

INDO - VIETNAMESE

CHAMBER OF COMMERCE & INDUSTRY

NEWSLETTER | JULY - SEPTEMBER 2008



President Writes

Despite sky-rocketing oil prices, natural disasters, global economic slowdown and depreciation of the dollar, the upward march of the Vietnamese economy continued unabatedly. Its economic growth in the first quarter (January –March) of 2008, at 7.4 per cent, more or less maintained pace of the average growth obtained in the corresponding quarters of 2005, 2006 and 2007. Over the past decade, Vietnam's economy is growing at the average annual rate of 7.5 per cent, taking Vietnam, like India, on a high growth trajectory on a sustained basis. India and Vietnam both are set to join the 13-member group of 'miracle economies' that have recorded higher growth in a short span of time. This is indeed a credit for Vietnam and India to be able to join this group of fast growing economies.

Bilateral trade between India and Vietnam continue to surge : During 2007 India's exports to Vietnam increased by 54 per cent to \$1,357 million from \$880 million in 2006. Imports increased by 30 per cent to \$180 million from \$138 million during the same period. India's trade surplus increased from \$742 million to \$1177 million, as a result. During the first two months (Jan.-Feb) of 2008 India's exports to Vietnam more than doubled to \$447 million from \$219 million in the corresponding period last year. Exports of steel recorded a quantum jump of five-fold from \$7.5 million to \$46.7 million during the same period, pointing to a boom in construction and infrastructure activities. India's Imports from Vietnam, on the other hand, increased by 25 per cent to \$28.1 million from \$22.6 million during the same period. Trade balance, which has been steadily rising in favour of India over the years, further increased to \$ 419 million from \$ 196 million last year. This has been a major issue, which needs to be tackled if the bilateral trade has to be promoted on a higher plateau. Major items in India's export basket to Vietnam include : feed ingredient, steel, cotton, pharmaceutical, machinery and equipment and metal, accounting for almost 70 per cent of India's total exports to Vietnam. India's Imports from Vietnam include computer hardware and electronic goods, coffee, rubber, garment and textiles, cinnamon, pepper, footwear and coal, which account for 40 per cent of India's imports from Vietnam.

Exchange of delegations between the two countries continues: Vietnamese companies attended the defence exhibition as also participated in the Engineering Meet in Kolkata and Chennai. More and more such delegations should visit India to familiarize Indian consumers with their products.

Of course, rising consumer prices pose a major threat to the Vietnamese economy: Consumer Price Index (CPI) surged by 3.0 per cent in March 2008 compared with a fall of 0.2 per cent in the corresponding month of 2007 and a fall of 0.5 per cent in March 2006.

Vietnam Tourism, along with other sectors like agriculture, offers an enormous potential. With proper collaboration and sincere efforts, Vietnam and India both can derive benefits by promoting tourism in our two countries.

The Vietnamese Government is well on course for its target of turning Vietnam into a middle-income country by 2010. Its longer-term aim of becoming a modern industrial nation by 2020 does not seem unrealistic.

Business of all kinds is booming in Vietnam, which has become world's major provider of food. With an inflow of \$18 billion coming in by way of FDI and per capita income of \$840, Vietnam offers enormous potential for Indian business to prosper.

Kamal K. Seth
President



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VIETNAM ECONOMY

Economic Growth

Despite slowdown & the short-term difficulties experienced by the global economy, Vietnam, like India, has sustained its growth momentum in the first half of 2008.

GDP grew by 7.4% in the first quarter (Jan-Mar) of 2008. The growth rate in the first half (Jan.-June) this year was estimated to be lower at 6.6% than that of 7.9% in the same period last year.

Industry

During the first six months of 2008, industrial production was up by 16.4% year-on-year. Sector-wise, State economic sectors grew by 6.9%, non-State economic sectors by 22.3% and FDI sector by 17.4%. While primary industries recorded a minus growth rate of 4.2% year-on-year; secondary and processing industries soared by 18.1%.

Agriculture

Agricultural production, though faced with difficulties caused by severe cold and animal epidemics, increased by 2.9% in the first quarter (2.6% in the first quarter of 2007).

Services

Services sector experienced a growth rate of 8.1% in the first quarter of 2008 (8.0% last year). Retail services grew by 30%.

FDI

The inflow of FDI continued unabated: In June 2008, there were 163 licensed projects with total registered capital of \$16.2 billion, taking the total number of newly licensed projects in the first half this year to 487 with registered capital of \$30.9 billion.

International Trade

In June 2008, exports amounted to \$6.3 billion, surpassing the previous record of \$5.2 billion in May 2008. Exports in the first half of 2008 were estimated at \$29.7 billion, up by 32% year-on-year. Imports during the same period reached \$44.5 billion, rising by 60% over the corresponding period last year. Some industrial imports grew rapidly due to price hike in the world market and rising demand in the domestic market: fertilizers by 18% (2.1 million tonnes), steel by 68% (6 million tonnes), paper by 30%, equipment, machine and spare parts by 46%, chemistry products by 41%, textile materials by 16% and electronic spare parts by 43%.

Trade deficit, as a result, increased to \$14.8 billion, 3-4 times higher than in the corresponding period of 2007. High trade deficit was exerting pressure on the balance of payments and foreign exchange rate stability.

The foreign exchange reserves are estimated at \$20.7 billion.

ADB loan for Vietnam

The Asian Development Bank (ADB) would provide three loans totalling \$200 million to help Vietnam develop education sector for the most disadvantaged, continue reforming the financial sector and improve high-priority

subregional corridor in the south during 2008. During 2007, ADB approved 8 loans totalling \$1.5 billion and technical assistance grants amounting to \$2.2 million to Vietnam.

Tourism

Vietnam has recently enjoyed high growth rates in tourism and is praised as a "safe and attractive destination". The country received 2.1 million international arrivals in the first five months of 2008, marking a year-on-year increase of 17%, against the target of 6 million international visitors and serving 30 million domestic holidaymakers by 2010.

Inflation

Consumer price index (CPI) in the first half of 2008 rose by 20.3% over the corresponding period last year. In commodity basket, prices of most of the commodities and services, except food articles and construction material and fuel, remained almost stable. Prices of food articles dramatically increased by 33% year-on-year and construction materials and fuel by 20%.

85-million strong market

Vietnam is not only an attractive market with over 85 million consumers with increased income but also endowed with abundant young and dynamic labour as half of its population is under 25 years. Besides, the quality of the human resource is vital to the sustainable development of Vietnam. As a result, the Government has invested intensive resources in this field, in which education investment accounts up to around 20% of governmental budget and many measures are also implemented to mobilize a wide range of social resources for human resource development.

Tops list of emerging destinations for retail investment

According to the Seventh annual Global Retail Development Index (GRDI), a study of retail investment attractiveness among 30 emerging markets, conducted by **A.T. Kearney**, global consulting firm, Vietnam has emerged as the most attractive emerging market destination for retail investment.

According to the study, Vietnam's leap from fourth in the 2007 GRDI to first place in 2008 was driven by strong GDP growth, changes in the country's regulatory structure favouring foreign investors and increasing consumer demand for modern retail concepts.

Vietnamese consumers, among the youngest in Asia (with 79 million below the age of 65), increased their consumer spending by more than 75% between 2000 and 2007.

Now is the "perfect time" to get involved in Vietnam's retail market, said Mike Moriarty, a partner with A.T. Kearney and co-leader of the GRDI.

The World Bank at its meeting held in June 2008 highlighted "*Vietnam's long-term prospects remain strong, despite domestic and international macroeconomic turbulence*". ADB forecast that Vietnam is likely to achieve an economic growth of 7% this year and 8.1% in 2009; inflation will gradually fall by the end of 2008.

"The economic situation of Vietnam is still better than other countries" and "Vietnam remains a lucrative investment destination", **Professor Klaus Schwab**, WEF's Executive Chairman, at the 17th World Economic Forum on East Asia, held in Kuala Lumpur, Malaysia (June 15-16, 2008)

IVCCI Welcomes High-level Vietnamese Delegation

IVCCI, jointly with IMC, has organized an interactive meeting with a 12-member Vietnamese delegation

on

Tuesday, July 29, 2008 at 5.30 p.m.,

followed by cocktails and reception.

The Delegation is led by



Mr. Pham The Dung

Director-General, Import-Export Dept., Ministry of Industry & Trade.
Leader of the delegation

LIST OF DELEGATES

No.	Name	Title
1.	Mr. Tran Van Dinh	Deputy Director General, Economic Affairs Dept., The Office of the Government
2.	Mr. Phan Van Chinh	Deputy Director General, Import-Export Dept., MOIT
3.	Mr. Tran Quang Huy	Deputy Director General, Africa, Western and South Asia market Dept., MOIT
4.	Mr. Nguyen Tuan Quang	Commercial Counsellor, Head of Vietnam Trade Office in India
5.	Ms Hoang Minh Huong	Chief of New Delhi Bureau, Vietnam News Agency
6.	Mr Nguyen Quang Huyen	Deputy Manager, Insurance Dept., Ministry of Finance
7.	Ms. Tran Thanh Binh	Import-Export Dept., MOIT
8.	Ms. Bui Thi Bich Lien	Import-Export Dept., MOIT
9.	Mr. Nguyen Anh Duc	General Manager - Bao Viet Group (Bao Viet Insurance Group)
10.	Ms. Nguyen Thuy Khanh	Spouse of Mr. Dinh
11.	Ms. Luu Thi Thuy Phong	Spouse of Mr. Dung



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Indo - Vietnamese Bilateral Relations

ICICI Bank Branch in Vietnam

A two-member delegation from ICICI Bank, the leading private sector bank in India, visited Vietnam (Jan. 23-25, 2008) to explore the possibility of setting up a bank branch in Vietnam. They had a meeting and fruitful discussion with the Director General (Licensing Department), State Bank of Vietnam.

Coal Mining & power sector

A delegation from **Integrated Coal Mining Limited**, Kolkata, paid a maiden visit to Ho Chi Minh City & Hanoi to explore the possibility of business tie-up in Coal Mining & Power sectors. They had fruitful discussion with Vice President of Vietnam National Coal and Mineral Industries Group (**VINACOMIN**) and concerned officials from Electricity of Vietnam Group (**EVN**) to have better understanding about the business opportunities for setting up a thermal power plant in Vietnam.

Vietnamese participation at India soft 2008

A business delegation, comprising of five IT software companies, participated in the **INDIASOFT 2008**, which was

held by Electronics and Computer Software Export Promotion Council (ESC) in Hyderabad (March 24-26, 2008). They were representatives of IT Investment and Development Company, Phan Nguyen Joint Stock Company, Wireless Broadband Company, VTC Mobile TV Company and Tinhvan Software Outsourcing Service JSC. This is the fourth year in succession, **INDIASOFT** has been organized by ESC in various cities in India as a good forum for Vietnamese software companies to interact with Indian partners.

Vietnamese participation at Indian Exhibition

As a measure of increasing exports of Indian engineering goods and services, Engineering Export Promotion Council (EEPC) organized a Reverse Buyer-Seller Meet in Kolkata and Chennai (February 24-28, 2008). A 3-member business delegation from Vietnam came to India to participate in the event. Under the Focus Region Programme for ASEAN + 2 countries, Vietnamese delegates were given airfare, accommodation and transportation during their stay in Kolkata and Chennai. Vietnamese companies reportedly had very good business interactions with manufacturers of steel manufacturing machineries in India.

India & Vietnam – 2006 :At a Glance

Indicator	Unit	India	Vietnam
Population	Million	1110	84
Area	'000 sq km	3287	329
Population density	Per sq km	373	271
Gross national product (GNP)	\$ billion	909	59
Rank in the world		10	58
Per capita GNP	\$	820	700
Rank in the world		161	169
Mortality rate (under five)	Per '000 population	76	17
Access to improved sanitation facilities (2004)	% of population	33	61
Youth literacy rate (between 15 & 24) (2005)			
Male	Per cent	84	94
Female	Per cent	68	93
Adult literacy rate (15 years & above) (2005)			
Male	Percent	73	-----
Female	Percent	48	-----



What the world says about Vietnam

The outlook is decidedly less favourable than it was a year ago. The government is determined to fight inflation, and the stabilization package should result in a lower growth rate than projected at the beginning of the year. However, the economic fundamentals of Vietnam remain strong, and GDP growth could be more resilient than the official target suggests.

World Bank, June 2008

We remain of the view that the longer term economic reform story that made Vietnam such an attractive destination for foreign direct investment in recent years remains a compelling one. Indeed, the continued strength of foreign direct investment inflows in the first quarter, despite a difficult international and domestic environment, is a testament to the reforms that the government has put in place over the past decade.

International Monetary Fund, June 2008



“Vietnam’s economy is now safe thanks to the state’s policy of prioritizing macroeconomic stability. The World Bank highly applauds the government’s policies on prioritizing macroeconomic stability and reducing public expenditures.”

Martin Rama,
Lead Economist of World Bank in Vietnam



“We strongly believe that it is time for the government to move quickly, clearly and decisively in implementing the stated policy actions, and present a clear direction to the investors and the general public of Vietnam as a whole.”

Ayumi Konishi
Country Director of Asian Development Bank in Vietnam



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What the world says about Vietnam



“Vietnam is an emerging economy and it has attained impressive achievements. Vietnam’s role is increasing and attracting the U.S.’ interest.”

Alan Greenspan
former U.S. Federal Reserve Chairman



“I am quite impressed with the dynamic Vietnamese economy and the close relations between our two countries. Most of the UK investors that are in Vietnam now are in the software business. It's essential that Vietnam increases production of hi tech items. In this light, I believe that the economy here in Vietnam will grow steadily if human resource training can be improved.”

Mark Kent
British Ambassador to Vietnam.



“France shares the same viewpoint as other international donors like the World Bank (WB) and the Asian Development Bank (ADB) about the current economic situation of Vietnam. We are still optimistic. At the meeting in Sapa, we saw that the Vietnamese government was willing to listen to opinions and even welcomed criticism to seek good solutions for the current challenges and difficulties. The international community is optimistic and everything must be conducted effectively.”

Alain Henry
Director of the French Development Agency (AFD)

“The economy has done very well, and stock market has been a little up and down but nevertheless if you look at the trend, it's very positive. I think people are worried about the level of inflation, but the government is aware of that issue, is actively employing means and ideas to make sure that we don't get run away inflation here. So, I'm confident that in 2008, Vietnam will have another strong year for economic growth.”

Philip Hampden Smith
Executive Vice President and General Manager, South East Asia Operations, Manulife Financial



What the world says about Vietnam

“Investing in developing people, striving towards manufacturing excellence, delivering excellent customer service and participating as a responsible corporate citizen is our long-term strategy in Vietnam”

Craig Smith
the new president of BlueScope Buildings

“I have a good impression of Vietnam. I will work as a consultant for enterprises which I see have a long-term strategy and their leaders impress me.”

Professor John Quelch
Associate Dean of the Harvard Business School

Vietnam: Still nervous, but not panicking...yet. Global factors such as high oil prices etc complicate the situation, but the balance of payments of Vietnam is still structurally sound. The government seems to recognize the situation, but there is doubt as to whether it knows how to respond. Long-term growth still looks robust, especially in the private sector.

CreditSuisse, June 2008

We see Vietnam's NDF market as a work in progress and think the NDF rate may not be all predictive. The rapid widening of the current account deficit is a concern, but we see little risk of a currency crisis on large-scale outflows of short-term capital.

Nomura Secs, June 2008

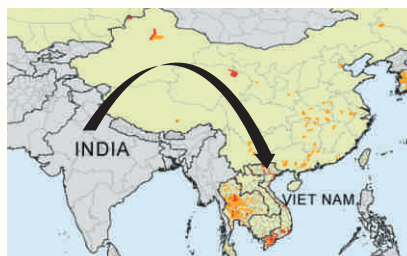


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Indo - Vietnamese Bilateral Relations

Exports from India to Vietnam : Commoditywise

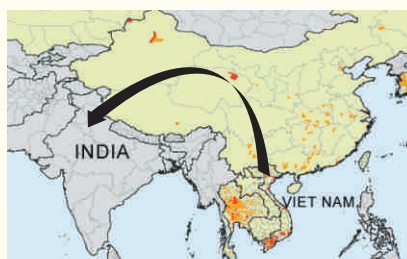
(\$ million)



Commodity	Jan. - Feb.		% Increase
	2007	2008	
Feed ingredient	88.2	209.2	137
Steel	7.5	46.7	523
Cotton	15.3	25.0	63
Pharmaceuticals	12.0	16.3	36
Machinery and equipment	9.3	14.3	54
Ordinary metal	12.2	13.1	7
Pesticides and materials	5.2	9.3	79
Plastic materials	12.3	7.8	-37
Chemicals	3.7	6.9	86
Medicinal Ingredients	4.6	6.7	46
Leather and textile materials	4.8	5.9	23
Fibres	1.5	3.7	147
Tobacco accessories	2.5	2.8	12
Chemical allied products	5.4	2.5	-54
Fabrics	1.2	2.3	92
Computers and electronic goods	0.6	1.1	83
Edible oil	0.6	1.0	67
Other commodities	32.2	72.1	124
Total	219.1	446.7	104

Exports from Vietnam to India : commoditywise

(\$'000)



Commodity	Jan. - Feb.		% Increase
	2007	2008	
Computer hardware, electronic goods	244	2992	1126
Coffee	318	2003	530
Rubber	2659	1863	-30
Garment and textiles	840	1233	47
Cinnamon	1227	1157	-6
Pepper	1668	1063	-36
Footwear	628	848	35
Coal	3425	644	-81
Plastic products	328	469	43
Tea	414	299	-28
Handicrafts	355	282	-21
Vegetables		215	--
Wood and wooden products	286	211	-26
Other commodities	10178	14846	46
Total	22568	28124	25



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Mr. Vo Van Kiet
(1922 - 2008)
Obituary

A veteran of the Vietnamese nationalist struggles against France in the 1940s and 1950s and the US from the early 1960s until 1975, Vo Van Kiet was active in politics after the end of the Vietnam War, and made his name as Communist Party Chief in Ho Chi Minh City (Saigon). As leader of the faction that stood for economic reform in Vietnam, he campaigned for resistance to the centralising tendencies of the capital Hanoi.

He continued this process when elected Prime Minister of Vietnam in 1991, and was regarded by many as the chief architect of the doi moi (renewal) market reforms that attempted to replace the command economy that came naturally to the Communist regime. The general secretary of the Vietnamese Communist Party throughout his premiership was the conservative Do Muoi, and with the equally conservative General Le Duc Anh as President during the same period, liberalising tendencies on both the economic and political fronts found plenty of internal opposition.

Nevertheless, within a few years Do Muoi announced himself impressed by the country's economic achievements, and by the improved relations with other states. This process, for which Kiet could undoubtedly take much of the credit, included the normalisation of relations with the old enemy America, billions of dollars in foreign investment and a greatly expanded foreign trade.

Vo Van Kiet joined the anti-French revolutionary movement in 1938 at 16, and the Indo-Chinese Communist Party the following year. In doing so, he changed his birth name to Vo Van Kiet.

By 1960 he was a leading member of the party central office in South Vietnam, the Politburo arm running the Vietcong insurgency against the Government of South Vietnam, which was from that year increasingly supported and controlled by American military might. Kiet's wife and children were killed in an American bombing raid while on their way to one of their clandestine meetings with him.

In 1976, with the Communists having achieved the withdrawal of American forces and the overthrow of the Government of the South, Kiet became Mayor of Saigon, renamed Ho Chi Minh City, and a non-voting alternate member of the Politburo.

With his southern background Kiet opposed the Hanoi Government's drive to bring private business there under state control, and in 1982 became a full Politburo member and was briefly vice-chairman of the Council of Ministers in Hanoi. But the conservative spirit soon prevailed in Hanoi's councils and within three months Do Muoi had taken over t h e p o s i t i o n .

Kiet was first elected to the acting premiership in 1988, but his tenure of the office was brief, and he was succeeded later in the year by Do Muoi. It was only in 1991, with the party journal Tap Chi Cong San publishing a series of articles from prominent figures expressing deep unease about the effectiveness of a command economy, that an irresistible drive towards reform carried Kiet again to the premiership, which he was to hold until 1997. A new draft constitution, published in December that year, reaffirmed the primacy of the Communist Party but, interestingly, stipulated that it must be subject to the rule of law.

In the climate of tension between reformist tendencies and the continuing sway of the hardline Communist Party, Kiet's path was never going to be easy. But by travelling widely in Asia and Europe he was able to demonstrate that his previously somewhat inscrutable, introverted country had a human face, and was capable of a pragmatic approach to international trade. Close relations with the ebullient economy of Singapore were established and in 1994 President Clinton lifted the US trade embargo with Vietnam, establishing diplomatic relations the following year.

But there was never any shortage of internal opposition to these reforms, and Kiet finally stepped down in 1997.

May His Soul rest in eternal peace !

With Best Compliments from

**Consulate General
of the Socialist Republic of Vietnam**



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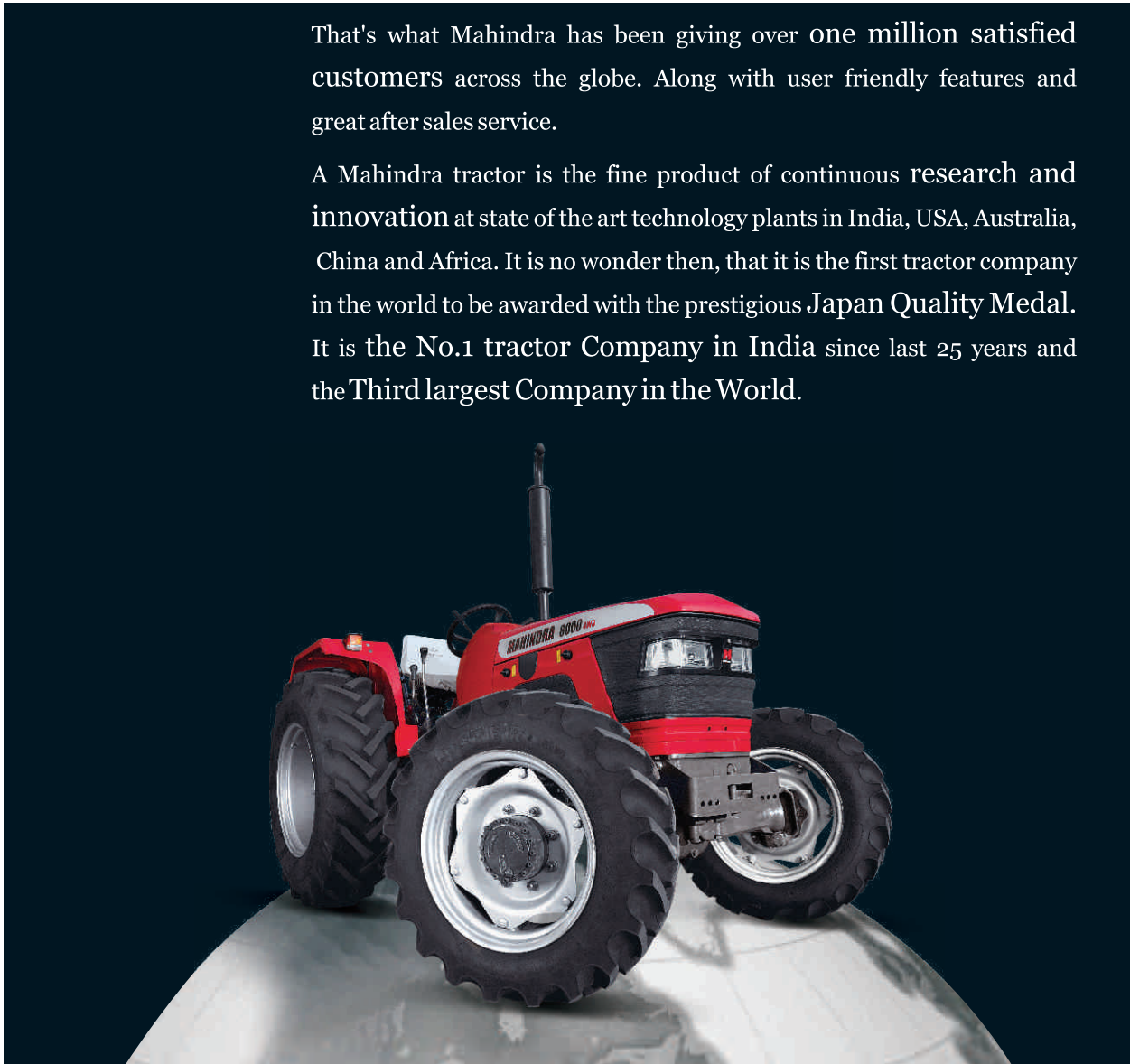
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