

Ministry of Finance



Hanoi, June 19 2008

Press Release

Upon the instruction of the Prime Minister, the Minister of Finance, Mr Vu Van Ninh, led an economic update on Vietnam for international investors on 19 June 2008. The briefing was delivered via a videoconference connecting Hanoi, Ho Chi Minh City, Hong Kong and Singapore and by an audio conference call for global investors and analysts.

Participants in the dialogue also included the Governor of the State Bank of Vietnam, Mr Nguyen Van Giau, the Deputy Minister of Industry and Trade, Mr Nguyen Thanh Bien, and senior officials from Ministry of Planning and Investment and the State Bank of Vietnam, country representatives of the World Bank, International Monetary Fund, Asian Development Bank and International Finance Corporation and senior representatives of Credit Suisse.

This event, held in conjunction with Credit Suisse, demonstrates the proactive communication policy adopted by the Vietnamese Government in engaging with international and domestic investors so that they have accurate and comprehensive information on the Vietnam economy and financial markets.

“Doi Moi”, as the process of economic reforms over the past 20 years is known, has delivered positive results for Vietnam. Gross Domestic Product growth has averaged 7.5 percent annually, reaching 8.5 percent in 2007. However, late 2007 and early 2008 have brought volatility in the global economy and financial markets, with the U.S. economy facing downside risks following the subprime crisis at the same time as the world is hit by soaring oil, energy and food prices, which have caused inflation to become a global threat. Now that the Vietnam economy is deeply and broadly integrated with the global economy, these adverse developments have had a substantial impact on Vietnam’s economic growth and domestic prices.

During the past five months, the Government, people and business community in Vietnam have taken on the challenges of maximizing the comparative advantages and potential of the country, maintaining political and social stability, improving the investment climate and preparing the ground for high and sustainable levels of growth in the medium and long term. Collectively, they have ensured that Vietnam has sustained the momentum of its development and made important progress in many areas.

Amid many problems, Vietnam's economy grew by 7.4 percent in the first quarter of 2008. Agricultural production has been growing in terms of productivity as well as output. After meeting domestic demand in full, Vietnam plans to export more than 4 million tons of rice during 2008. Similarly, industrial output has grown by 16.4 percent.

During the first five months of 2008, there was also strong growth in Foreign Direct Investment with registered capital (new and extension) at a record level of US\$15.3 billion, reflecting an increase of 2.3 times over the same period last year. The value of exports during the first five months of 2008 also increased for most strategic items, reaching a total of US\$24 billion – equivalent to a 30.5 percent increase. National external debt at the end of 2007 stood at US\$23.2 billion, or 32.7 percent of GDP, of which US\$206 million was short-term debt.

In the context of this otherwise positive outlook for the Vietnam economy, two serious challenges have emerged. The first is pressure on consumer prices, for which an increase of 15.96 percent was recorded in the first five months of 2008 over December 2007 levels. The second is a large trade deficit of US\$14.4 billion at the end of the same period. These two factors are affecting the real economy as well as the financial sector, while having a strong impact on the living standard of the population.

Vietnam's Government has identified the following key goals: curbing inflation, stabilising the macro-economic situation, ensuring an effective social safety net and laying the foundation for sustainable growth.

Of these tasks, curbing inflation has been accorded the highest priority, and a comprehensive eight-measure plan has been set forth. This plan includes monetary tightening policies; tighter control of public expenditure to promote efficient spending; the promotion of industrial, agricultural and services output to ensure balance between supply and demand; the promotion of exports while exercising tight control of imports in order to rein in the trade deficit; the exercise of thrift in production and consumption; enhanced market surveillance against smuggling and trade fraud; ensuring compliance with price regulations; the enhancement of the social safety net, which aims to stabilise people's daily life and business

operations; the expansion of the social safety net; and the effective communication and dissemination of information.

As these measures are implemented by the Government, inflation should ease and the macro-economic situation normalise again. Already, there are signs of improvement in the June data, with inflation and the trade deficit starting to recede.

The Government is fully aware of the challenges it faces and closely monitors world market movements so that it can act quickly, decisively and appropriately to overcome problems, maximise Vietnam's potential and promote higher economic growth when the conditions are right.

Minister Ninh confirmed in the briefing that the problems are temporary, and that the Government and international investors still believe in the medium- and long-term prospects of the country. The Government is committed to creating an investment climate which is conducive, open, equitable and transparent. Holding this dialogue is further evidence of Vietnam's commitment to communicate frankly with the global investor community. The Government is ready to exchange ideas with investors, provide information to them, listen to them and assist them with any difficulties they have as they contribute to the process of development in Vietnam.

A video replay of the event can be viewed from the internet at:

<http://streamstudio.world-television.com/CCUIv3/login.aspx?ticket=61-728-6525&target=en-default>