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SEIKO IDEAS CORP.

F5, A Chau Building, 24 Linh Lang Street, Ba Dinh Dist. Hanoi

 +844-6275 5426

 +844-6273 6988

 info@seiko-ideas.com

 newsletter@seiko-ideas.com

## Highlight

### Japanese investors pour over US\$4.6 million into Vietnam

Ministry of Planning and Investment's Foreign Investment Agency reports Japanese businesses have engaged in 2,103 Vietnam-based projects so far this year, totalling \$34.526m.

Foreign Investment Agency expects cumulative VN-Japan trade turnover to reach \$29b by the end of 2013.

More than 65.9% of Japanese businesses in VN have confirmed intentions to expand their Vietnamese operations within the next two years.

JETRO said around 4,000 Japanese businesses are operating in the Asia-Pacific region, more than 250 of which are located in VN with majority in the processing & manufacturing industries.

At a recent Japanese investment promotion seminar, economists said Japan's formidable foreign direct investment flow has opened up new business opportunities in VN. They were careful to note these opportunities must be met with a renewed focus on ensuring VN's business environment fulfills Japanese investor expectations.

*Source: VOV News*

### ANA to launch Hanoi flights

From 30 March 2014, All Nippon Airways (ANA) will use its new slots at Tokyo Haneda Airport to launch flights to Vancouver & Hanoi, while adding new services to London, Paris, Jakarta, Manila. The new Haneda-Vancouver & Haneda-Hanoi routes will both operate daily using a Boeing 767-300ER aircraft.

In addition, ANA will commence new flights from Haneda to London Heathrow and Paris using its B777-300ER aircraft, along with B767 flights to Manila. It will also deploy its B787 Dreamliner on the Haneda-Jakarta route.

While the Paris, Manila and Jakarta flights will operate alongside ANA's existing flights to these cities from Tokyo Narita Airport, the airline's daily Narita-London operation will be suspended.

Meanwhile, ANA will also move one of its daily flights on the Tokyo-Bangkok and Tokyo-Singapore routes from Narita to Haneda. The revamped schedules follow the recent awarding of 11 new daytime slots at Haneda to ANA.

Also from 30 March, ANA will resume flights on the Nagoya - Shanghai Pudong route.

*Source: Travel Daily*

## Economy

### Vietnam to reduce role of SOEs

VN Gov't plans to eliminate around 1,000 state-owned enterprises (SOEs) that are operating inefficiently by 2020, said Deputy PM, Hoang Trung Hai at a VN Development Partnership Forum. As a result, the number of SOEs would be cut to 600 by 2015 & 300 by 2020.

Currently, SOEs are divided into 2 groups: wholly state-own & (at least) 50% state-owned. In time to come, SOEs will be divided into 4 groups: wholly state-owned, 75%, 65% & 50% state-owned.

Petroleum, food, process oil & natural process gas, airport, road maintenance companies would no longer be considered wholly state-owned.

Gov't will hold 50% stakes in tobacco production, environmental sanitation, urban electricity, marine transportation, railway, aviation, finance & banking.

Gov't will no longer hold controlling stakes in the production of science, documentary & cartoon films.

The plan received approval from the majority of economists. Some said that Gov't should clarify how they would divert capital from SOEs and how to change the status of enterprises that are holding monopolies their industries, as

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well as how the move would effect operational efficiency.

Dr. Nguyen Dinh Cung, Central Institute of Economic Research, said that diverting Gov't capital would not be an easy task, as last year only 34 SOEs were privatised. SOEs withdrew only VND4.164 trillion out of VND21.796 trillion (\$1.03b) in the first 9 months of this year.

Economist Dinh Tuan Minh said that it is necessary to set detailed targets for the reduction of the proportion of SOEs in the economy, from 15-17% by 2015, and around 10% by 2020, which is the same as the world average rate.

*Source: Dan tri News*

### Diary sector looks to triple cattle population

VN is aiming to triple the number of cows by 2020 in order to meet domestic demand for fresh milk, heard a recent conference on VN's dairy industry.

VN reported 174,000 dairy cows this year, producing 420,000 tons of milk. But production only served 30% of domestic market. The left had to be met with imports primarily made up of sterilised, reconstituted milk. That's why VN remains one of the top 20 milk-importing countries, importing \$841m in 2012.

To lower the country's dependence on foreign milk, the sector aims to have 500,000 dairy cows by 2020 & produce 1 million tons of milk per year, said Nguyen Xuan Duong, Head of Livestock Production Department.

In the past 10 years, the growth rate of milk production has increased 10% due to new breeding & technology methods.

#### **Farmers' key role**

At present, Vn has 173,000 cows raised in 19,000 households nationwide. With each household on average raising 5 cows, the sector aims to lift the number to between 10 and 15.

However, it's hard to ensure consistency in milk quality in different households due to lack of appropriate feed.

Professor Nguyen Lan Hung, General Secretary of the Union of Biology Associations, added it was important to develop the dairy sectors while considering farmers' important roles.

Agriculture leaders, however, urged dairy cow breeders to use advanced technology to increase livestock numbers, life the quality of fresh milk and improve productivity.

Secretary General of VN Dairy Producers' Association Trinh Quy Pho said the association encouraged dairy enterprises to co-operate with farmers to

provide technical, logistical and commercial support in bring fresh milk from the cow to the market. This was a sustainable development trend.

Head of Livestock Production Department Duong suggested making up a national committee for oversight of dairy sector. It would be a win-win solution: cow breeders can sell milk profitably and dairy factories can buy milk at reasonable price.

*Source: Vietnam News*

#### **Vietnam levies anti-dumping duty on steel imports after lawsuits**

Steel imports from China, Indonesia, Malaysia, and Taiwan will be subject to anti-dumping tariffs ranging from 6.45 % to 30.73 %, the Vietnam Competition Agency under the Ministry of Industry and Trade announced on Tuesday.

The ruling is the result of a five-month inspection by Vietnam Competition Agency (VCA) on steel imports from China, Indonesia, Malaysia, and Taiwan, following complaints from Posco VST Co Ltd and Hoa Binh Inox JSC, who represent all Vietnamese steelmakers.

The plaintiffs said manufacturers from these countries and territories have sold their steel products to Vietnam at dumping prices, causing "remarkable

damage" to the domestic stainless steel manufacturing sector.

VCA thus levies the anti-dumping duties within 120 days on the steel imports of these exporters.

As for the Chinese exporters, a 6.45 % anti-dumping duty will be applied for Fujian Southeast Stainless Steel Co Ltd, while the respective figures for Lianzhong Stainless Steel Corp. and Fujian Southeast Stainless Steel Co Ltd are 6.99% and 6.68%, according to VCA.

PT Jindal Stainless Indonesia and other Indonesian steelmakers will bear a 12.03% duty when exporting steel to VN.

Bahru Stainless & other Malaysian manufactures are subject to 14.38% tax.

The highest duty, 30.73%, is imposed to Taiwan's Yuan Long Stainless Steel Corp, while Yieh United Steel Corporation and other Taiwanese steelmakers are subject to a 13.23% tariff.

The Vietnamese plaintiffs have called for duties ranging from 20% to 39% to be applied for 5 years.

Source: VOV News

## Bank & Finance

### Stock market: building mechanisms to shorten T+3 payment term

Hoping to improve liquidity and increase capital turnover on the stock market, many securities firms have proposed that the State Securities Commission of VN (SSC) reduce the waiting time for clearing payment.

#### Careful preparation needed

Mr Duong Ngoc Tuan, Deputy Director of VN Securities Depository (VSD), said that it is understandable to see securities companies ask for a shorter clearing payment term when the market has low liquidity. But this requires meticulous preparation in various aspects.

In the US, for example, where the stock market is considered the oldest in the world, the target of reducing to T+1 is yet to be done since launching in 2005.

Besides, according to int'l payment standard framework, VN's stock market is recommended to apply T+3. In fact, VN's stock market applied this since Sept 2012: reducing payment waiting time from T+4 to T+3. This new rule allows securities companies to have more than 2 days to complete payment obligations for securities buy/sale transactions via payment designated banks.

### Consider emerging risks

Mr Duong Ngoc Tuan said the allowing of T+0 or T+1 transactions belongs to transaction mechanism. Accordingly, the transaction mechanism depends on policy but its adoption requires very careful consideration of emerging risks.

Specifically, when the payment period is T+3, if securities sale is allowed T+0 or T+1, it is a short sale. In Europe, T+0 has been applied for years but this also causes a lot of risks, esp in global economic crisis. Therefore, the European market is seeking to restrict short sales.

VN is an emerging market and its stock market is still being completed. Risks are potential while the awareness of compliance of some members to payment obligations remains low.

To shorten transaction duration, according to VSD, the stock market needs to create consistent and sufficient risk prevention mechanisms. Currently, VSD and the central counterparty clearing house (CCP) have drafted securities borrowing and lending mechanism in case of short securities or in need of securities for error fixing; and allow members to set up funds to perform ETF-related operations.

Source: VCCI News

### Bank card information at risk

With more sophisticated security threats, banks needed to ensure security of payment card data. Bui Quang Tien, director of SBV's Payment Department, said commercial banks in the past few years implemented several measures, including investments to modernise their information networks & enhance IT apps to increase non-cash payments.

With the development of bank cards and internet banking, non-cash payments have become increasingly popular in the country. "Besides the advantages of convenience & savings, payment-card services also have risks for both banks and customers. Security issues have become more & more vital."

Ha Huy Tuan, vice chairman of the National Financial Supervisory Committee, said the 2013 information security index of VN, VNISA Index 2013, was 37.5%. Last year's index was 26%. "Despite a considerable increase, the figure is far below other countries in the region, including the Republic of Korea, at 62%. High risks still exist."

Tien said, more crimes related to payment cards have increased in VN. Criminals were using more elaborate methods while many card users weren't aware of data security's importance.

Hrishikesh Sivanandhan, Consulting Delivery at Paladion, said: "Although fraud varies by geography, there are a number of ways in which fraud is consistent across geographies," including a high level of innovation in online fraud. Real-time fraud was on the rise and insider involvement & collusion. With mobile devices quickly emerging as the primary computing device, they would become a key attack vector for cyber-criminals.

Delegates at the seminar urged Gov't to complete a legal framework & issue regulations on ensuring security, prevention & control of violations related to payment cards, ATMs, POS and other payment methods using hi-technology. Banks were encouraged to move from magnetic cards to chip technology for higher security.

As of the end of October, VN had about 64 million payment cards issued by 52 card issuers. There were 14,700 ATMs and 122,000 POS machines nationwide.

Source: Viet Stock

## Enterprise

### Top online retailers are owned by Vietnam firms



Vatgia.com is listed in the top five Vietnamese retail websites, said Viet Nam E-commerce Association chairman Nguyen Thanh Hung. Photo ictnews

The top five Vietnamese retail websites are primarily under the management of Vietnamese companies, according to Nguyen Thanh Hung, vice chairman of VN E-commerce Association (VECOM).

The sites include:

- [www.vatgia.com](http://www.vatgia.com)
- [www.lazada.vn](http://www.lazada.vn)
- [www.5giay.vn](http://www.5giay.vn)
- [www.enbac.com](http://www.enbac.com)
- [www.thegioididong.com](http://www.thegioididong.com)

Among these retail websites, only www.lazada.vn belongs to a foreign firm, Germany's Rocket Internet.

Hung told Infonet online newspaper that there were still many obstacles for electronic commerce operations in Viet Nam, including high transportation and delivery expenses and concerns about the security of customers' personal information.

The survey, carried out by VECOM, indicated that international businesses dominated the top five retail websites in Indonesia, Malaysia, Thailand, Singapore and the Philippines. Websites such as [www.apple.com](http://www.apple.com) and [www.amazon.com](http://www.amazon.com) remain the most popular sites in these countries.

*Source: Vietnam News*

### **Vinamilk buys US dairy firm**

VN Dairy Products JSC (Vinamilk) has received a certificate for investment worth \$7m to acquire a 70% share of American company Driftwood Dairy.

Driftwood Dairy - a US dairy business founded in California since 1920, provides fresh milk, fruit juice and light food for schools, hotels, hospitals, supermarkets and restaurants.

Previously, Vinamilk invested VND179 billion in Miraka Limited Company of New Zealand. Its profit after tax reached VND1,690 billion in the third quarter, up 21.15% over the same period last year.

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Its earnings per share (EPS) was VND6.076.



By Sept 30, the company's assets had increased from VND19,698 billion to VND20,660 billion and its undistributed profit after tax from VND5,198 billion to 5.677 billion. Its total consolidated revenue is expected to hit VND32,500 billion, including VND7,830 billion in profit before tax and 6,230 billion in profit after tax this year.

*Source: VOV News*



## Investment

### Thermal power project warms up



*Representatives of PetroVietnam and international banks signed credit contracts at the company's headquarters in Hanoi yesterday. — Photo PVcomBank*

VN Oil and Gas Group (PetroVietnam) yesterday signed a credit contract in Hanoi worth \$795.25m with the Korea Eximbank (KEXIM) and several int'l banks to develop the Thai Binh 2 thermal power project.

The loan agreements include a \$330 million direct loan with KEXIM, \$270 million KEXIM guaranteed loan with the Bank of Tokyo-Mitsubishi UFJ, Ltd (BTMU), CITI bank, HSBC bank, Mizuho bank, Standard Chartered Bank (SCB), and Oversea Chinese Banking Corporation (OCBC), along with a \$195.25 million commercial loan with BTMU, China Development Bank (CDB), CITI bank, HSBC, Mizuho, OCBC and SCB.

The loans will be used to pay for the purchase of the plant's equipment, including turbines, boilers & auxiliaries supplied by the consortium of Japan's Sojitz & Korea's Daelim. Speaking at the signing ceremony, deputy minister of Industry & Trade Ho Thi Kim Thoa said electricity growth in the past few years was double GDP growth rate. However, electricity production had not met local demands, despite the strong growth.

She noted that VN Gov't had strengthened its investment in electricity with an orientation to gradually reducing hydropower electricity and replace it with thermal power, as well as other renewable and clean energy.

The deputy minister said PetroVietnam has invested in large power projects, though the group is a new player in this field, and its power production accounted for 15% of the country's total. Nguyen Van Hau, PetroVietnam's chairman, said his company was confident that the project would come into operation as scheduled.

KEXIM, a Gov't financial institution, has been actively supporting Korean companies in doing business in VN by providing financial assistance to projects. BTMU, CDB, CITI, HSBC, Mizuho, OCBC and SCB are the int'l banks that

have a strong presence in VN and have long-term relationships with Petro-Vietnam, so co-operation would be beneficial to all parties.

PetroVietnam has been implementing several power plant projects. Covering an area of more than 254ha in Thai Binh Province's Thai Thuy Commune, the Thai Binh power complex includes the 600MW Thai Binh 1 thermal power plant funded by Electricity of VN (EVN) and the 1,200MW Thai Binh 2 thermal power plant invested by PetroVietnam.

Thai Binh 2 power plant has a total cost of more than \$1.6 billion.

It will use a common coal-fueled furnace, which is an environmentally friendly technology and meets Vietnamese and international standards on emissions.

Once completed and put into operation, the plant is expected to provide more than 6.7 billion kWh for the national grid system.

*Source: Vietnam News*

### **Czech firm to build Asia's biggest brewery in Vietnam**

Czech firm BTG Holding will build Asia's biggest brewery in VN with a total registered capital of \$116m.

BTG Holding inaugurated its Lac Thinh industrial park on 220 hectares of Hoa Binh province with a total registered capital of \$54m. Two BTG Holding projects which obtained the investment license include its brewery and its thermal power plant.

The \$116m Czech brewery with a capacity of 190 million liters a year will mainly produce Budweiser Budvar beer which will be exported to neighboring countries including Korea, Japan, China and will be available for local customers.

The plant is expected to start construction on Nov 2015 and will be the biggest brewery in Asia.

BTG Holding will also build a \$136m biomass-fired power plant with a capacity of 2x25 MW, which will ensure a stable power supply for factories in the industrial park such as electronic chip, solar cell, and milk processing plants.

BTG has also submitted documents requesting an investment license for the company's automobile manufacturing plant in Lac Thinh industrial park with a total registered capital of \$271m.

The industrial zone is comprised of a custom department, banks, post offices, sports and health centers, hotels, and accommodation for managers and workers.

In a report released in Oct 2012, global market research company Euromonitor Int'l found that VN drinkers put down 2.6 billion liters of beer in 2011, ranking 1<sup>st</sup> in Southeast Asian region for beer consumption, followed by Thailand, Philippines. Myanmar had the lowest rate with 30.4 liters of beer.

Meanwhile Filipinos, who placed third on the list, drank 1.6 billion liters, nearly double the total amount of beer consumed in Myanmar, Singapore, Laos, Cambodia, Malaysia, Indonesia, ranked from 4<sup>th</sup> to 9<sup>th</sup> respectively.

In 2010, the Euromonitor Int'l forecast that beer consumption (by volume) in VN market would grow rapidly. Vietnamese consumed 1.6 billion liters of beer in 2009, a surge of 56% over 2004.

*Source: Tuoi Tre News*

## Market

### Power price allowed to rise at least 7%

The average electricity price will be adjusted to the price bracket approved by VN PM and will only be increased from 7% onwards from the current rates specified in Decision 69/2013/QĐ-TTg dated Nov 11, 2013 issued by PM. The interval for back-to-back price changes is at least 6 months.

The average power price adjustment must be made public and transparent. The State will use the Electricity Price Stabilisation Fund to stabilise electricity prices, in order to minimise adverse impacts on macroeconomic stability and social security.

Every year, EVN builds electricity price plans to submit to Ministry of Industry & Trade (MOIT) & Ministry of Finance (MOF). MOIT will chair the average power selling price consideration.

In case the average price adjusted is 10% or more from the current bracket and in excess of the limit, MOIT is responsible for reporting to PM after obtaining the advice from MOF.

Decision takes effect on Jan 10, 2014.

*Source: VCCI News*

### Bicycles coming back to fashion

The bicycle market is hotter than ever with pedalling again becoming popular in the country.



*A customer chooses a bicycle at a store in HCMC. The vehicles are becoming popular again around the country.*

Nguyen Huu Son, deputy chairman of VN Auto Motorcycle Bicycle Association, said consumers in VN tend to prefer vehicles that save energy.

In big cities like Hanoi, HCMC, bicycling is attracting customers of all ages, pushing up sales of bicycles & electronic bicycles. The market is thus promising for both domestic & foreign companies.

The return of Peugeot, the French bicycle giant, to VN after 20 years is a clear evidence of this trend. Soon its showrooms have been inundated and it has already sold around 150 bicycles.

Dang Quang Manh, chairman of Velo Chic, the company's sole distributor in

VN, said "if sales reach the same level as previous days, we will have no bikes to sell. VN is a very promising market."

State-owned bicycle maker Thong Nhat is also enjoying a jump in sales. The company's sales growth is 20% per year. It's looking for agents to expand its market in HCMC & the rest of the south.

According to the association, around 80% of bicycles sold in VN now are from Japan, mainland China, and Taiwan. Domestic companies such as Thong Nhat, Delta, Hitasa account for just 8%.

To increase the latter's market share, the association wants Gov't to give priority to bicycle manufacturing & encourage foreign corps to make domestically.

Furthermore, it called for studying the experiences of cities around the world where many people use bikes.

Meanwhile, the 2013 China Cycle International Exhibition is being held in HCMC's Saigon Exhibitions & Convention Centre. Around 30 Chinese & VN companies are taking part & showcasing their popular products & parts & the latest technologies used in bicycles and electric bicycles.

*Source: Vietnam News*

## Induction stoves become popular as gas prices rise

With cooking-gas prices rising relentlessly, induction and infrared stoves are seeing boom in demand, HCMC electronic retailers said.

Nguyen Thi Ngoc Thuy, director of household appliances section at dienmay.com, said "since the middle of last year, demand for these stoves has increased." In Nov sales was month-on-month up by 5-7%.

A marketing staff from Thien Hoa Electronic Centre in HCMC also told VN News that his chain sold an increasing number of induction and infrared stoves.

An article on a Ministry of Transport website quoted the head of marketing of online seller www.chodientu.vn as saying that electric stoves now accounted for 30% of all sales.

There are many kinds of induction and infrared stoves, both imported and made in Viet Nam.

Thuy of dienmay.com said her company sells many brands like Kangaroo, Media, and Electrolux.

"Price ranges from VND490,000 (US423) to VND2 million (\$95).

"High-end stoves cost tens of millions of dong," she told Viet Nam News.

She predicted sales to continue rising in the coming months because Tet (Lunar New Year) is coming around and people need these stoves for cooking hot pots.

Sellers said induction and infrared stoves offered many advantages.

Gas prices are high and the stoves are not as safe as induction or infrared stoves, they said.

Thuy said the latter helps save energy and money compared to gas stoves, is cleaner, and better looking.

"When using an induction stove, consumers can use 95% of its energy.

"The figure is 80% for infrared stoves and only 60% for gas stoves."

Talking about the future of gas stoves, most sellers said though many people were buying induction and infrared stoves, gas stoves would remain essential in VN due to power cuts.

Thus, many customers are now choosing to use both gas and induction (or infrared) stoves at the same time, they said.

*Source: Vietnam News*

## Legal Updates

### **Fined up to VND200 million for using prohibited chemicals in food processing**

As from December 31, 2013, a fine of VND5-10 million will be imposed for the act of using technically substandard water to manufacture and trade foods, food additives and food-processing supporting substances or using cleansing agents and sanitisers in food production and business against legal regulations; a fine of VND20-100 million will be levied on individuals using chemicals excluded from the list of allowed chemicals or chemicals without clear origin for food production and processing; using materials without safety assurance for food production and processing; and using prohibited chemicals for food production and processing.

A fine of VND70-100 million is levied on those using materials not classified for food making; using animals carrying infectious diseases, animals died of infectious diseases or unexplained diseases which are forced to be disposed for food production and processing.

The act of using non-quarantined terrestrial animals for food production

and processing will be fined 80 - 100 % of the total value of violated food, with the amount not to exceed VND100 million (for individual) or VND200 million (for organization).

*Source: Vietnam Law*

### **Land rent exemption for bid sample fiends**

Dispatch No. 8878/CT-TTHT dated Oct 31, 2013 of HCMC Department of Taxation on personal income tax.

Pursuant to Clause 2.g, Article 2 of Circular No. 111/2013/TT-BTC, for the case that the Company signed a labor contract with a foreign expert, has agreed to pay tuition fees on behalf of this employee for his/her children studying in VN at preschool level, this fee is exempted from PIT.

However, it is needed to have tuition fee certificate from school), this income is not counted in taxable income when calculating PIT of this foreign employee.

*Source: Vietnam Law*