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VIETNAM BUSINESS REVIEW

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FINANCE

Mobile Money to be piloted in Vietnam in October

The Ministry of Information and Communications will license the Mobile Money service in early October to promote digital transformation and the digital economy in Vietnam.

Speaking at the Prime Minister's online conference with the business community and local governments on September 26, Minister of Information and Communications Nguyen Manh Hung emphasized that to create the digital environment, electronic payment is considered the foundation. Mobile Money is the best solution to spread the coverage of electronic payments.

“The final procedures are being completed to license Mobile Money in early October. This is expected to be a strong push to promote digital transformation and the digital economy,” he said.

On March 9, 2021, the Prime Minister approved the pilot implementation of Mobile Money within two years. Nguyen Son Hai, Deputy General Director of VNPT Media, said that it is difficult for people to access electronic payment means via e-wallets or bank accounts. The implementation of Mobile Money will bring great benefits to the economy and people will have more electronic payment tools. This is the foundation to digital citizenship and digital society when the density of mobile phones is universal.

“Piloting Mobile Money is a great effort of the Government as well as related ministries, especially the role of the Ministry of Information and Communications. This is also a sandbox applied to a new, difficult and sensitive service area, but it is a model that can be applied to many new services that will be allowed to pilot by the Government later. Mobile Money is the first sandbox related to many ministries and sectors that will be piloted to meet the needs of society," said Hai.

Vu Hoang Lien, Chairman of Vietnam Internet Association, said that Mobile Money service will bring many benefits to consumers and society, promoting non-cash payment. "If it is licensed soon, Mobile Money will be the Government's first sandbox to create breakthroughs and strong momentum for new technologies and new services,” Lien said.

From the perspective of service providers, Pham Trung Kien, CEO of Viettel Digital, said that when the Government allows the deployment of Mobile Money to pay for services and goods of small denominations, the number of users will be huge because the coverage of mobile networks is much wider than that of banks, even in remote and remote areas, where people do not have a bank account. This will make a boom for cashless payments in Vietnam. That is, overnight, anyone in Vietnam can use their phone to make non-cash payments. VNN

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GDP grows by only 1.42% during nine-month period

Vietnam's gross domestic product (GDP) growth rate during nine- month period increased by just 1.42% due to the COVID-19 pandemic impacting all economic sectors, with several localities imposing prolonged social distancing measures, according to the General Statistics Office.

Most notably, GDP growth rate during the third quarter of the year was estimated to have declined by 6.17% compared to the same period from last year, thereby marking the deepest decrease since the nation started to unveil its quarterly GDP.

The agro-forestry-fisheries, along with industry and construction sectors, enjoyed respective rises of 2.74% and 3.57%, while the service sector endured a slight drop of 0.69%.

The industrial, processing and manufacturing sectors remained the driving force behind the national economy with a growth rate of 6.05%, while the electricity generation and distribution sector registered a rise of 5.24%. In addition, the mining and construction industries witnessed a fall of 7.17% and 0.58%, respectively.

Due to the complicated nature of the COVID-19 pandemic, the wholesale and retail sectors during the reviewed period experienced an annual decrease of 3.1%, while the transportation and warehousing sectors endured a fall of 7.79%. In line with this, the accommodation and food service industry also saw a sharp decline of 23.18%.

The health sector and social support activities achieved the highest growth rate with a rise of 21.15%, followed by the financial, banking and insurance sector which saw an increase of 8.37%. Elsewhere, the information and communication sector went up by 5.24%.

With regard to economic structure, the agro-forestry and fishery sector accounted for 12.79%, while the industrial and construction and service industries made up 38.03% and 40.19%, respectively.

Throughout the reviewed period, exports and imports of goods and services rose by 14.21% and 18.46%, respectively. VOV

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E-COMMERCE

Ecommerce to become conditional business for foreign investors in Vietnam

The Government has issued Decree 85 amending and supplementing some articles in the previous Decree 52 released in 2013 on ecommerce. Decree 85 will come into force on January 1 next year.

Under Decree 85, foreign investors that want to tap the local ecommerce market must meet the following conditions: they must provide ecommerce services in Vietnam as stipulated under terms 1 and 2, Article 21, of the Law on Investment; foreign investors with a dominant stake in one or more enterprises in the group of the top five ecommerce operators in Vietnam would have to obtain national security clearance from the Ministry of Public Security. These top five ecommerce operators will be recognized based on criteria such as the number of visits, sellers, transactions and the transaction value.

Foreign investors that invest in small and medium enterprises (SMEs) in line with the country's regulations on supporting SMEs do not have to seek clearance from the Ministry of Public Security.

The decree also stipulates that foreign investors are considered a dominant stake holder in ecommerce service providers if the investor owns more than 50% of charter capital or over 50% of voting shares of the enterprise; if they are directly involved in making decisions to appoint, dismiss, or sack a majority or all members of the management board, chairman of the members' council, director or general director of the enterprise; and if they have the right to make important business decisions of the enterprise.

According to the above-mentioned decree, foreign traders and organizations that set up websites with Vietnamese domain names or in the Vietnamese language or establish ecommerce trading platforms with 100,000 transactions annually from Vietnam would have to register ecommerce activities with the authorities and establish their representative offices in Vietnam or appoint their representatives in the country.

Foreign traders, organizations that operate websites offering ecommerce services in Vietnam have to coordinate with State agencies to prevent the illegal transaction of goods and services, fulfill their roles to protect consumers and ensure the quality of products in line with Vietnam's laws, as well as make reports to the competent agencies.

Further, import and export items traded on ecommerce platforms have to undergo customs procedures on par with the customs laws. SGT

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ENERGY

Potential investors of $2 billion Quang Ninh LNG power project disclosed

Three of four investors, who are interested in developing the $2 billion Quang Ninh liquefied natural gas (LNG) power project, were weeded out due to failure in meeting the project criteria.

According to Quang Ninh People's Committee, to date, four investors registered to invest in the Quang Ninh LNG power project. They combine with Sojitz Corporation, China Power International Holding Ltd., a joint venture between Jaks Resources Berhad and TNB Power Generation Sdn., Bhd., and the joint venture between PV Power, Colavi JSC, Tokyo Gas, and Marubeni.

The joint venture of PV Power, Colavi, Tokyo Gas, and Marubeni was the only investor to overcome all project requirements to be allowed to complete the dossier for the investment certificate.

Previously, in late 2020, the joint venture signed an MoU to develop the project. The Quang Ninh LNG power project was approved to add in the adjusted Power Development Planning VII.

Along with requirements about financial capacity and experience, there are several other strict requirements for investors.

Tran Viet Ngai, chairman of the Vietnam Energy Association said that one of the challenges for the investor at the Quang Ninh LNG power project is the requirement to start construction in the second quarter of 2022 as well as the commitment to put the project in operation by the third quarter of 2027.

Covering an area of 56 hectares, including 13.38ha offshore, in Cam Pha city, the Quang Ninh LNG power project will include a power plant with the capacity of 1,500MW, gas storage, and an LNG port with an annual capacity of 2.4 million tonnes, as well as relevant infrastructure.

At present, land clearance has yet to be implemented. The investor will be allowed to operate the project for 50 years after receiving the land.

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Japan-based Chubu to scoop up 20 per cent share in Bitexco's renewable energy arm

As of February 2021, Bitexco Power Corporation (BPC) owned and managed 21 hydropower plants and one solar power plant with a combined gross generating capacity of 1,038MW in Vietnam. BPC is currently a leading renewable energy firm focusing on hydropower and solar PV generation in Vietnam's private sector.

Chubu has successfully completed a share purchase agreement with several shareholders as well as a share subscription agreement with BPC. After the agreements are completed, Chubu will also establish a shareholders' agreement with BPC and Bitexco Investment Corporation (the majority shareholder of BPC).

Chubu will become a 20 per cent shareholder in BPC if necessary regulatory permissions are obtained. This is Chubu's first investment both in Vietnam and abroad in a hydropower enterprise.

As of December 2020, around 2,000 Japanese firms have established business operations in Vietnam. As the country is experiencing rapid population expansion and economic development, electricity demand is likely to continue to rise. According to the proposed Power Development Master Plan (PDP8) for 2021-2030 presented by the Ministry of Industry and Trade of Vietnam, energy demand is predicted to rise to 491.3TWh (annual average growth rate of 8.5 per cent) in 2030, up from 216.8TWh in 2020.

Furthermore, compared to other ASEAN countries, Vietnam has a high renewable energy potential because many parts of the country have ample solar radiation and favorable wind conditions both onshore and offshore. The Vietnamese government has also indicated that it intends to raise the country's renewable energy ratio, implying that the renewable energy sector would continue to grow.

The Japanese firm will work to maximize the company value of BPC by utilizing the technology and expertise related to hydropower maintenance that it has accumulated over 70 years in Japan. With the anticipated continuing expansion of renewable energy in Vietnam, by becoming a vital partner of BPC, Chubu will contribute to the realization of a carbon-neutral society.

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RETAIL

Vietnamese enterprises reclaim domestic retail mark

The retail market was previously considered the playing field of foreign investors, but now domestic retailers are overturning the situation and reclaiming their shares.

With an expected increase in size to US$350 billion in 2025, which is 1.6 times higher than in 2020, the Vietnamese retail market is expected to open new opportunities for domestic enterprises to seize in conquering the market.

More than ten years ago, the Vietnamese retail market saw an investment wave of foreign companies through M&A deals and new investment. With strengths in finance and administration, foreign firms caused their domestic peers to face a great deal of challenges in occupying market share.

According to retail experts, domestic enterprises have potential but are weak in administration and lack cooperation, so they were unable to create a common strength. After a period of struggle, some strong domestic companies such as Phu Thai and Nguyen Kim had to sell themselves to foreign competitors at cheap prices. The picture of Vietnam's retail sector was a grey colour with more than 50% of shares belong to foreign companies.

The situation has started to reverse in the past five years when domestic giants such as Vingroup, Masan and Bach Hoa Xanh have managed to conquer the market. Such enterprises have penetrated deeply into the retail market to gradually acquire the dominant share. This has forced many foreign retailers to retreat from Vietnam despite having had ambitious plans.

Most recently, Lotte Mart Dong Da (belonging to the Korean group Lotte) announced cease of operation after eight years. The move shows that the company is planning to narrow its business in Vietnam since its first presence 13 years ago. It originally planned to open 60 shopping malls throughout the country by 2020 but the figure now is just 14.

Domestic firms are also silently expanding through M&As such as the case of the Korean brand E-mart, which announced termination of business in Vietnam and transferred its megamall in Ho Chi Minh City to Truong Hai.

Lotte Mart and E-mart are not the first foreign companies have resigned to narrowing their business or retreating from the Vietnamese market. Even major names such as Auchan, Big C, Metro and Shop & Go had to admit that the Vietnamese retail market is not easy to conquer despite having a great deal of potential.

With the advantage of home turf and understanding of local consumers' taste, domestic enterprises are gradually encroaching on the market and expanding their networks. Vincom Retail, for example, is possessing more than 80 commercial centres throughout Vietnam, with no competitors in this segment. The retail chain Vinmart and Vinmart+ currently has 125 large supermarkets and nearly 3,000 convenience stores after being transferred from Vingroup to Masan. Saigon Co-op is also undergoing significant changes with the ambition to double its outlets to at least 2,000 by 2025.

Alongside reclaiming the market share from foreign enterprises, the competition between domestic enterprises is also very intense. Since the onset of COVID-19, enterprises are employing new methods to approach consumers, with many focusing on online payment and express delivery.

According to Dinh Thi My Loan, the honorary president of the Vietnamese Retailers Association, the key to maintaining their shares is catching new trends and adapting their business strategies to consumer behaviour. Besides sustaining physical stores, they need to look for new opportunities, especially as the pandemic remains complicated.

The development of multi-channel retail, aimed at interacting with consumers anywhere and anytime to make the shopping experience uninterrupted, is the inevitable trend of the future. In order to continue promoting online shopping, retailers need to enhance their professionalism from order processing and delivery to payment in order to better meet the needs of consumers. NDO

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LOGISTICS

Postal companies plan for goods supply in 'new normal'

As many more localities have controlled the pandemic and loosened social distancing to resume production and business activities, postal companies have designed scenarios for goods supply.

The pressure of ensuring essential goods for people has lessened, so Vietnam Post and Viettel Post are returning to normal operation. However, ensuring smooth supply is still the most important task for both postal companies.

Vietnam Post's CEO Chu Quang Hao said the company has added more functions to transaction points, increasing the number of items and volume of goods to be supplied to people in pandemic hit areas. "We gained dual results when both helping farmers sell farm produce and helping consumers access high-quality sources of food and foodstuff with the e-commerce site Postmart.vn and other direct consumption modes," Hao said.

The pandemic is still 'hot' across the country, so post offices in cities and provinces are still closely cooperating with information and communication, agriculture and rural development departments, and local authorities at different levels to update information about market supply and demand, helping ensure goods supply chains in localities.

As for Viettel Post, the company is running programs on helping people throughout the country buy food and essentials. Though some localities have entered a new period and loosened social distancing regulations, the gathering of crowds at shopping points still needs strict control. "We will continue providing diverse essential goods, so that people have more choices," a representative of Viettel Post said. Viettel Post is running a program on exempting its large e-commerce clients from storage leasing fees, applied from September 15 to December 30, to help businesses and partners after a period of stagnation. According to Vietnam Post and Viettel Post, in the last two months, they have helped sell 100,000 tons of goods through direct sale channels at post offices, communal cultural post offices, two e-commerce platforms Postmart and VoSo, and through hotlines.

During social distancing, people must restrict travel, so shopping via e-commerce platforms has been a good solution. The channel restricts direct contact between sellers and buyers, ensuring compliance with the regulation on pandemic prevention and control. Vietnam Post reported that nearly 25,000 product items have been put on sale on Postmart, and 115,000 orders have been served to people in pandemic hit areas, and 600 tons of goods.

As for Vo So platform, the figures were 150,000 orders and 810 tons of goods. Dinh Thanh Son, Deputy CEO of Viettel Post, said the number of orders placed via Vo So increased by three times compared with the time before social distancing. VNN

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Stay-at-work policies hit ports in Vietnam

Facing challenges due to a lack of human resources as a result of the stay-at-work policies, several ports in Vietnam have yet to find a way to solve the crisis, waiting for adjustments from local authorities to ensure smooth operations.

Cai Mep International Terminal (CMIT) located in the southern province of Ba Ria-Vung Tau is waiting for a bold move from local authorities to loosen the stay-at-work policies to ease its burden.

Nguyen Xuan Ky, general director of CMIT told VIR, “The province planned to loosen the policies a few days ago and to find different solutions for businesses in various areas to facilitate their activities. However, the authorities have yet to apply them.”

Ky added that the policy is causing extra costs of over $44,000 to CMIT per week. “The spirit of the workers is also affected as they have to work in a limited environment for a long time. We have no solution yet and have to wait for the authorities,” Ky said.

CMIT has been applying the stay-at-work model since July 17 with 350 employees to ensure its smooth operation. The general director elaborated that the number is just enough to maintain general port operations but not enough to meet demand when the cargo volume increases.

In an effort to ease the situation, the port has sent a document to local authorities, asking for permission to apply more flexible labor management solutions. CMIT proposed continuing to apply the stay-at-work model for laborers from other provinces and those in pandemic-hit areas. For those vaccinated, the policies should be more flexible.

CMIT is just one of the ports facing challenges. Le Thanh Ven, deputy general director of Hau River Food Port Company, said that it has been implementing the model since July 22. After more than a month, about 30 workers resigned due to this changes.

“Before the pandemic, the port welcomed about up to 3,000 tonnes of cargo daily, which was processed by around 100-120 workers. Now we’re working with 30 people that can only process about 400-500 tonnes of cargo a day,” Ven admitted.

To deal with the situation, Hau River Port Company in the Mekong Delta city of Can Tho proposed to the locality to allow the recruitment of workers from unaffected areas as a substitute, ensuring daily health declarations and meeting COVID-19 testing rules. However, the Management Board of Can Tho Industrial and Export Processing Zones showed disagreement.

Lam Tien Dung, chairman of the board of Can Tho Port JSC, said that Can Tho Port is also in the same boat. As planned earlier, when starting to implement the stay-at-work model, the company had 25-30 Dockers. However, only 11 stayed, while the rest left after over one month ago.

"The shortage of laborers is negatively impacting the port performance, especially for cargo in bags like rice and fertilizers," Dung elaborated. "On normal days, the port can process 500-600 tonnes of bagged cargo per day, but now we're down to 20-30 per cent of this amount. We even have to refuse many orders."

Hoang Hong Giang, deputy head of the Vietnam Maritime Administration (VMA), said ports are operating day and night so they need many workers. The prolonged stay-at-work policy cause extra costs and impact workers' psychology. Therefore, the optimal solution is to vaccinate all personnel.

Giang suggested that authorized agencies should introduce the zoning concept of the larger cities for ports. Also, localities should be consistent in regulations, thus preventing any difficulties in port operation.

Workers in green areas would be those living without infections and a high vaccination rate, committing to abide by the regulations on the pandemic prevention. Workers in yellow zones would be those living in low-risk areas but fully vaccinated with two shots. They should be allowed to freely move from the company to their home, argued Giang. Meanwhile, the localities could establish green paths for the transportation of workers and goods with designated pick-up places.

The stay-at-work model has been a special concern among domestic and foreign businesses. While the principle is sound, it places a huge burden on both companies and their workers in practice.

The Vietnam Logistics Business Association and the European Chamber of Commerce in Vietnam have asked the VMA to work with cities and provinces, urging them to allocate vaccines to workers in necessary sectors like infrastructure, while issuing green passes for them. VIR

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INVESTMENT

Overseas investments soar by 32.4% over nine-month period

Vietnamese overseas investment during the opening nine months of the year surged by 32.4% on-year to reach US$572.3 million, according to the Ministry of Planning and Investment.

A total of 41 new projects received investment licenses, with registered capital reaching over US$150.1 million, equivalent to 55.9% compared to the same period from last year.

Furthermore, over US$422.1 million was poured into 15 capital adjusted and added projects, thereby representing a figure roughly 2.6 times higher than that of the same period last year.

This sharp rise in adjusted investment capital can largely be attributed to Vietnamese conglomerate Vingroup's investment of US$300 million in a new project in the United States.

Elsewhere, Indochina Rubber Development and Investment Co., Ltd. project also moved to increase their investment capital of US$76 million in Cambodia, while Vingroup's subsidiary automaker VinFast moved to expand their investment in its Germany-based project by US$32 million.

Throughout the reviewed period the majority of capital outflow was poured into 13 industries, with professional activities, science and technology taking the lead with over US$270.8 million. This was followed by the wholesale and retail sectors with over US$148.1 million, in addition to other fields such as agro-forestry-fisheries, administrative activities, and support services.

The initial nine months of the year also saw local investors inject capital into 20 countries and territories globally, with the US representing the leading destination for Vietnamese investment with US$302.8 million, thereby accounting for 52.9% of total investment capital.

Following behind the US, Cambodia ranked second with investment capital of US$89.4 million, thereby accounting for 15.6% of total investment capital, followed by Laos and Canada, with capital reaching US$47.8 million and US$32.1 million, respectively.

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Korean firms pour US$2.43 billion into Vietnam in eight months

Businesses from the Republic of Korea (RoK) poured over 2.43 billion USD into Vietnam in the first eight months of 2021, ranking third in terms of total registered capital after Singapore and Japan.

According to the Foreign Investment Agency under the Ministry of Industry and Trade, RoK firms invested in 251 new projects worth nearly 759 million USD and pumped an additional 1.18 trillion USD into 179 existing projects. Meanwhile, their capital contributions and share purchases reached 494.46 million USD.

With 9,159 valid projects worth 72.34 billion USD, the RoK now is the biggest foreign investor in Vietnam, the agency said.

This proves that RoK businesses have great confidence in Vietnam’s investment environment, Vice Chairman of the Vietnam Association of Foreign-Invested Enterprises Nguyen Van Toan told the Cong Thuong (Industry and Trade) newspaper.

Despite the complicated developments of the COVID-19 pandemic, the number of newly-registered and capital-added projects invested by Korean firms is still increasing.

Nearly 60 Vietnamese localities nationwide have attracted investment from the RoK, led by the northern province of Bac Ninh with 957 projects worth 10.7 billion USD, accounting for 14.9 percent of the northeast Asian country’s total investment in Vietnam.

The RoK’s investment projects have been quickly disbursed, significantly contributing to socio-economic growth and development in the Southeast Asian country, Toan said.

RoK firms’ projects mainly focus on the processing and manufacturing industry with 4,543 projects totaling 53.1 billion USD, making up 73.5 percent of the country’s investment total in Vietnam. VNA

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