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## UPDATES

January 01 to 16, 2012

### PRESS WATCH



#### 2011 FDI Disbursement equal to 2010

FDI spending in 2011 reached the previous year's figures of USD 11 billion despite challenges caused by tough economic conditions. Singapore, South Korea, Japan and Taiwan continue to be Vietnam's main sources of foreign investment, and provinces and cities attracting the most FDIs were HCM City, Baria-Vung Tau, Hanoi, Dong Nai and Binh Duong. Despite the global economic downturn, the foreign invested sectors have continued to make a significant contribution to the country's economy this year. For 2012, the Ministry of Planning and Investment has become more reserved with regards to FDI targets. In short, 2012 FDI focus would be on quality rather than quantity, and projects in sectors such as green-technology, high-tech industry and human resources would be welcome. Investment in non-production sectors would be limited, and technology with potential harm to the environment to be put under heavy scrutiny.

*Vietnam News 31 December 2011*



#### Airport Corporations merger

After concerns voiced in relation to loss-running airports, in particular small and domestic airports of the country, the Government has approved 'in principle' the merger of three airports corporations into Vietnam Airports Corporation (VAC) as proposed by the Ministry of Transport for better operations

and management of airports across the country. 100% state ownership would be retained at the new VAC after the merger.

*Saigon Times 03 January, 2012*



### **City infrastructure**

Acting on its determination to stop city flooding at 10 of 31 spots in the city by the end of the year, the People's Committee of Ho Chi Minh City is considering proposals for water drainage systems, subject to selection of construction sites and issuance of licenses for the works. The city cleared in 2011 39 out of 70 flooding spots through several measures, including putting into use over 200 km of sewers and dredging 92 canals and sluices.

*Vietnam News - 05 January*



### **Prices - VND or USD?**

Under Government Decree No.95/2011/ND-CP on foreign exchange and gold trading management, effective as of 20 October 2011, the quotation of prices in foreign currencies would be subject to fines of VND300 to 500 million. Tours operators and hotels are seeking permission to quote their services and products in popular currencies such as USD or Euro for convenience to tourists but payments in Vietnamese Dong would still be in practice as currently regulated. The proposal was made by members of the HCMC Tourism Association and a request was made to the Government to loosen regulations on price quotations in foreign currency, allowing the quote of services in USD or Euro, or at least to let them appear in parallel with those in Vietnamese Dong.

*Saigon Times - 6 January*



### **Rice export targets for 2012**

The rice export sector has faced unfavorable conditions so far, including lower demand of major importing countries and falling price, leading to tough competition among rice exporters. Usually, January is the time where Vietnam signs order contracts with Indonesia and Bangladesh but there has been no order from the 2 countries so far. The 2012 export target is about 6.5 to 7 million tons of rice but there would be difficulties ahead if export contracts with the Philippines are not secured for the second quarter.

*Saigon Times - 9 January*



### **Draft decree on intermediary payment service**

A draft decree on non cash payment mapped out by the central bank to replace the prevailing Decree No.64/2001 on payment service providers is to be approved shortly. Intermediary payment is a new service which has steadily developed in parallel with information technology and telecoms. Without a legal framework so far, the central bank has had no choice to date but to grant licenses on a trial basis to 9 organizations operating in e-purse services. The new regulations shall set up a legal corridor to support non banking institutions in payment activities. The new decree initially classifies intermediary payment services into 3 categories i.e. electronic payment infrastructure provision, payment service support and other services. Another important content of the draft Decree is the establishment of regulations on payment system supervision and the scope of supervision of the national payment system, or the interbank electronic payment system.

*Saigon Times - 10 January*



### **The two sides of WTO membership**

In a seminar organized by the National Institute for Finance, experts and policy makers shared the view that tax cuts made by the Government to fulfill the country's government did not affect State Budget revenue. Commitments to open local services market and other financial commitments have not left any huge impact on the economy. However, Vietnam's economy has become more vulnerable to the volatility of the global economy as policy makers did not fully anticipate the impacts of integration, and enterprises have had trouble with adjustment to harsher competition, thus leading to faster and more unpredictable macroeconomic instability.

*Saigon Times - 10 January*

### **Japanese firms focusing on local consumer market**



More Japanese enterprises are looking to enter Vietnam as a consumer market rather than a manufacturing base as before. Increasingly large numbers of Japanese companies have bought shares of local firms as they want to penetrate the local market via listed enterprises. A survey of Japanese firms

operating in Vietnam showed 30% of the companies in 2010 carried out trade activities or sold products in Vietnam, a higher percentage than in 2009 of over 25%. A consulting company for Japanese investors forecasted a strong flow of Japanese investments into Asian countries such as Vietnam, Myanmar, Cambodia and Laos from this year.

*Saigon Times - 07 January*



### **National Assembly on law implementation**

The fifth Session National Assembly's Standing Committee discussed during its fifth session the draft laws on advertisement, administrative punishment, judicial assessment, education and dissemination of laws. The Standing Committee focused on the implementation of the law on promulgation of legal documents by the People's Committees and People's Councils. Shortcomings still remained such as lack of regular supervision by higher level agencies and People's councils and People's Committees are to ensure procedures, as well as content and forms of issued legal documents.

*Vietnam News - 12 January*



### **E customs systems - trial application**

'E-Manifest', an advanced electronic customs clearance system, has recently been experimentally implemented for inbound and outbound cargo ships at the HCM City Port. It conveys freight information to customs officials prior to the arrival of a shipment at the border, and provides time information on cargo manifests and related documentation such as crew or dangerous goods. 'E-Manifest' would be in use at all seaports by the end of this year in an effort to speed up customs clearance processing, increase efficiency and transparency and modernize customs activities in accordance with international standards.

*Vietnam News - 13 January*



### **Infrastructure and vehicle fee**

Among proposed measures for curbing traffic congestion and reducing traffic accidents, was a vehicle fee to be applied to personal vehicles and cars. The proposal aims at three targets: the increase of investment sources for infrastructure, the implementation of measure for reduction of traffic accidents, and the creation of a foundation dealing with traffic congestion issues in large cities, especially Hanoi

and Ho Chi Minh City. There are currently some 34 million motorbikes and 700,000 cars across the country.

*Vietnam News - 09 January*



### **Industrial Zones here and there**

The HCMC Export Processing and Industrial Zone Authority (HEPZA) in a recent year-end meeting has proposed the establishment of an industrial park for supporting industries to attract Japanese investors, and the authorities of Baria-Vung Tau are currently aiming at developing an industrial part in line with the Government's policies, targeting first and foremost Japanese investors. The two governments have reached an agreement to develop bilateral strategic partnerships, under which Vietnam shall have Japan's support for the setting up of two industrial zones for supporting industries, one in Baria-Vung Tau, the other in Hai Phong City.

Elsewhere, the Laos MPI has entered in a deal with the director of Golf Long Thanh Trade and Investment JSC, to upgrade the Ventiane Golf and real estate complex into a special economic zones. The Long Thanh-Ventiane special EZ would be the first Vietnamese invested project out of a total of 6 special EZs in Laos. It will be home to both local and foreign investors and the zone owner would be authorized to issue investment certificates to investors, in line with Laos' one stop policy.

*Saigon Times - 11 & 12 Jan*



### **More investment in livestock breeds**

In the past two decades, the agriculture and rural development sector only attracted 738 foreign investment projects not including food processing projects, totaling USD 4.2 billion, accounting for only 2.3 percent of Vietnam's total registered investment capital in the same period. State investment shall in 2012 focus on raising livestock breeds, building slaughterhouses and meat processing facilities. Forecasts on fierce competition from imports in the coming years led to the counter-measure in producing high quality fowl at home. Under the country husbandry development plans, live stock farming would be shifted from small scale households to industrial farms, and husbandry shall relocate out of residential areas and invest in water treatment facilities for environmental protection.

*Vietnam News - 14 January*



### **Law on Land - to be perfected**

Early in January, a controversial land revocation in Hai Phong City led to a violent confrontation with farmers in Tien Lang District, north of Hai Phong. The local authorities revoked the land as the term of 14 years per the decision to hand over the land in 1997 was terminated - However, under Vietnam's prevailing Law on Land, the right to use aquaculture land is valid for 20 years, and therefore the farmer was entitled to use the land until 2017. While the farmer's family is being detained for resistance against authorities, the local authorities are themselves under review for non-compliance with laws, and the issue shall be subject to consideration by the National Assembly upon passing the new Law on Land by year 2013.

*Tuoi Tre / Vietnam Express - 16 January*



### **Fast track for foreign drug firms**

Under Circular No.47/2011/TT-BYT dated 21 December 2011, amending Circular 17/2001/TT-BYT, foreign pharmaceutical companies registering their drugs or pharmaceutical products shall be issued licenses within 30 working days if their registration files are legal and valid - not within three months. Such drug license would have a validity of five years, an extension from the former validity term of 2 years. The Circular is considered one step forward in the administrative reform in the Health sector. Vietnam currently has 400 foreign pharmaceutical companies controlling 50% of the USD 2 billion pharmaceutical market.

*Vietnam News - 16 January.*



### **Banks allowed credit growth quotas**

This year will be the first time credit growth is allocated by the State Bank of Vietnam for credit institutions based on performance. Commercial banks and credit institutions would be allocated growth rates based on their health and performance last year and are required to set their own quarterly targets while the overall amount they can lend would be designated by the State Bank. The SBV would continue to limit credit growth in the banking system but would relax the cap from 15 to 17 percent to

help curb inflation while ensuring total money supply increases under 16% for the year. Most banks have not yet as of 09 January 2012 released their 2011 financial statements.

*Vietnam News - 9 January*



### **Sacombank: Partner change**

ANZ bank has sold its 9.6% stake in Sacombank - equivalent to USD 27 million - to Vietnam Export to Eximbank, thus ending the strategic alliance established since 2005. In recent months, Sacombank stock was the most actively traded on the bourse, despite the divesting of stakes by Dragon Capital and Refrigeration Electrical Engineering Corporation (REE), which, together with ANZ's departure, leaves Sacombank with only one foreign strategic shareholder, Saigon Phnom Penh Land Holding, with a 4.85% stake. Sacombank's pretax profit in 2011 was estimated at VND2,720 billion, exceeding the year's target by 1%.

*Saigon Times - 6 January*



### **5 to 8 banks to be merged in first quarter**

According to the Governor of the State Bank, there shall be 5 to 8 banks to be merged in the first quarter of 2012 or there would be banks taking over other institutions, as the Government pursues its restructuring of the banking system. Whether this shall be implemented would still depend on the internal resources of the banks themselves. Any implementation would be on the basis of good will and in strict accordance with the laws. There is no change in annual interest rate, but reviews would be done at the end of the first quarter when economic conditions are further stabilized. Also according to the Governor, this would be a solution for the improvement of liquidity, which has recently become an issue.

*Thanh Nien - 09 January /Saigon Times - 12 January*



### **Bank interest rates unchanged - True or false?**

Though the official bank interest rate is 14% a year, due to lack of liquidity caused by a sharp plunge of deposits, the current 'hush hush' interest rate has gone up to 17 -20% a year, and some banks have

gone so far as to discreetly contact customers for an ‘off the records’ settlement of interest. In addition to the interest rate status, banks are also concerned about credit term risks as deposit terms at most banks is about 3 months max, where as loans are always medium or long term. In other news, the State Bank of Vietnam has announced that bank interest rates would be adjusted after the first quarter, confirming the possibility of a rate cut.

*Vietnam News - 13 January*



### **Merging of three card switching systems.**

A proposal to merge 3 local debit card networks to create a unified card switching center was submitted to the Government and may be implemented within 2012. This merger would help save costs and unify service management and development policies for the card market and non-cash payment services as a whole. The issue was that the current inter-bank ATM services only allows cash withdrawals and transfers but not settlement of goods and services at terminals of other banks other than the issuing one, Another issue was the strong surge in the number of ATM in Vietnam (12,811 machines across the country as of June 2011) and the insignificant growth of non-cash payments in banks.

*Saigon Times – 16 January*

## **LEGAL UPDATES**

- **Law on Civil Servants No.58/2010/QH12** dated 15 December 2010
- **Law on Environmental Protection Tax No.57/2010/QH12** dated 15 November 2010
- **Law on Independent Audit No.67/2011/QH12** dated 29 March 2011
- **Law on Use of Non-agricultural Land No.48/2010/QH12** dated 11 November 2011
- **Law amending and supplementing certain articles of the Civil Procedure Code No.65/2011/QH12** dated 29 March 2011
- **Law on Prevention and suppression against Human Trafficking No.66/2011/QH12** dated 29 March 2011.  
*Effective 01 January 2012*
- **Joint Circular No.47/2011/TTLT-BCT-BTNMT** dated 30 December 2011 of the Ministry of Industry and Trade (MoIT) and the Ministry of Natural Resources and Environment (MoNRE)

on management of import, export and temporary import of ozone depleting substances in accordance with provisions of the Montreal Protocol on Substances depleting the ozone layer - superseding Joint Circular No. 14/2005/TTLT-BTM-BTNMT dated 11 July 2005 of the Ministry of Trade and the MoNRE.

*Effective 01 January 2012*

- **Circular No.44/2011/TT-NHNN** dated 29 December 2011 of the State Bank of Vietnam on promulgating the system of internal control and internal audit of credit institutions, branches of foreign banks.

*Effective 12 February 2012*

- **Circular No.201/2011/TT-BTC** dated 30/12/2011 of the Ministry of Finance providing Regulations on interest rate of State investment credit loans, export credit, and difference of post-investment support interest rates - superseding Circular No.203/2010/TT-BTC dated 14/12/2010.

*Effective 15 February 2012*

- **Circular No.193/2011/TT-BTC** dated 23 December 2011 guiding financial management, and disbursement for programs and projects funded by the OPEC fund for International Development (OFID).

*Effective 12 February 2012*

- **Circular No.01/2012/TT-BTC** dated 03 January 2012 of the Ministry of Finance on guidance for customs clearance of export-import goods subject to quarantine - superseding Joint Circular No.17/2003/TTLT/BTC-BNN-BTS of the MoF, the MaRD and the Ministry of Fishery dated 14/3/2003.

*Effective 15 February 2012*

- **Joint Circular No.01/2012/TTLT-BCT-BNG** dated 03 January 2011 of the Ministry of National Security and Ministry of Foreign Affairs amending and supplementing Joint Circular No.04/2002/TTLT-BCA-BNG dated 29 January 2002 and Joint Circular No. 05/2009/TTLT-BCA-BNG dated 12 May 2009 of the Ministry of National Security and Ministry of Foreign Affairs on immigration issues.

*Effective 17 February 2012*

*Draft Laws*

- **Draft Circular of the Government** dated 18 November 2011 guiding the implementation of certain articles of the Law on Value Added Tax and the implementation of Decree No.123/2008/ND-CP providing in details and guiding the implementation of certain articles of the Law on Value Added Tax.
- **Draft Decree of the State Bank of Vietnam** on intermediary payment services.
- **Draft Circular of the State Bank of Vietnam** on risks management.

## HEADS UP

- **Circular No.168/2011/TT-BTC** dated 21 November 2011 of the Ministry of Finance guiding state statistics in customs for export - import goods  
*Effective 15 January 2012*
- **Joint Circular No.20/2011/TTLT-BTP-BTNMT** dated 18 November 2011 of the Ministry of Justice-Natural Resources and Environment guiding the registration of mortgage for use right for land and assets attached to land.  
*Effective 15 January 2012*
- **Circular No.22/2011/TT-BTP** dated 02 December 2011 of the Ministry of Justice on guidance for implementation of procedures in administrative management of civil judgment enforcement.  
*Effective 20 January 2012*
- **Decree No.109/2011/ND-CP** dated 02 December 2011 of the Government, amending Decree No.47/2009/ND-CP on sanctions for administrative violations on copyrights and related rights.  
*Effective 20 January 2012*
- **Circular No.175/2011/TT-BTC** dated 05 December 2011 of the Ministry of Finance, on guidance for the accounting system applied to insurance brokerage enterprises.  
*Effective 19 January, 2012*
- **Decree No.111/2011/ND-CP** dated 05 December 2011 of the Government, on consular certification and consularization.  
*Effective 01 February 2012*
- **Decree No.113/2011/ND-CP** dated 08 December 2011 of the Government on amending and supplementing several articles of Decree No.26/2009/ND-CP detailing the implementation of several articles of the Law on Special Consumption.  
*Effective 01 February 2012*

- **Circular No.47/2011/TT-BYT** dated 21 December 2011 of the Ministry of Health, amending Circular No.17/2011/TT-BYT dated 01 August, 2001 providing guidance to foreign enterprises in registration of drugs and medicinal materials in Vietnam and Circular No.10/2003/TT-BYT dated 16 December 2003 providing guidance to foreign enterprises in registration of vaccines and medical biological products.

*Effective 05 February 2012*

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