



INDO-VIETNAMESE CHAMBER
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President Writes

The Vietnamese Prime Minister, Mr. Phan Van Khai, told the 10th National Assembly's first meeting that improving the efficiency and competitiveness of the economy was one of the major tasks before the new Government in the near future. After years of high economic growth, the greatest challenge for Vietnam is how to raise the quality of growth. The Government has also decided to pay more attention to the construction of infrastructure facilities, particularly in the rural areas.

Since the Law on Foreign Investment in Vietnam was promulgated in December 1987, more than 2000 projects have been licensed with a foreign registered capital of over \$ 31 billion.

According to the Human Development Report 1997, while Vietnam has reduced income poverty by an estimated 35% since launching Doi Moi, the incidence remains high, ranging from less than 20% according to a national poverty line to around 50 per cent based on an internationally comparable income poverty line. Even with a per capita income of \$270, Vietnam has made much progress in reducing human poverty. It has achieved a life expectancy of 66 years, an adult literacy rate of 93% and access to health service for 90% of its population. The Vietnamese Government aims to eliminate chronic hunger by 1999, to eradicate income poverty by 2010 and, ultimately, to catch up with its more prosperous neighbours.

Coming to Indo-Vietnamese trade and economic relations, downtrend in exports to Vietnam, which set in during 1996-97, continued unabatedly through 1997-98. During the first four months (April-July) of the current financial year, exports from India to Vietnam have declined by 8% to \$ 40.2 million from \$ 43.7 million in the corresponding period last year. India's exports to Vietnam declined, while India's global exports increased by two per cent during the same period. Imports from Vietnam, on the other hand, have increased from \$ 0.5 million to \$ 1.9 million during the same period. As a result of increase in imports from and decline in exports to Vietnam, trade balance, though continued to be in favour of India, declined from \$ 43.2 million to \$ 38.3 million.

India Trade Promotion Organisation (ITPO) participated in the Engineering, Production & Machinery Exhibition, held at Hanoi between September 22-26, 1997. Companies participated in this Exhibition are in the process of business negotiations worth Rs. 41 lakhs.

To celebrate India's 50 years of Independence, Comnet Exhibitions Pvt. Ltd., has organised First Pride of India '98 at Hanoi between January 14-17, 1998. This industry exhibition will display and demonstrate the country's strengths and expertise in various fields to people of Vietnam. The main objective in organising Pride of India '98 in Vietnam is to enhance economic cooperation between the two countries. Coinciding with the Exhibition, a series of interactive workshops, focusing on specific areas have been organised.

Those interested in participating in this Exhibition are requested to contact Comnet Exhibitions Pvt. Ltd., C-390, Defence Colony, New Delhi 110 024. Tel : 011-462 27 10/2711/1732/1760; Fax : 011-4623320/4633506/464 86 92; E-Mail : exhibind@giasdi01.vsnl.net.in•Website : <http://www.exhibitionsindia.com>.

With best wishes.

N K Nayar
President

SEVENTH AGM OF IVCCI

INDIA MUST CHANGE STRATEGY OF EXPORTING TO VIETNAM, SUGGESTS EXIM BANK STUDY



Seventh Annual General Meeting of the Indo-Vietnamese Chamber of Commerce and Industry (IVCCI) on Monday, 22nd September, 1997 at 11.30 a.m. at the IMC Committee Room, (2nd Floor), IMC, Mumbai.

Left to right :

Mr. Atul Bhagwati, President-Emeritus, IVCCI, H. E Mr. Hoang Huu Khue, Vietnamese Consul General in Mumbai, Mr. T. C. Venkat Subramanian, Executive Director, Exim Bank of India and Mr. N K Nayar, President, IVCCI.

November 22, 1997

India's export strategy with regard to Vietnam has become obsolete and ineffective and needs urgent review, according to Mr. T. C. Venkat Subramanian, Executive Director of Exim Bank of India.

Mr. Venkat Subramanian, who was inaugurating the Seventh Annual General Meeting of the Indo-Vietnamese Chamber of Commerce & Industry (IVCCI), said that a study commissioned by the Exim Bank has shown that the increasing imbalance in two-way trade between India and Vietnam underlines the need for India to change its export policy towards Vietnam, lest it run the risk

of jeopardising its long-term interest. To illustrate the point, he said that in 1996-97, Indian exports to Vietnam amounted to Rs. 412 crore, but Vietnam was able to export to India products worth only Rs. 6 crore!

Vietnam has been recognised in international business circles as dynamic emerging market offering lucrative opportunities, but bedevilled with difficulties. Its economy and business climate have improved beyond recognition since the introduction of extensive reform measures and a liberal foreign investment code in the late 1980s. Nevertheless, Vietnam's poor

physical infrastructure, weak commercial and legal framework, cumbersome bureaucracy, and inadequate access to trade and project financing, all pose formidable challenges to doing business with that country. Vietnam needs huge inputs of goods and services to develop its physical infrastructure.

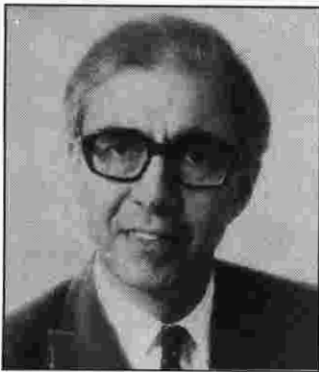
Indian entrepreneurs would do well to take up Vietnam's priority sector projects such as roads, bridges, airports, air transportation, seaports, power generation and transmission, water treatment and supply, petroleum exploration and refining, coal production, hospitality and tourism projects, funded by multilateral development banks and Japanese ODA resources. Companies doing business in Vietnam should have a presence on the ground to benefit from that rapidly expanding market.

Vast opportunities are open to Indian businessmen for meeting the growing Vietnamese demand for modern goods and services in sectors like construction, telecommunication, food processing and packaging, textile machinery and transportation, chemical fertilisers, insecticides, farm and animal husbandry equipment, banking, shipping, insurance, etc. Indians could also think of profitably investing in the education, environment, information technology, health and medicine related areas.

Earlier, Mr. Hoang Huu Khue, Consul-General of Vietnam, said that Vietnam's GDP rose by 9.1 per cent in the first six months of 1997, and the growth momentum was continuing. Industrial output increased by 13.8 per cent and export turnover grossed \$4.9 billion. Vietnam has built 34 industrial zones

Office-Bearers of IVCCI : 1997-98

Mr. Narinder K. Nayar, Managing Director, Concast (India) Ltd. has been unanimously re-elected President and Mr. M. Lall, Sr. Vice-President, Indusind Bank Ltd. has been unanimously elected Vice-President of IVCCI for 1997-98.



Mr. Narinder K. Nayar
President



Mr. Atul Bhagwati
President-Emeritus



Mr. M. Lall
Vice-President

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Mr. Atul Bhagwati

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First Vice-President of VCCI, Hanoi

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VIETNAM IS A DYNAMIC EMERGING MARKET*

Shri T C Venkat Subramanian, Executive Director, EXIM Bank of India

In 1996-97, the total value of India's trade with Vietnam aggregated Rs. 4176 million. Of this, Indian exports to Vietnam constituted Rs. 4115 million, while imports amounted to Rs. 61 million. Exports to Vietnam in 1996-97 were 0.35% of total Indian exports in the year. Drugs, pharmaceuticals and fine chemicals (21%), miscellaneous processed items (20%) and oil meals (11%) were the main products exported from India to Vietnam in 1995-96, together accounting for 52% of total exports.

Vietnam : Potential for increased trade and investment

Vietnam is widely recognised in international business circles as a dynamic emerging market with numerous opportunities. These lucrative opportunities are tempered by the many difficulties associated with doing business in an economy in transition. The economy and business climate have improved a great deal since the introduction of extensive economic reform measures and a liberal foreign investment code in the late 1980s. Nevertheless, Vietnam's poor physical infrastructure, weak commercial legal framework, cumbersome bureaucracy, and inadequate access to trade and project financing, all pose formidable challenges to doing business. Vietnam requires huge inputs of goods and services to rehabilitate and develop its dilapidated physical infrastructure. Additionally, long-suppressed demand for consumer goods has surfaced, buoyed by more confidence in the economy.

Generally, opportunities in Vietnam exist in all sectors. However, given the limited resources available to the Government of Vietnam, certain projects have been designated

priority projects. They include infrastructure projects such as roads, bridges, airports and air transportation, seaports, electric power generation and transmission, water supply and water treatment, petroleum exploration and exploitation projects, coal production and projects in the hotel and tourism sectors. The government is interested in the rapid transfer of modern foreign technology as the ideal means of encouraging industrialisation and ensuring constant economic growth. It has adopted a flexible policy towards joint ventures, licensing and planning procedures and tax concessions.

Companies intending doing business in Vietnam should have a presence on the ground to benefit from this rapidly expanding market. Being able to offer an attractive financing package is the single most important factor for winning contracts in this hard currency scarce environment. Time, patience, and hard work are the other ingredients for success.

Indian companies should look for opportunities in major projects funded by Multilateral Development Banks and Japanese ODA resources. These have the advantage of being priority projects that already have financing.

As Vietnam seeks to meet demands for inputs to build its infrastructure and industrial base, import demand will be strongest for the foreseeable future for goods and services in sectors such as aviation, hotel and tourism, power, telecommunications, construction, food processing and packaging, textile machinery and transportation. Agricultural inputs such as chemical fertilisers, insecticides, farm and animal husbandry equipment are also likely

to be in high demand. Banking, shipping, insurance and other trade facilitating services for increased Indo-Vietnam trade are still in the early stages of development and present both challenges and opportunities for the more entrepreneurial firms.

Sectoral Opportunities For Indian Organisations

Some of the major sectors in Vietnam where opportunities are available for Indian companies are: health and medicine-related areas, textiles, food and agriculture (including coffee, fruit and vegetables, seafood), environmental opportunities and requirements, hotel and building projects in Ho Chi Minh City, telecommunications and information technology.

Medical Sector

There is potential in activities related to hospital construction and refurbishment in Vietnam. There are also likely to be continuing modest prospects for supplying hospitals and clinics, and joint venture opportunities to produce medical supplies and pharmaceuticals, particularly vaccines for domestic use. Private medicine is expanding and may lead to further opportunities for Indian suppliers.

There is a significant potential for selling Indian medical products and services in Vietnam. Indian pharmaceutical products are relatively well known even at the district and provincial hospitals and among private doctors and clinics, because of considerable marketing efforts by several Indian companies. However, companies should be alert to the likelihood that procurement practices may not be transparent, and

* Inaugural Address at the seventh AGM of IVCCI on September 22, 1997

that they may need to provide considerable flexibility in financing.

Textiles & garments

An export target of US\$ 1 bn per annum is considered feasible within the next few years for Vietnam's textiles and garments industries. The US Dollar market should open up, having scored US\$ 600 mn in exports in 1994. Confidence abounds on further success as more markets, such as the EU, grant greater quotas. This is one of the most attractive areas for foreign investment, and investors who are already in the business and can ensure overseas markets, especially via bulk orders, are likely to be the greatest beneficiaries. However, foreign firms in niche markets can also find substantial business if they take the time to survey the scene in depth.

Food and agriculture

This is an increasingly better managed export sector with a significant role to play in the country's economy. Food and agriculture have a long way to go to realise their full business potential, but it is within this context that non-Vietnamese parties can locate substantial business opportunities. The first point to appreciate is that there is a market for much, if not most, of what Vietnam is producing, based on its traditional crops. However, there is a widespread understanding that it is vital to produce the products that overseas clients want and in the quality, style and presentation they would wish to see.

Certain crops which existed, but languished in the past, have been identified and are now the subject for more intense investment, farming and marketing - for example, coffee, tea, rice, and beans. Others, whose commercial presence is recent, are being developed at the behest of overseas investors who have a ready market for these new specially

selected items, such as bananas and pineapples. There are many avenues for entering the business of food and agriculture for exports. One starting point is to ally with state-owned exporters. Some of these are enterprising enough to know that in a changing economy they have to become more international in character and make better use of their existing domestic relationships.

Environmental opportunities

Vietnam appears to be in the early stages of concern for the environment. The environmental bureaucracy is rudimentary. There is apparently wholesale adoption of environmental standards, based primarily on ISO and European standards, but only minimal enforcement. The major official concerns are river pollution in the major cities, handling and treatment of solid and organic wastes, provision of clean water in rural areas, and vehicular pollution. There may be opportunities for consulting services, particularly for master environmental plans for the major cities, but most procurement seems likely to flow from eventual Asian Development Bank or World Bank projects. Some contracts may be available on projects financed by bilateral aid programmes, the principal financial source being Japan.

Telecommunications

There is a rapidly expanding market for telecommunication products for items used in extending the national system to rural areas, a swiftly growing market for end-user telecommunications equipment and plans for a possible telecommunications satellite and extensive offshore optical fibre cables. Conversely, there are no signs of allowing competition in providing services, the procurement system is opaque and equipment supplies must be prepared to work within Vietnam's apparently wholesale adoption of ITU standards.

Others

Iron and steel : The demand for iron and steel has doubled in the last two years alone, to an estimated 1.3 million tonnes. The government has plans to invest heavily in modern machinery and plant for iron and steel production.

Automobiles : Car ownership stood at 300,000 in Vietnam in 1995. The sales of new cars are projected to touch 60,000 annually by the year 2000. Several automobile manufacturers already have production facilities in Vietnam. Prominent among these are Mitsubishi, Toyota, Ford and Daimler-Benz.

Mechanical engineering : Vietnam's priorities in this area include electronically controlled motors, generators and transformers, mechanical engineering for the machine tools sector and light industry.

Wood and paper : Existing capacity in this industry has to be expanded, and new capacity developed in order to safeguard domestic paper production. State-of-the-art sawing, milling and sanding equipment is needed to improve productivity in the wood processing industry.

Chemicals : Prospects for investment in the Vietnamese chemicals sector are mainly in the fields of fertiliser and pesticide production, petrochemicals, dyes and plastics, rubber, paints and varnishes, industrial resins, grease and oils, inorganic and organic chemistry.

Electrical engineering and electronics : Areas such as measuring and testing equipment, quality control, automation and electronic equipment hold potential in the Vietnamese market. Household electronics is another high-growth sector.

Mekong Project Development Facility (MPDF)

Exim Bank operates an active programme with International Finance Corporation (IFC), Washington to facilitate their utilisation of Indian consultants for various programmes and facilities supported by them. The Co-operative arrangements were first set in place with respect to African Development Project facility and has since been expanded to cover IFC Facilities world-wide. The most recent instance of such co-operation is the Mekong Project Development Facility (MPDF). The MPDF programme has two main parts –

Part A : Enterprise development involving assistance to private entrepreneurs in the appraisal, development and implementation of their projects, with the project size ranging between US\$250,000 and US\$10 million.

Part B : Capacity building involving assistance to institutions and firms which support Small and Medium sized enterprises. A brief fact sheet about the MPDF is attached.

MPDF operates in a wide range of sectors but is particularly active in manufacturing (light engineering, plastics and agricultural

equipments); garments; agri-business (such as essential oils and food processing); and micro-finance institutions.

EXIM Bank of India maintains a database of Indian consultants, and this list is continuously expanded and refined. Based upon requests that may be received from MPDF for a variety of technical assistance, EXIM Bank would provide a short list of appropriate consultants for MPDF's consideration. Should an Indian consultant be selected, EXIM Bank would bear the professional fees of the selected consultant. The programme has been developed in conjunction with IFC/MPDF with a view to sharing Indian experience and expertise.

PPSO

EXIM Bank operates a Project Preparatory Services Overseas (PPSO) programme which seeks to address a gap in India's support mechanism for exports. EXIM Bank Provides assistance to enable Indian consultancy inputs at preparatory stage in projects overseas. The focus is on projects which have potential for ultimate financing by multilateral agencies and the focus is on those

countries and sectors which present opportunities for furthering Indian economic co-operation. The programme can support Indian consulting, manufacturing and contracting firms. Typical sectors for which such assistance can be rendered include agricultural and agro-industry, energy including petroleum; transport and communication, industry, water supply and sewerage; education and health.

Under this programme EXIM Bank has supported a study of the railway sector in Vietnam (RITES), as also a pre-feasibility study for project rehabilitation (Intercontinental Consultants and Technocrats).

Strategic Market Entry Support :

EXIM Bank operates a programme for reimbursing the expenses incurred in bid preparation in respect of those cases where contracts are secured by Indian companies for multilateral agencies funded projects overseas. A case in point is the support provided for Asian Development Bank - funded consultancy study for water supply and sanitation projects in Vietnam (Stup Consultants).

Fact Sheet about MPDF

The Mekong Project Development Facility (MPDF) is a multi-donor funded operation, managed by the International Finance Corporation (IFC), the private sector arm of the World Bank Group. The Facility is designed to promote the establishment and expansion of privately-owned, small-and medium-sized enterprises (SMEs) in Vietnam, Cambodia and Laos. Established in 1997, the MPDF has two offices: one in Hanoi and the other in Ho Chi Minh City. In general,

the Facility will assist small and medium enterprises develop projects ranging between \$250,000 and \$10 million in project costs. It will also provide assistance to joint ventures that have significant local private participation. Additionally, it can provide, on a selective basis, training and technical assistance to entrepreneurs. Whereas the services of MPDF are heavily subsidized, the entrepreneur or organization being assisted is expected to share a mall part of the developmental costs associated with their projects.

The Facility will have the following core programmes :

Part A : Investment Evaluation and Promotion. MPDF will provide assistance to SMEs seeking to establish a new business or expand their existing business by: (1) Preparing feasibility studies and market studies; (2) Evaluating and advising on a company's operational and financial status; (3) Evaluating and advising on corporate and management structures, financial reporting systems, legal, administrative and all other issues

relevant to a sound business; (4) Advising on technology needs and possible sources; (5) Preparing business plans; (6) Working with companies to obtain necessary financing from banks and other investors; and (7) Other activities needed to support SMEs such as training and technical assistance.

Part B : Capacity Building. The Facility will work to encourage the development and expansion of institutions and firms that can

provide in-country services which support SMEs. This would include companies that provide services similar to those described in the above paragraph, such as accounting firms, law firms, banks, etc. MPDF would accomplish this by organizing and sponsoring training programmes, seminars and other activities designed to improve the quality of in-country services and support available to SMEs.

Part C : Mekong Financing Line Support. In order to complement its other activities and provide SMEs with needed financing, MPDF will provide limited support to IFC's Mekong Financing Line (MFL), a credit line which will target SMEs in the region. In this regard, the Facility will identify, screen and propose potential investments to IFC for consideration under the MFL. All investment decisions regarding the Mekong Financing Line will be made by IFC staff.

(Continued from P. 2)

which are leading the country's development. The foreign direct investment (FDI) rose to \$31 billion, of which projects worth \$12 billion have been implemented. Singapore tops the list of foreign countries investing in Vietnam, he said.

Mr. N. K. Nayar, President, IVCCI, said that India extended a line of credit of Rs. 35 crore (\$ 10 million) to Vietnam in March 1997, which will be available for import of capital goods from India, including original spare parts and accessories. Contracts to be funded under this line of credit should be signed and

VIETNAM JOINS APEC

Vietnam, along with Russia and Peru, has been accepted as a new member of the Asia Pacific Economic Cooperation (APEC) Forum. This was announced by the Canadian Prime Minister Mr. Jean Chretien at the recent Annual Summit of APEC held in Vancouver. The effective date for new members to join APEC will be January 1, 1998. At least for the next decade, no other country is expected to be admitted as a member of the APEC, as per the official announcement.

The existing 18 APEC members are : Canada, the United States, Australia, Brunei, Chile, China, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Philippines, Singapore, Taiwan, Thailand and Hong Kong.

letters of credit established before 30th April 1998; and the terminal date for drawals under the credit has been fixed at 30th April, 1999.

He called for urgently signing an agreement for establishment of direct shipping lines between India and Vietnam. Absence of direct shipping facility has been impeding the two-way trade, as freight rates from Mumbai to Vietnam are higher than that between India and West Europe, because of transshipment at Singapore, although the distance involved is much less.

NEW LEADERS OF VIETNAM

Following the recent General elections, new National Assembly came into being in Vietnam and **H. E. Mr. Tran Duc Luong** took over as **President** of Vietnam, **H. E. Mrs. Nguyen Thi Binh** as **Vice-President** of Vietnam and **Mr. Phan Van Khai** as **Prime Minister** of Vietnam.

H. E. Mr. Do Muoi was reelected as

General Secretary, standing member of the politburo and **Mr. Nong Duc Manh** as **Chairman** of the National Assembly.

Following persons have been elected as **Deputy Prime Ministers** of Vietnam.

1. Mr. Nguyen Tan Dung (in charge of General Economy & Internal Politics)

2. Mr. Nguyen Manh Cam (in charge of Foreign Affairs)
3. Mr. Nguyen Cong Tan (in charge of Agriculture)
4. Mr. Ngo Xuan Loc (in charge of Construction)
5. Mr. Pham Gia Khiem (in charge of Science, Technology & Environment)

Welcome to

H. E. Shri Aftab Seth

India's Ambassador to Vietnam

on his

first visit to Mumbai
and

**INDIAN MERCHANTS' CHAMBER
&
INDO-VIETNAMESE CHAMBER OF COMMERCE & INDUSTRY**

Tuesday, December 2, 1997

GLORIOUS PAST

- * Joined Indian Foreign Service in June 1968.
- * Served in Indian Embassies in Tokyo, Beirut, Cairo and Jakarta as also as India's Consul-General in Hamburg and Karachi.
- * H. E. was the Official spokesman of the Ministry of External Affairs between 1988 and 1992.
- * Prior to taking up his present assignment in January 1997 as Ambassador of India to Vietnam, H. E. served as Ambassador of India to Greece.

IMC & IVCCI wishes H. E. Good Luck and Success in cementing Indo-Vietnamese relations.

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