networks, has long been referred to the extension of connectivity service in a location that is different from the home location where the service was registered. Roaming ensures that the wireless device is kept connected to the network, without losing the connection.

In Vietnam, the roaming between two mobile networks has never been conducted, except the one between the two brothers – VinaPhone and MobiFone – of the same parent group VNPT.

There had been no precedent in the history of Vietnam's telecom that a small network can have roaming with a large network, though the demand was always very high from the small networks that newly joined the market.

In the past, when Viettel was a new comer on the market and it was small, the mobile network once expressed its willing to have roaming with VNPT, but it was refused.

Two or three years ago, EVN Telecom, which is now a part of Viettel after a merger deal, also several times asked Viettel, VinaPhone and MobiFone to allow it to use their waves in the localities where EVN Telecom still could not reach to. However, all the three big guys shook their heads.

A deputy director of a big mobile network explained that the big guys have to spend big money to develop their infrastructure items to be ready to serve the increasingly high numbers of subscribers and improve the call quality, which is considered the biggest competitive edge.

"Therefore, no one wants to share the house he has to work hard to build with others," he said.

There is always another reason that prompts large networks to refuse to cooperate with small ones that the large networks may be put at a disadvantage. Since the wholesale price applied to small networks is always lower than the retail price (large networks sell directly to consumers), it may happen that the small networks would sell products more cheaply than big networks to compete with big networks.

Regarding the case of Gmobile, if it successfully implements the roaming with VNPT, this would start a new era in Vietnam's telecom industry, when the use of national resources – the infrastructure items – would be optimized, which means that the resources would not be wasted.

According to experts, the biggest problem of Gmobile now is the limitations in frequency resources, which makes it very difficult for Gmobile to expand its investment.

"At present, Gmobile only has 1,800 MHz waveband, while large networks have all the 900 MHz, 1,800 MHz and 3G. This is a very big disadvantage of Gmobile in comparison with other mobile network operators," said GTel's General Director Nguyen Van Du.

Therefore, if Gmobile can roam through VNPT, it would be able to develop subscribers rapidly. Gmobile has set up an ambitious plan to have six million subscribers by the end of 2013.

Source: Vietnamnet

Economy

Fitch affirms Vietnam at 'B+'; stable outlook

Fitch Ratings affirmed Vietnam's Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'B+'. The Outlooks on the ratings are Stable. The agency has also affirmed the Country Ceiling at 'B+' and the Short-Term Foreign-Currency IDR at 'B'.

RATING RATIONALE

Vietnam's ratings are underpinned by its track record of strong economic growth and a favourable environment for foreign direct investment that has rendered the economy less vulnerable to external shocks and raised its potential growth rate. The ratings are also supported by favourable overall levels of external debt and debt service relative to rated peers as well as by high levels of domestic savings and investment. Fitch estimates that Vietnam's domestic savings and investment rates have averaged 28% and 36% respectively over the past five years.

The ratings are constrained by higher and more volatile consumer price inflation than peers that renders the economy and exchange rate vulnerable to adverse economic and financial shocks. Despite rapid economic growth and development over the last two decades, human capital and the value-added per person remain low relative to single 'B' and 'BB' rated peers. The quality and timeliness of economic and financial data in Vietnam are also rating weaknesses, particularly the lags in the release of data on the stock of official foreign exchange reserves.

The principal constraint on Vietnam's sovereign rating is the potential risk to macro-financial stability and to public finances posed by a large and opaque banking sector. In particular, the potential fiscal cost of restructuring the banking sector is highly uncertain. Fitch's base-case estimate is a recapitalisation cost of 10% of 2012 GDP but there is a wide range of possible outcomes around this estimate, depending on the evolution of the economy, structural reform and the role of foreign capital.

The State Bank of Vietnam's (SBV) admission that non-performing loans (NPLs), which accounted for 8.8% of total loans at end-September 2012, were higher than previously reported by banks is a positive step toward addressing the structural weakness of the sector. The SBV is also reportedly considering setting up a state asset-management company to help restructure banks. Improvements on the quality of financial reporting and governance as well as greater confidence in the size of the fiscal risk posed by the banking sector would lift a key constraint on Vietnam's ratings.

The Stable Outlook reflects Fitch's expectation that the policy authorities will remain committed to macroeconomic stability, including lower inflation, a stable currency, and avoiding an excessive current account deficit.

Vietnam has rebalanced its current account while avoiding a steep recession, in contrast to certain emerging and advanced economies. Fitch estimates the current account surplus rose to 7.2% of GDP in 2012 (0.2% in 2011). Foreign-exchange reserves may have reached around USD24bn at end-2012 as a result. This should provide Vietnam with a larger buffer to cope with any further capital flight.

The worst of the downturn is over after Vietnam's economy slowed rapidly in response to austerity measures implemented in February 2011 under

Resolution 11's objectives of achieving macroeconomic stability. Real GDP grew 5.5% yoy in H212, following a 4.4% yoy increase in H112. Fitch forecasts real GDP to grow 5.5% in 2013 versus 5% in 2012.

Headline CPI inflation slowed rapidly, averaging 9.1% in 2012 versus 18.7% in 2011. This allowed SBV to cut benchmark interest rates by 600bp in 2012. However, Fitch believes monetary policy is unlikely to be loosened further as this could erode support for the exchange rate. Core inflation pressures also remain high.

Fitch expects the government to slightly tighten its fiscal stance in 2013. Fitch estimates that Vietnam's budget deficit, including off-budget spending, will narrow to 5.1% of GDP in 2013 from 5.9% of GDP in 2012. The general government debt/GDP ratio remained stable at 44% of GDP in 2012, in line with 'B' and 'BB' peer group medians.

RATING OUTLOOK – STABLE

The main factors that could lead to a positive rating action are:

- A sustained improvement in the overall macroeconomic outlook consistent with sustainable economic growth with moderate and stable inflation and external equilibrium

- Greater clarity on the potential cost of resolving non-performing loans or improvement in the standalone credit quality of the banking sector

- An acceleration in structural reforms, particularly with regard to state-owned enterprises and public investment

The main factors that could lead to a negative rating action are:

- Higher-than-expected losses in the banking sector, which would require large-scale sovereign support and potentially threaten macro-financial stability

- Abandoning Resolution 11 macro-economic stability objectives and adoption of policies that threaten price and external stability

- A sharp, sustained deterioration in public finances which leads to a large increase in Vietnam's general government debt-to-GDP ratio

KEY ASSUMPTIONS AND SENSITIVITIES

- Fitch assumes that Vietnam's authorities will continue to adhere to policies aimed at achieving macroeconomic stability of slower GDP growth, lower inflation and a healthier current account balance

- Fitch assumes that the potential cost of restructuring the banking sector will be broadly in line with the agency's base-case of 10% of GDP

- Fitch assumes that political stability will persist in the medium-term

- Fitch also assumes global growth, with world real GDP growth projected to rise 2.4% and 2.9% in 2013 and 2014 respectively, compared with an estimate of 2% in 2012

Source: Reuters

In 2013, tax arrears to be reduced to less than 5pct

As assessed by the tax bureau, the tax arrears ratio on the total state budget's revenues in 2012 was still at a high level of 8 percent.

However, in terms of debt classification, non-performing loans (NPL) decreased 2 percent compared to last year. This figure shows the whole sector's efforts in arrears recovery as well as handling bad debts. In which, some tax offices had managed debts very well such as Hanoi, An Giang, Thanh Hoa and Bac Lieu provinces.

Actually, the debt recovery situation in 2012 has made the tax sector to set targets to reduce tax arrears of 2013 to less than 5 percent of the State budget's total revenue.

To complete the target, the tax sector has been implementing a number of key solutions. In 2013, the local tax office will promote the information technology application to supervise the debt recovery progress in time. Therefore, all of the units must seriously carry out the announcement of tax debts and apply penalties for all businesses if they are late.

In case of enforcement, local tax office and department have responsibilities to notify the enforcement measures in accordance with the object. The tax units which did not perform enforcement tasks will take responsibility as prescribed.

In addition, the tax sector actively proposed the Ministry of Finance and the local People's Committee some solutions about the mechanisms, policies and administrative procedures reform problems in order to improve the investment environment, support business and promote production and trading. The whole sector must seriously carry out the preferential policies on taxes, charges and fees so as to help recover business, production and business development early.

Source: Intellasia | VNA

Law update on Jan 30th, 2013

Reporting of securities transactions

The Ministry of Finance issued Circular No. 13/2013/TT-BTC on January 25, containing regulations on the supervision of securities transactions.

The circular provides specific definitions of securities transactions, securities listing orgnisations, securities registration, internal transactions, market manipulation, extraordinary transactions, and rumours.

Under the regulations, stock exchanges will be required to supervise transactions and report to the State Securities Commission on weekly, monthly, and annual bases, while the Securities Depository Centre will be required to report monthly. Organisations and individuals engaged in securities transactions will be obligated to provide timely, full and accurate information, materials, and electronic data describing securities transactions in a uniform format described by the circular.

The circular will replace Decision No 127/2008/QD-BTC of December 2008 and will take effect on March 8.

Banks to classify, report on debts

The State Bank of Viet Nam issued Circular No 02/2013/TT-NHNN on January 20, regulating the classification of assets and methods of provision against risks and the use of provisional funds to offset losses of credit institutions.

Under the new circular, the State Bank requires credit institutions and branches of foreign banks themselves to classify debts and off-balance-sheet undertakings on a quarterly basis and report the results to the Credit Information Centre (CIC).

Debts shall be classified into five categories: Standard Debt, Debt Needing Special Attention, Subprime Debt, Doubtful Debt, and Potentially Irrecoverable Debt.

Within three days of receiving the results, the CIC shall summarize a list with the most risky debts classified by credit institutions, making this list available upon the request of credit institutions.

The State Bank has also requested credit institutions to create an internal credit rating system for rating customers as a foundation for evaluating credit worthiness and for creating a risk reserve policy in conformance with the actual circumstances of the credit institution. The Circular takes effect on June 1. Ministry revises definition of equity

The Ministry of Finance issued Circular No 05/2013/TT-BTC on January 9, establishing a new financial regime for credit institutions. Under the new circular, owner's equity shall be defined to include: (i) charter capital; (ii) exchange-rate differences; (iii) differences upon asset revaluation; (iv)share premiums; (v) capital reserve funds; (vi) undistributed earnings; and (vii) owner's other capital.

Credit institutions are entitled to use capital and assets for business operations. However, to ensure safety, they may not invest in acquisition of fixed assets in excess of 50 per cent of charter capital and reserve funds. Credit institutions are entitled to mortgage or pledge assets, as well as transfer or liquidate them in accordance with the circular.

The new circular also requires credit institutions to submit an annual financial plan to the State Bank of Viet Nam and the Ministry of Finance by November 15 of the previous year.

The circular takes effect on February 25 and applies to the current fiscal year. It replaces Circular No 12/2006/TT-BTC of December 2006.

Source: VNS

Banking & Finance

Financial M&As ready to find their feet

Financial sector merger and acquisition (M&A) transactions will keep increasing this year as the government restructures the banking sector. Ed Johns, advisory associate director at PricewaterhouseCoopers Vietnam, puts VIR's Linh Mai into the picture.

What level of financial services M&As did you see in 2012?

It was relatively quiet throughout the first 11 months of 2012 following the completion of Mizuho Bank's $570 million investment in 15 per cent of Vietcombank in January, 2012. However, there were two sizeable transactions announced in December, 2012. Bank of Tokyo-Mitsubishi UFJ acquired a 20 per cent equity stake in VietinBank, the listed majority state-owned commercial bank, at cost of $740 million. When this investment is completed in 2013, it will represent the largest ever M&A transaction in the Vietnamese banking sector.

The second was the announcement of HSBC Insurance's divestment of its 18 per cent stake in Bao Viet Holdings, Vietnam's largest insurance company, to Sumitomo Life for $344 million in line with HSBC's Group's strategy to refocus on core banking operations.

Are you likely to see more banking and finance M&As during 2013?

At this time, it looks like there will be two main drivers of banking M&As in 2013. The State Bank's banking sector restructuring plan, which led to the merger of Ficombank, TinNghiaBank and Saigon Commercial Bank in December 2011, is expected to generate further M&As amongst the small- to medium-sized local banks, whilst other weaker banks may try to avoid being forced to merge by the State Bank by inviting in stronger equity partners. Secondly, various local joint stock commercial banks and some state-owned commercial banks which will significantly benefit from strategic investors' experience and technology or skills transfer are still actively looking to sell minority equity stakes to global and regional banks. Some of these banks are relatively large so we may see a one or two sizeable deals during 2013. However, some investors may be put off by restrictions on foreign ownership when buying into a local bank (30 per cent) or insurance company (49 per cent) for all foreign investors limiting any investor's ability to gain control of the company which is often seen as a key pre-requisite for foreign companies. Also, continued enforcement of credit growth caps of up to 20 per cent (depending on the bank), the uncertainty created by the State Bank's banking sector restructuring plans, potential changes in the regulatory environment and the fragility of the global economy will all impact investors decisions on whether to enter the Vietnamese market.

Why are Japanese firms so interested in investing in the Vietnamese banking market and is this likely to continue?

There have been a number of large banking deals with Japanese investors over the past few years including Vietinbank, Vietcombank and Eximbank. Japanese financial services companies have been looking to invest capital overseas given the challenging market and economic conditions in Japan which limit growth and profits. Vietnam offers good opportunities for long term investors given the significant potential for growth in the banking and insurance markets and typically Japanese companies take a very long term view when assessing any market entry activity. Japanese investment over the past few years has been driven by the limited penetration of banking services in the Vietnamese market, approximately 20 per cent of the population have bank accounts, and the strength of Japanese Yen.

Who are likely to be the big banking market investors in 2013?

We expect Asian financial institutions to continue to drive investments in the Vietnamese financial services sectors as European and US firms continue to feel the effects of the instability in their economies and the impact of significant changes to their regulatory frameworks. Japanese financial institutions remain likely contenders for continuing M&A activity, but we have also seen increased interest from global banks and smaller regional Asian banks and non-bank financial institutions.

Source: VIR

Banking System Needs Better Supervision, Says Gov't

Deputy Prime Minister Vu Van Ninh on Wednesday urged the National Financial Supervisory Commission to increase surveillance over the banking system as there have been unpredictable uncertainties on the local and international financial and monetary network.

Speaking at the conference reviewing operations in five years of the commission, Ninh said Vietnam did not plunge into an economic crisis after experiencing 2012, the toughest year in recent times.

Ninh highly appraised the supervisory and advisory role of the commission and urged the agency to increase surveillance over the banking system.

The State Bank of Vietnam (SBV) model is different from that in other countries with the governor being a government cabinet member. SBV acts as both a State managing agency and a central bank while elsewhere in the world the central bank maintains its independence.

In this context, the commission has been established to voice objective comments on the financial and banking industry so that the Government can issue better policies, Ninh explained.

However, bad debt, the most serious problem currently, is still not transparent to the public.

To tackle bad debt, it is necessary to know how much the debt is, causes of the debt and specific debts in each groups. If these details are not specific, no solutions for bad debt will be released, Ninh said. He also told the commission to join the imminent project handling bad debt.

Duong Quoc Anh, vice chairman of the commission, furthered that majority stakes in some banks have been controlled by individuals, enterprises and even by other banks. As a result, the major shareholders have changed lending policies of these banks to serve their personal purposes, giving credits to real estate and securities firms while ignoring safety criteria.

The problem has extorted financial status of banks and made overdue and bad debts unidentifiable.

The central bank has done many things but the nation still needs an agency to supervise cross ownership in banks, Anh said.

Source: businesstimes.com.vn

Enterprise

US firms assess local climate

Representatives of US businesses told a dialogue on Viet Nam's investment climate that they feel secure doing long-term business in the country.

Monday's dialogue was hosted in Washington DC by Vietnamese Ambassador to the US Nguyen Quoc Cuong.

It drew the participation of members of the US Chamber of Commerce and the US-ASEAN Business Council as well as representatives from 30 leading American companies, including Boeing, IBM, Microsoft, Google, DHL, KPMG, and Lockheed Martin.

The event was the first held within the framework of the 2013 Viet Nam Forum Initiative, designed to create a platform for regular talks between the Vietnamese embassy in Washington and American business leaders.

Business representatives at Monday's dialogue said they believed that recent efforts by the Vietnamese Government have stabilised the economy and contained inflation while promoting economic restructuring.

They also praised the Vietnamese Government's willingness to find ways to address problems in the business environment through dialogue.

Negotiations for the Trans-Pacific Partnership (TPP), expected to conclude this year, would also be of special importance, paving the way for investment and business expansion strategies in Viet Nam and throughout Southeast Asia, the American business representatives said.

Cuong thanked the US companies for their support and contributions, taking note of their opinions on Viet Nam's business climate and investment policies.

He also took the opportunity to brief them on Viet Nam's initial achievements in maintaining economic stability and inflation in early 2013 and shared his views on the prospects for further development of bilateral ties, including the Lower Mekong Initiative and other initiatives aimed at accelerating US-ASEAN co-operation in the coming year.

In 2013, the Vietnamese Embassy in Washington planned to host additional dialogues on such issues as human resources training, improving the business and investment climate, trade promotion, development of the Greater Mekong Sub-Region, and public-private partnerships, he said.

Source: VNS

SMEs suffer from fund delay

The development fund designed for small and medium-sized enterprises (SMEs) has remained inactive while Decision 03/2011/QD-TTg on underwriting loans for these entities has yet to be deployed, said an executive of the Vietnam Development Bank (VDB).

VDB will be granted an additional VND250 billion for loan guarantees targeting SMEs but in fact, that is just information.

The global economic recession plus local macroeconomic difficulties over the past four years have resulted in capital shortages at numerous local SMEs, putting them at high risk of bankruptcy. Therefore, the Government has promised supporting measures for these companies, including solutions designed to help them have easier access to bank loans.

However, Dao Ngoc Thang, deputy general director of VDB, said his bank is still unable to make loan guarantees because related ministries and agencies have still failed to release specific instructions over 12 months after the decision's issuance. As for the VND250 billion that the Government is going to provide to VDB for loan guarantees, Thang said it is a provision that VDB will use for tackling bad debts when making guarantees and that VDB hasn't received the capital so far.

VDB deems it necessary for close cooperation between the lender with other ministries and agencies to minimize risks when lending the target corporate borrowers, and without specific instructions, the bank finds it impossible to do so.

As such, State loan guarantees for SMEs have not made any progress. Thang said if guidance had been announced earlier, VDB would have undergone guarantees in the first quarter this year. The fund has been seen as operational in some big cities like HCMC and Hanoi but just a few entities have been able to approach underwritten loans, which is attributed to limited sources and cautiousness of local lenders. The General Statistics Office records that there are over 540,000 companies in operation in the country, with 97% of them SMEs. There were about 55,000 enterprises having gone bankrupt or disbanded in 2012, according to the Ministry of Planning and Investment.

VDB from 2009 to 2012 screened and issued more than 1,500 letters of credit for domestic firms, just a small number compared to the total number of SMEs active at home, reports the ministry. Meanwhile, VDB said this activity had stopped, citing no new policies from the Government at the moment.

Source: The Saigon Times

Investment

January sees 37 FDI projects licensed

Less than one month into 2013, the country has licensed 37 foreign direct investment (FDI) projects, worth 257.1 million USD in registered capital, according to the Foreign Investment Agency (FIA) under the Ministry of Planning and Investment.

In addition, 9 existing projects added 24.3 million USD to their registration capital, bringing the total amount of FDI capital inflow by January 20 to 281.4 million USD, up 74 percent compared to the same month last year.

The largest portion of FDI inflows was poured into processing and manufacturing industry, accounting for nearly 72.1 percent of total invested capital.

Japan topped the list of investors with 157.7 million USD in newly granted and additional capital, followed by Thailand and France with 19.3 percent and 7.1 percent, respectively.

Dong Nai, Hai Phong and Binh Duong are the three most popular destinations for foreign investors this year.

According to the FIA, FDI disbursement was estimated at 420 million USD, up 5 percent year-on-year. The FDI sector expects to bring in 6.61 billion USD from exports in January, accounting for 65.49 percent of the country's export earnings.

Source: Intellasia | VNA

City posts high FDI attraction

Total foreign direct investment (FDI) capital in industrial parks (IPs) and export processing zones (EPZs) in HCM City in the first quarter is estimated at $250 million, Nguyen Tan Dinh, deputy head of the HCM City Export Processing Zones and Industrial Parks Authority (Hepza), said.

The forecast figure as such jumps 110 percent year-on-year and realises 50 percent of the 2013 plan, Dinh told a conference on the January socioeconomic results in HCM City on Thursday.

Dinh noted that Japan's Nidec Tosok Company in Tan Thuan EPZ a few weeks ago applied for a capital increase by $95 million. Similarly, he said, Japan's Saigon Precision Company in Linh Trung EPZ had asked for approval for scaling up capital by $120 million.

"The fact that the two entities, who have already invested in Vietnam, continue putting money into new projects is a positive sign for the city's investment attraction in 2013," Dinh told the Daily on the sidelines of the conference.

Total FDI poured into EPZs and IPs citywide from January 1-23 including fresh and additional capital was $26.1 million, surging 2.25 times year-on-year, he said.

Hepza in 2013 has set the target of drawing FDI of $500 million into local IPs and EPZs. The authority also set the same target last year but it finally saw only 85 percent of the goal achieved as a result of the current difficult economic conditions.

Most FDI schemes approved in HCM City this month specialise in making synthetic plastic fiber, stirring machine, medicine and drug storehouses.

Despite FDI flow's recovery, investment activities of local firms have recorded a sharp fall in HCM City. Both new and increased investment capital of local enterprises in local IPs has only stayed at VND150 billion this month, shrinking up to 77.3 percent year-on-year.

Concerning the municipal socioeconomic situation in January, HCM City chair Le Hoang Quan stated that the city's economy has shown signs of recovery, citing a contraction of nearly 6 percent of manufacturing inventory indexes compared to the same period last year.

The city's report on industrial production indicates that up to 36 out of 39 industries have posted growth from the same period last year, with foodstuff and milk rising 7.3 percent, footwear 56.7 percent, cosmetics, soap and washing-up liquid 61.5 percent, cement 79.5 percent and medicine 51.4 percent. Only the auto and electronic appliances industries have recorded a drop in production, at 6 percent and 35.5 percent respectively.

HCM City has this month exported $2.7 billion worth of goods, a year-on-year pickup of 42.2 percent, focusing on seafood, textile and footwear. Total sales of the retail and services industries of the city has reached VND52.74 trillion, marking up 21.5 percent year-on-year.

Source: Intellasia | Saigon Times Daily

Japan continues large investment into Vietnam

The results of an investigation into Japanese business activity in Asia and Oceania, with a focus on their operations in Vietnam, were released in a report on January 23.

The Development Strategy Institute (DSI) and the Ministry of Planning and Investment (MoPI) have co-ordinated with the Japan External Trade Organisation (JETRO) to unveil the report.

According to JETRO, Japanese investment in Vietnam has hit a record high over the past two years. Last year, for instance, Japan's investment contributed to a quarter of all new projects in the country, equivalent to around 50 percent of its total capital invested. JETRO said that the real challenge is how to maintain and encourage Japanese investment in Vietnam.

Despite the difficulty in increasing Japan's investment amid the global economic downturn, it is likely that there will be a greater number of Japanese businesses investing in Vietnam this year, according to JETRO.

The report has also identified several difficulties faced by Japanese businesses operating in Vietnam, such as the need to upskill the local workforce and the limited availability of necessary materials, and the low localisation rate of materials and components.

Source: Intellasia | VOV

Stock Market

Vietnam Stocks Gain Most in Asia on Foreign Ownership Report

Vietnam's stocks advanced the most in Asia after reports the foreign ownership cap may be lifted for some companies and the central bank may set a maximum limit on cash payments for high-value items.

The VN Index (VNINDEX) rose for a third day, jumping 3 percent to 465.74 at 1:43 p.m. in Ho Chi Minh City and bound for the biggest gain since Jan. 8. Vietnam Joint-Stock Commercial Bank for Industry & Trade (CTG) climbed 5.7 percent, poised for a record advance. Bao Viet Holdings (BVH) surged 6.6 percent, heading for the highest close since Jan. 10.

The State Securities Commission may allow some listed companies to raise their foreign ownership limit above the current 49 percent in the first quarter by issuing non-voting shares, SaigonTimes reported. The central bank may limit cash payments outside the banking system for items such as properties and vehicles by June at the latest, according to a Tuoi Tre report. The decree aims to reduce unofficial transactions to help tackle theft and tax evasion, according to the report.

"Limiting cash payments will reduce risks and boost tax revenue for the state budget, which is good for the economy," Tong Minh Tuan, head of research at Hanoi-based BIDV Securities Co., said today. Stocks also reacted positively to reports on foreign investment limits, he said.

SSC Chairman Vu Bang declined to comment on the report. Bui Quang Tien, head of the payment department at the State Bank of Vietnam, declined to comment because he's not authorized to speak to the media.

Technology Shares Lead Emerging-Market Index to Two-Week High

Emerging-market technology and consumer-discretionary stocks rose, sending the benchmark index to a two-week high.

Samsung Electronics Co. (005930) advanced 1.8 percent from a one- month low in Seoul. Great Wall Motor Co. (2333) was poised for a record close in Hong Kong after saying 2012 earnings climbed. Korea Gas Corp. (036460) sank the most since September 2009 on concern it scrapped plans to sell asset-backed securities. UMW Holdings Bhd. (UMWH) led Malaysian stocks to a six-week low as concern deepened impending elections will weaken the ruling coalition's grip on power.

The MSCI Emerging Markets Index (MXEF) added 0.3 percent to 1,080.1 at 2:56 p.m. in Hong Kong as 247 stocks rose and 268 fell. The gauge, which lost 0.2 percent earlier today, is poised for the highest close since Jan. 3. It added 0.7 percent last week and trades at 10.9 times estimated 12-month earnings, within 1 percent of the highest level since May 2011.

"At the moment, investors are really picking stocks and sectors, looking at more specific companies based on their earnings growth and valuations," Vivien Loh, who helps manage about $428 million at Phillip Capital Management Sdn., said by phone from Kuala Lumpur.

Vietnam's VN Index lost 0.9 percent as the nation's President Truong Tan Sang said the country must accept "low" growth amid a restructuring of the economy. The Philippine Stock Exchange Index (PCOMP) slipped 0.8 percent from a record, while the Jakarta Composite index lost 0.6 percent, falling for a second day from its all-time high.

The FTSE Bursa Malaysia KLCI Index sank 0.8 percent. It slumped 2.4 percent yesterday, the most since September 2011, bringing its 30-day historical volatility to 10.4, the highest level since January 2012, data compiled by Bloomberg show. It was the first time the reading surpassed the MSCI Emerging Markets Index since May 2008. Today's trading volumes in the index were almost double the 30-day average, the data show.

Source: Bloomberg

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