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VIETNAM ECONOMIC FORUM 2 “Sustaining the Growth”



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Hanoi Horizon Hotel

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"Sustaining the Growth"



COMMENT

I attended the 2nd Vietnam Economic Forum that was held in Hanoi yesterday. It was an opportunity to meet with movers and shakers, plus the press. As I did with the 1st Vietnam Investment Forum, I wanted to bring you the highlights in this special edition of the Vietnam Development Monitor.

The theme of this forum was, Sustaining the Growth. The timing of this forum was impeccable, coming hot on the heels of the Wall Street Crisis. Dr Supachai Panitchpakdi, Secretary General of the United Nations Conference on Trade and Development (UNCTAD) and also a former Prime Minister of Thailand, referred to the current global crisis. He said, "The lessons of the Asian Financial Crisis haven't been learnt, they are now present in the Wall Street Crisis. We are facing a serious systemic crisis."

It was interesting to hear views from various Government officials, experts and investors. It was an opportunity for members of Prime Minister's team, to walk the talk. Having attended many such events, I was keen to see how they performed. The Standing Deputy Prime Minister, Nguyen Sinh Hung and Deputy Prime Minister & Minister of Education and Training, Nguyen Thien Nhan gave an intelligent and considered address. In the lead up to lunch, Deputy PM Nhan spoke in English and displayed a sense of humor that was quite refreshing. He opened up his address with, "Now is lunch time, not talking time".

On a personal note, I was surprised at the number of people that had read my recently published article on the BBC website and obviously recognized me from my picture, who approached me for my thoughts. The link to that article and many other news events involving TCK Group can be found at <http://www.tckgroup.org/news.html> .

Next week, I have been invited to speak at the Vietnam Real Estate Investment Conference in Ho Chi Minh City. At this event, I will be wearing the hat of the CEO of Vietnam Investment & Project Development (VIPD) Group <http://www.vipdgroup.com/>, a related company.

INAUGURAL SESSION

The Deputy Minister of Planning & Investment, Nguyen Bich Dat gave the welcome speech, in which he said, “Currently Vietnam is facing many complicated developments because of the Global Economy, but Vietnam is coping with the difficulties.”

The Standing Deputy Prime Minister, Nguyen Sinh Hung was formerly the Finance Minister, gave the Inaugural Address. This was a concise presentation of what Vietnam has achieved over the past two decades and the actions that the Government has taken.

The most interesting presentation was from Dr. Supachai Panitchpakdi, Secretary General of the United Nations Conference on Trade and Development (UNCTAD) and also a former Prime Minister of Thailand. He said, “The world is changing rapidly, the current crisis signifies a deterioration of the financial system in the more advanced economies. It also signifies the rising dependence of the Western financial system on funds flowing from reserves that are in Asia.”

Looking at the current crisis and applying his experience from the Asian Financial Crisis, he said that “inflated asset prices must be allowed to drop to the bottom”; a way must be found to facilitate the de-leveraging of assets; there must be a way to realize all financial losses and he asked the question, who is going to pay for the losses – the tax payer of the private sector.

As we now know from the address by George Bush last night, the US Government is preparing for the Mother of all Bailouts. After committing \$285 billion over the past couple of weeks to bail out mortgage lenders Fannie Mae and Freddie Mac and insurer AIG, the Federal Government is now looking to fork out more, very much more!

Other notable quotes from Dr. Supachai were:

- “The recession will be deeper, take longer, the spillover will be far and wide.”
- “The financial market in Asia is less globalised than we would like, so the contagious effect is limited. Whilst global investment might suffer, Vietnam has been mobilizing investment from Asian countries. Intra Asia trade will be a cushion but as Vietnam has been relying on traditional markets this is a concern and it now needs to diverge into non-traditional markets.”
- “Vietnam’s problem is not in attracting Foreign Direct Investment (FDI), it’s problem is in digesting FDI (i.e. managing the allocation).
- “Subsidies must be eliminated from the world, they create excesses.”
- “There must be some order to the global financial system, we need to be humble and not complacent.”
- “Vietnam should not nose monetary policy excessively, but combine with fiscal and income policy.”

MORNING SESSION

This session saw the Minister of Finance, Vu Van Ninh give the Keynote Address and understandably, he started with the US economic recession, saying it was a “complicated problem” and went on to say, “The major mortgage credit groups are in a critical situation and only aid from the government can help them out of bankruptcy.” Don’t forget, this was before George Bush announced the Mother of All Bailouts!

Minister Ninh quoted the IMF as projecting global economic growth slowing down to 4.1% in 2008 and 3.9% in 2009, whilst Vietnam projects growth of 6.5% or 7%. Importantly, industrial production value increased by 16.3% in the first eight months of this year. He went on to discuss the difficulties and challenges ahead, which include identifying suitable policies and the how and when involved. “This requires the Government to coordinate their operations synchronically, effectively and precisely.” He went on to say, “The chained effects of the tightening monetary and fiscal policy will cause losses, narrower business scope of even bankruptcy to the businesses which have not accumulated sufficient capacity or whose sustainability has been surpassed, especially the small and medium-sized ones.” So more tough times are ahead! It will be interesting to see if aid from the Government to help them out of bankruptcy, will be forthcoming!

Presentations from the Lead Financial Economist of the World Bank in Vietnam, Mr. Noritaka Akamatsu followed and he said, “What is happening in the US today, is very similar to what happened in my country about 16 to 20 years ago. In Japan, it was the Commercial banks, not the Investment banks that went under. The fundamentals are the same.”

The Managing Director of Citigroup Global Markets, Donald Hanna said, “People make decisions in financial markets, based on what they expect to happen in the future. Sometimes they get it wrong.” He commented that in the future, the Vietnam banking sector may need a lender of last resort and going forwards, there will be a need for equitisation of State banks.”

The address by Deputy Prime Minister and Minister of Education & Training, Nguyen Thien Nhan wetted delegates appetite for lunch and paved the way for the afternoon session. It was an outstanding performance in English that drew smiles and chuckles from the floor. He spoke of four philosophies in the new period of innovation – Innovation Stakeholder Triangle (a partnership between Government, Business Enterprises and Training Institutions); 3-tier higher education system (international standard universities, Universities and Colleges); Four Innovation tools (new financing from the Government and private sector, Quality as the first identification indicator, new standards for academic staff, self-governance of universities). Last but not least, the Government will publish a new strategy for education development from 2008 – 2020.

Our job has been made slightly easier by the Vietnam News publication of a summary of the first afternoon session, which focused on the critical area of Human Resources Development.

Short courses may help students find work

Trần Thị Hà, director general of the Tertiary Education Department under the Ministry of Education and Training:

The education sector is now discussing ways to reduce the gap between training and the market demand for human resources. We are encouraging training schools to sign contracts on workforce demand with enterprises. At the moment, we are working with the Ministry of Labour, Invalids and Social Affairs to provide information on employer needs, while providing enterprises with the names of schools and the training courses they offer.

The Ministry of Education and Training has held many conferences where enterprises can meet representatives from schools with relevant training courses to find out whether their curricula match the enterprises' needs or not.

In the coming time, we plan to organise conferences on human-resource training in the healthcare and agricultural sectors.

Pierre Dietrichsen, head of Hà Nội Campus, RMIT International University of Việt Nam:

Globally, governments and universities are looking to change tertiary education so that more colleges offer vocational job-

related education as opposed to academic universities. The new trend in the world is towards vocational training and education with a focus on practical, industry-interactive courses. Việt Nam is facing the same challenges and human-resource shortages.

A globalised workplace and regional integration mean graduates must compete across borders and in other cultures for jobs. Vietnamese universities are facing the challenge of producing graduates with marketable skills here and abroad.

I think Việt Nam should organise short-term courses offering valuable diplomas and certificates that will help them find work. Afterwards, they can return to education to get a higher degree. This is experience-based learning.

Higher education needs to co-operate with enterprises to avoid the situation where graduates cannot find jobs.

Don Fraser, International Labour Organisation's expert on labour market information:

The ILO, with the financial and conceptual support of the European Union, and in close co-operation with the Ministry of Labour, Invalids and Social Affairs (MOLISA) has embarked on a major project with very

significant implications for human-resource development in Việt Nam.

Known simply as the Labour Market Project, it approaches the issue of enhancing human-resource development for sustainable growth in Việt Nam from two very different but complementary viewpoints.

The first approach is from the more traditional angle, which sees human-resource development and skills' enhancement as closely aligned. From this perspective, the project is not aimed so much at directly achieving major changes as demonstrating some key principles which need to be given a high priority in order to get the best value from sustainable human-resource development from the vocational training sector in Việt Nam.

The second part of the EU/ILO/Việt Nam Labour Market Project involves working from a very different perspective. Its task here is to make a substantial contribution to influencing and enhancing human-resource development at the macro level.

Or, to put it another way, perhaps the most productive and beneficial form of human-resource development comes when the labour market as a whole can be made to work smoothly and fairly; and in the best interests of

sustainable socio-economic objectives.

Unfortunately, however, it is very rare indeed for labour markets anywhere to work smoothly and fairly on their own. The simple fact is that the demand and supply sides of the labour market are influenced by very different factors and unsurprisingly they get out of balance in a variety of ways. And when they get out of balance they become inefficient and do not make the best use of national human resources.

Nguyễn Bá Thuộc, deputy general director of Việt Nam Posts and telecommunications Group (VNPT):

The impressive development of telecommunications and information technology has brought significant changes to mankind's socio-economic life. Modern technology and changing lifestyles and working modes are opening a brilliant prospect for a new social form – an information society. It can be said that telecommunications/information technology is an opportunity for developing countries to foster economic development and narrow the gap with developed countries.

In recent years, the Vietnamese economy has achieved a high growth rate along with increasingly deep international intera-

tion. The telecommunications/information technology industry, in which VNPT is a leading corporation, has made a major contribution to the country's socio-economic development all over the country from big cities to remote provinces.

On April 19, the telecoms satellite Vinasat-1, owned by VNPT, was successfully launched into space. Vinasat-1 will help improve Việt Nam's telecoms infrastructure as well as the network's capacity and reliability.

As you may know, poor infrastructure is an obstacle to economic development and a barrier to investors. However, infrastructure development requires considerable capital, but current capital resources for development are insufficient. In order to mobilise maximum resources for infrastructure development for modern telecommunications/information technology as an important basis for developing different types of services and network application VNPT has focused on expanding strategic associations with partners from different economic backgrounds; co-operating with them in developing and exploiting telecommunications/information technology network infrastructure.

Telecommunications/information technology infra-

structure development will play an important role in infrastructure development of other industries, attracting investors and helping to sustain the country's economic growth.

William Lean, managing director of VinaCapital Infrastructure Fund:

I have been in Việt Nam for 10 years. I can see that there are a huge number of motorbikes both in Hà Nội and HCM City. As a result, I am extremely excited by the establishment of an infrastructure-development fund.

At the moment, VinaCapital is providing solutions to power outages, transport problems and the need for industrial parks in Việt Nam. As for our plan going forward, we are keen to continue to support Việt Nam in the fields of power, transport and the environment.

Many of us are familiar with the current problems in the world's capital and financial markets. One lesson to be drawn from the current crisis is that it's vitally important to invest in infrastructure that is less affected and vulnerable to global risks. The number of cars in Việt Nam is rapidly increasing. I believe in the development of the auto industry in Việt Nam. It would therefore be a good idea to invest more in infrastructure. — VNS

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The last session of the day focused on ‘Building Vietnam’s Infrastructure’. This was a mixture of government and private sector input. Much of the session was taken up by the presentation from the Minister of Transport, Ho Nghia Dung. He gave a detailed review of what had been accomplished so far and ended up suggesting that “Investment required to reach the set goals is considerable. The Government should give priority to increasing the state budget-funded investment to 3.5% of GDP.”

Vice President of Vietnam Posts and Telecommunications Group (VNPT), Mr. Nguyen Ba Thuoc said, “With the efficient use of capital resources, VNPT will be able to invest in and develop a modern posts and telecommunications infrastructure through which customers will have the opportunities to approach and use the modern utilities of the ICT services with high quality and competitive price.”

CEO of Vietnam Infrastructure Ltd. (a subsidiary of VinaCapital Group), Mr. William Lean explained the business direction of VinaCapital. Referring to his first visit to Vietnam, ten years ago, he commented on the number of motorbikes and how there were far more. Equating it with development in other countries, he commented that when Vietnamese start exchanging motorbikes for cars, then Vietnam will have a problem.

President and CEO of Siam Cement Group (SCG) of Thailand, Mr. Kan .Trakulhoon was introduced as one of Vietnam’s biggest investors and he described the activities of SCG. He commented that logistics infrastructure was very important in supporting country’s development, “Infrastructure is key in reinforcing country’s development cycle”.

