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## Highlight

*Vietnam to tighten control over social media livestreaming*

# VIETNAM BUSINESS REVIEW

## What's in it today?

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### FINANCE

State Bank of Vietnam demands interest rate reduction this month

Vietnam's banks to lower loan interests amid Covid-19



### INVESTMENT

European firms remain confident in Vietnam's long-term prospects

Public investment hike cited for stellar economic recovery



### RETAIL

Phuc Long tea to open first store in the US this July



### E-COMMERCE

Vietnam to tighten control over social media livestreaming



### ENERGY

Foreign Investors proposes \$4.59 billion Vung Ang III plant in the Central Vietnam

Quang Ninh discloses criteria for \$2 billion LNG power project



### LOGISTICS

Exporters face slew of difficulties due to COVID  
Vietnam Airlines resumes several international routes as of mid-July

## FINANCE

### State Bank of Vietnam demands interest rate reduction this month

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The COVID-19 pandemic has taken a heavy toll on the economy and banks' operation over the last 18 months and it is likely to evolve complicatedly, making it important for the country to fight COVID-19 and boost economic recovery at the same time, Tu said.

As the pandemic lingers on, more and more enterprises are in trouble with declining resilience, he said, noting that it necessitates stronger and more active aid from all banks for the affected through debt restructuring and interest rate reduction.

The official emphasised that the banking system should continue providing active and substantive support to businesses and at the same time, maintain its financial capacity and security of the national finance.

The SBV will maintain flexible monetary policies and incorporate them with other fiscal and macro-economic policies to keep inflation under control, and stabilise the economy and support economic recovery, he added. VNA

[Back to top](#)

## Vietnam's banks to lower loan interests amid Covid-19

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Sixteen commercial banks have agreed to reduce interests on existing loans of Covid-hit businesses from now until the end of the year.

The banks include Vietcombank, Vietinbank, BIDV, Agribank, Techcombank, MB, VPBank, TPBank and Sacombank.

Lowering interests is difficult, but this is the time when banks need to share the burden with businesses, said Nguyen Quoc Hung, general secretary of Vietnam Banks Association, at a meeting Monday.

Agribank is committed to lowering its interests by one percentage point on average, while MB will do so for at least one percentage point.

Sacombank will seek shareholder permission as lowering the interest by one percentage point is equivalent to 40 percent of its profit target for the year. Some other banks will do the same.

But not all businesses will be eligible for the reduction. Bank leaders said they would focus on companies truly hurt by the pandemic

"Real estate companies with large profits, export firms or individuals borrowing money to buy cars should not be eligible for the reduction," said Deputy Director of Techcombank Pham Quang Thang.

He added companies that are essential to the economy with a large workforce should be eligible. VNE

[Back to top](#)

## E-COMMERCE

### Vietnam to tighten control over social media livestreaming

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The Ministry of Information and Communications has proposed several regulations to tighten control on livestream activities on social media like Facebook and Youtube.



Cross-border social media must demand operators of accounts with 10,000 or more followers/subscribers in Vietnam to provide contact information to the ministry, a draft decree says.

It also requires websites and apps with 100,000 or more monthly frequent users to register with the ministry.

Only registered accounts can host livestream videos to sell goods and services.

The social media platforms will also be asked to block or remove flagged content within 24 hours upon "justified" requests by Vietnamese individuals and organizations affected by such content.

The ministry estimates that by the end of June, the top 10 Vietnamese social media platforms had a total of around 80 million users.

But the popularity of these platforms is low compared to foreign competitors like Facebook with 65 million users, Youtube (60 million) and TikTok (20 million).

These platforms have not fully abided by Vietnamese laws, the ministry says. A lot of the content is fake news, causing instability and frustration in the society and inequality between domestic and foreign companies.

Many individuals and organizations use these platforms to livestream and provide incorrect and offensive information about individuals and organizations, the ministry said.

[Back to top](#)

## ENERGY

### Foreign Investors proposes \$4.59 billion Vung Ang III plant in the Central Vietnam

The joint venture of Siemens Energy, Korea Electric Power Corporation, and Power Engineering Consulting JSC 2 (PECC2) proposed to develop the \$4.59 billion Vung Ang III Thermal Power Plant.



The thermal power plant is expected to be located in Vung Ang Economic Zone of the central province of Ha Tinh with a capacity of 3.2GW that will be expanded to 4.8GW. The facility will import 2.2 million tonnes of liquefied natural gas (LNG) per year. The construction is expected to be completed in 2026-2027. According to Ha Tinh People's Committee, in April, the investor held a working session with the provincial leaders and present the pre-feasibility report of the project. In late June 2021, Ha Tinh People's Committee submitted a proposal to the Ministry of Industry and Trade to switch the planning of Vung Ang III Power Centre from coal-fieled power to LNG and increase the capacity of the centre from 2.4GW to 4.8GW.

Vung Ang Power Centre combines several power plants. While Vung Ang I is already in operation with two turbines and a total capacity of 1.2GW, its neighbour Vung Ang II invested by Kepeco will commission its first unit in 2024 and the second one in 2025. The 1.2GW Vung Ang II is expected to emit 6.6 million tonnes of greenhouse gases per year. Throughout its 30 years of operating life, it will produce a total of 200 million tonnes of greenhouse gases. VIR

[Back to top](#)

## Quang Ninh discloses criteria for \$2 billion LNG power project

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Along with the criteria on financial potential and experience, investors looking to develop the \$2 billion Quang Ninh liquefied natural gas (LNG) power project will have to comply with 10 other criteria.

Quang Ninh Department of Planning and Investment issued the selection criteria for the investor of the LNG project. Notably, the investor will need to have a minimum equity of no less than 15 per cent of the project's total investment value (\$300 million at the current valuation of the project). In case the investor is a joint venture, the joint venture's equity must be equal to the total equity of the investors joining the consortium.

If any member of the consortium fails to comply, the joint venture will be assessed as not meeting the equity requirement. The leading investor in the consortium must have a minimum capital ownership ratio of at least 30 per cent and the remaining members must have a minimum equity ratio of 15 per cent each in the consortium.

There are several other strict requirements for investors. Notably, the investor must commit to not require guarantees on power purchase agreement (PPA) and to negotiate a PPA with Electricity of Vietnam.

Besides, the investors have to commit to putting the project into operation by the third quarter of 2027. In case they miss the deadline, the project will be revoked without compensation, except where the law prescribes it.

Quang Ninh asked interested investors to commit to not buy, sell, or transfer the project in any form until the plant is put into operation and receives its commercial operation certificate (COD). In case of violation, the project will be revoked without compensation.

Businesses are also required to establish a local business, show proof of fulfilled tax obligations, commit to complying with regulations on security and national defence, among others.

The investors are also required to apply advanced and modern technology and comply with the project's technical requirements set by Vietnamese technical standards and regulations. In case the current Vietnamese standards are not available, they will have to apply the most widely applied international standards.

The deadline for investors to submit their project implementation registration document is July 29. VIR

[Back to top](#)

## RETAIL

### Phúc Long to open first store in US this July

Phúc Long Coffee & Tea has announced it will launch its first store in the US this July, two months after its Vietnamese competitor, TNI King Coffee, opened its first coffee store in the country.



Phúc Long's first US store will be located in Garden Grove, California, the brand said on its Facebook page.

Established in the Central Highlands province of Lâm Đồng in 1968, Phúc Long expanded into the retail beverage business in 2012 from its three traditional stores in HCM City in the 1980s. Currently, the firm has 60 stores in HCM City and seven in other localities.

TNI King Coffee's California store, meanwhile, is the second overseas store of the café chain which operates more than 50 outlets in Việt Nam. It serves a full range of traditional Vietnamese coffee, such as filter coffee, iced coffee and iced milk coffee, with beans imported from Việt Nam and around the world.

Vietnamese beverage chains have been seeking opportunities to branch out overseas over the last decade in the face of increasingly stiff competition in the domestic market.

The US is deemed a promising market for Vietnamese companies as it is home to more than 2.2 million Vietnamese-Americans. — VNS

[Back to top](#)

# LOGISTICS

## Exporters face slew of difficulties due to COVID

Though exports remain strong, several sectors face difficulties due to the COVID-19 pandemic and require support from the Government if they are to sustain the growth, experts said.



Vietnam is benefiting from the disruption of global supply chains, and manufacturers are seeking to diversify supply, including from Vietnam.

Global demand is recovering and this is an opportunity for Vietnam to boost its exports of consumer and industrial products, according to the Ministry of Industry and Trade.

It forecast Vietnam's foreign trade to remain robust as free trade agreements are gradually being implemented in a more comprehensive and effective manner.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the EU-Vietnam Free Trade Agreement (EVFTA) and the UK-Vietnam Free Trade Agreement will continue to smooth the way for Vietnamese goods to enter partner markets with preferential tariffs.

Yet Pham Xuan Hong, chairman of the HCM City Association of Garment, Textile, Embroidery and Knitting, said he remains worried since some members have had to suspend production since they are in a lockdown area or their workers are isolated for living in such areas.

“Though [the impact] is not too serious yet, there is cause for worry since we do not know when the pandemic would be controlled. If social distancing is prolonged, it will definitely affect export orders signed with foreign partners.”

Truong Dinh Hoe, secretary of the Vietnam Association of Seafood Exporters and Producers (VASEP), said he has petitioned the Ministry of Agriculture and Rural Development to resolve the problem of lack of containers for exports and reduce the growing freight rates.

In April freight for a 40-foot container to the west coast of the US was around US\$5,000, but now it is more than US\$10,000. It used to be less than \$1,000 during pre-pandemic times

Freight rates to Europe are also at high levels of \$7,000-8,000.

Tran Van Linh, chairman of the Thuan Phuoc Seafood and Trading Corporation, said that marine transportation fees were at unreasonably high levels but import-export companies like his had to accept them.



Cancellation of orders or failure to deliver in time would undermine the company's prestige and efforts to find customers in future.

Truong Tien Dung, director of the Sai Gon Aquatic Products Trading Joint Stock Company, said despite the increase in transport costs, it would be impossible to negotiate increases in products prices because COVID has caused consumers in places like the US and the EU tighten their purse strings.

But the high transport costs are eating into companies' profits, and not just the seafood sector but also others' exports would be hit hard, he warned. VNN

[Back to top](#)

## **Vietnam Airlines resumes several international routes as of mid-July**

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Vietnam Airlines announced on July 12 that it will reopen international routes from the country to a number of destinations in Asia, Europe, and Australia between July and October.

Chi Minh City and Melbourne from July 20 to October 30.

This is being done in order to meet the needs of passengers, especially workers, international students, and foreign experts who are coming to work in Vietnam.

Furthermore, the departure schedule of flights from Ho Chi Minh City to Sydney will be every Thursday and Sunday, while the return flights between Sydney and Ho Chi Minh City will occur every Tuesday and Saturday.

The flights on the Ho Chi Minh City-Melbourne route will happen every Tuesday, while return flights will fall on Thursdays.

With regard to flights to Europe, Vietnam Airlines is set to reopen international routes between Hanoi and both Frankfurt in Germany and London in the UK London.

In terms of flights to destinations in Asia, from July 17 to October 30 the airline will resume flights between Hanoi and Tokyo in Japan every Wednesday and Saturday.

Moreover, from August 1 to October 30, the airline will launch an additional route between Ho Chi Minh City and Bangkok in Thailand every Wednesday, with a route from Tokyo to Ho Chi Minh City running every Thursday.

All international flights during this period will be operated by Vietnam Airlines through Boeing 787 and Airbus A350 aircraft on long-haul routes to Europe and Australia. VOV

[Back to top](#)

## INVESTMENT

### European firms remain confident in Vietnam's long-term prospects

Despite short-term challenges, European business leaders remain confident in Việt Nam's long-term prospects.



The fourth wave of COVID-19 in Việt Nam has knocked the confidence of European business leaders, according to new data from the EuroCham Chamber of Commerce (EuroCham) Business Climate Index (BCI).

Before the fourth wave struck, the BCI had almost climbed back to pre-pandemic levels, reaching 73.9 in quarter one. However, this latest outbreak and the spread of new variants have seen the Index fall almost 30 points in quarter two to 45.8. This is a significant drop, though not as steep as during the first outbreak of the pandemic in 2020.

The fourth wave has also led to increased pessimism about the short-term outlook of Việt Nam's business environment. Just one-fifth of EuroCham members (19 per cent) believe that the economy will stabilise and improve in the next quarter. That's down from almost two-thirds (61 per cent) in quarter one.

However, business leaders remain confident about the future prospects of their own companies. More than half (56 per cent) anticipate an improved or neutral performance in quarter three. And eight-in-ten (80 per cent) plan to maintain or increase their headcount and investment.

#### Business leaders urge mass vaccination drive

The BCI also shows the urgent need for Việt Nam to roll out a mass vaccination programme. More than half of business leaders (58 per cent) predict that their companies would see a significant, negative impact if their staff could not be vaccinated in 2021. Meanwhile, almost half (44 per cent) have not been approached to prepare for vaccination.

EuroCham and its nine business associations asked their members if they would be willing to cover the cost of vaccinating their own staff. Of the 430 who responded – representing around one-third of the chamber's total membership and around 95,000 staff – 399 said they would be prepared to do so. With full vaccination requiring two shots, this suggests that at least 190,000 doses will be needed just to vaccinate the direct staff of these companies alone. However, the true number of doses required could reach over half a million if all European enterprises and their staff were taken into account. Meanwhile, 259 of those who responded are also willing to cover the cost of vaccinating the families of their staff members. When these dependents are taken into account, the true number of doses required will be much higher.

EuroCham Chairman Alain Cany said: “The EuroCham BCI reaffirms the urgent need for Việt Nam to accelerate vaccinations. Local lockdowns, social distancing, and travel restrictions are not permanent solutions and will cause significant economic harm over the long-term, as our data shows.”

“There is no route out of this fourth wave without an ambitious and accelerated mass vaccination programme which will enable normal life to resume. European companies are prepared to cover the cost of protecting their own staff – this will help to speed up vaccination while also reducing the financial and administrative burden on the state. But we need access to sufficient supplies. EuroCham is using all the tools at our disposal to support Việt Nam in procuring enough doses, and we are confident that business confidence will rebound as soon as we can achieve mass vaccination.”

The BCI is a regular barometer of European business leaders and their views of the trade and investment environment. Each quarter, it tracks the performance of EuroCham’s member companies and their perceptions of the economic outlook in Việt Nam. The fieldwork and data collection for the BCI is conducted by YouGov Vietnam.

Thue Quist Thomasen, CEO of YouGov Vietnam, added: “Despite the short-term shock of this fourth wave, the data shows that Việt Nam’s long-term prospects remain positive. European business leaders are predicting maintaining or increasing their staff and investment plans – even in the midst of this current outbreak – which demonstrates a continued confidence in Việt Nam’s trade and investment environment.” — VNS

[Back to top](#)

## Public investment hike cited for stellar economic recovery

After growing 4.48 per cent in the first quarter of 2021, the Vietnamese economy bounced back to 6.61 per cent in Q2. In the first half of the year, it increased 5.64 per cent against only 1.81 per cent in the same period last year.

### First-six-month economic growth since 2011



Unit: per cent on-year; Source: General Statistics Office

*Public investment hike cited for stellar economic recovery*

“Despite the ongoing pandemic, the economy has grown stronger thanks to the government’s major efforts in curbing the pandemic, and enterprises’ growing confidence in the domestic business and investment climate which is increasingly improved,” said Nguyen Thi Huong, general director of the General Statistics Office (GSO).

However, such a growth rate for the first half of 2021 would also mean that bigger efforts must be made to reach the goal of 6 per cent set by the National Assembly and about 6.5 per cent as set by the government for 2021.

Last week, the Ministry of Planning and Investment (MPI) reported its two economic growth scenarios for the second half of 2021 to the government last week. In the first scenario, in order to hit the growth target of 6 per cent for 2021, the economy must grow 6.2 per cent in the third quarter, and 6.5 per cent in the fourth quarter. In the second scenario, for the economy to increase 6.5 per cent for this year, the economy must climb 7 per cent in the third quarter, and 7.5 per cent in the fourth quarter. To reach these targets, new solutions must be applied to continue lifting enterprises and people out of difficulties. VIR

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