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VIETNAM BUSINESS REVIEW

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FINANCE

The State Bank of Vietnam to regulate fintech banking

The State Bank of Vietnam (SBV) has been developing a sandbox for fintech banking and gathering feedback on a draft regulating the sector.

The SBV said the rapid development of fintech posed many challenges to financial authorities worldwide as they have to fight illegal financial activities on a new front.

Numerous fields, notably peer-to-peer lending and data sharing via the application programming interfaces, are emerging without adequate legal frameworks established, putting stakeholders at risk.

"Most of these fields have not been fully regulated, posing new risks to healthy competition, financial stability, data security and client interests," said the SBV. Accordingly, the central bank has to develop a controlled testing mechanism to get first-hand experience in managing the sector and allow fintech firms to test their novel products in a regulatory environment.

Notably, the SBV will allow some risks in the sandbox to gain a better understanding of the dangers, thereby building a full-fledged legal framework that encourages innovation, prevents financial risk and promotes financial stability. Additionally, fintech firms are required to test their products on a limited scale and under the supervision of the SBV to keep the risks under control.

According to the SBV, the number of fintech firms in Việt Nam has increased four-fold since 2016. Around 76 per cent of the firms cooperate with banks, 14 per cent develop their own products and the rest are bank competitors.

BIDV has partnered with 24 fintech firms and 756 service providers to make over 1,500 financial services available to its clients. MB and Boomerang Technology have cooperated to launch the eMBee fan page, allowing clients to check their bank balances, transfer money, buy insurance and take out loans by chatting with eMBee on Facebook Messenger. Almost all Vietnamese banks are now rolling out e-wallets with the help of MoMo. VNS

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Vietnam issues action plan to restructure economy to 2025

The Vietnamese government has issued a plan of action to implement the National Assembly's resolution on economic restructuring for the 2021-2025 period.

The overall goal is to enhance the productivity, competitiveness and resilience of the Vietnamese economy. Specifically, Vietnam targets annual productivity growth of 6.5% and aims to raise the contribution of technology and innovation towards economic growth, with total factor productivity (TFP) at 45% of GDP.

By 2025, the gap in national competitiveness between Vietnam and ASEAN-4 countries will be narrowed, especially in the criteria of institutions, infrastructure and human resources. Under the plan, Vietnam will strive for a spending deficit of 3.7% of GDP, with total social investment at 32-34% of GDP and non-performing loans at below 3%.

The capitalisation of Vietnam's stock market is expected to reach 85% of GDP by 2025. Vietnam aims to have about 1.5 million enterprises, with about 60,000-70,000 being medium and large-sized businesses, while the private sector will contribute about 55% of GDP. In order to realise such targets, the plan outlines a number of key measures, including focusing on fulfilling the goals of restructuring public investment, state budget and the system of credit institutions. The government will also seek to enhance effectiveness in the allocation and use of resources, promote links between businesses in different sectors, boost regional connectivity, and foster the role of key cities and economic regions. NDO

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E-COMMERCE

USAID supports small and growing business to engage in Vietnam's fast growing e-commerce market

Vietnam is projected to become the fastest growing e-commerce market in Southeast Asia by 2026, with growth over four times the value achieved in 2021.

However, Vietnam's micro, small, and medium-sized businesses (SMEs)—which make up 97% of all businesses in Vietnam—still face numerous challenges in navigating e-commerce opportunities successfully. SMEs need to adapt online business models now if they are to fully capitalize on the exponential e-commerce growth that is projected—or they risk being left behind.

On March 22, the USAID Improving Private Sector Competitiveness project hosted a widely-attended online conference on e-commerce, engaging government agencies, enterprises, business development organizations, experts, and individuals. The event attracted 251 online participants and 150 others who watched the livestream on the Facebook pages of USAID/Vietnam, the Agency for Enterprise Development under the Vietnamese Ministry of Planning and Investment, and VnExpress—the most popular online newspaper in the country. Speakers from Tiki, Amazon Global Selling, Maritime Bank, and Vietnam Economic Forum shared practical experience, success and challenges, and risks and opportunities.

Providing Vietnamese small and growing businesses with the required knowledge and skills to successfully utilize e-commerce will enhance their ability to access new markets and to participate in the digital economy. USAid

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ENERGY

Vietnam is thinking about nuclear energy development

"Restarting the nuclear power program by 2030 is the only way to achieve our net-zero carbon commitment by 2050 (as committed at COP26)," former head of the Vietnam Institute of Energy Nguyen Manh Hien said at the second Vietnam Clean Energy Forum in 7th April.

In 2009, Vietnam had announced plans to build two nuclear power plants in the south-central province of Ninh Thuan at a cost of several billion dollars, but the National Assembly shot down the proposal in 2016 saying the nation could not afford it then.

Tran Chi Thanh, head of Vietnam Atomic Energy Institute, said the nuclear energy program "must restart soon", but did not specify a date for doing so. It takes about 15-20 years to complete a nuclear power plant, including planning, constructing and test runs.

Thanh also recommended that previously chosen sites for nuclear power plants are not abandoned, saying it was hard to find a suitable location. This is not the first time that energy experts are recommending that Vietnam treads the nuclear path.

In a previous report, experts of Vietnam Energy Magazine under the Vietnam Energy Association exhorted the government to restart the nuclear energy program as soon as possible. The renewed focus on nuclear energy has happened after Prime Minister Pham Minh Chinh committed that Vietnam would reach carbon emission neutrality by 2050.

The country is yet to incorporate nuclear energy into its official planning. It finds no mention in the National Electricity Development Plan for 2021-2030 (with vision to 2045). However, Chinh has said that proposals for nuclear energy will continue to be developed and submitted for consideration later. vnexpress

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The Ministry of Industry and Trade propose auctions for renewable energy

The Ministry of Industry and Trade (MoIT) has put forth a proposal to start auctioning solar and wind energy projects that did not complete the technical test phase prior to October 31, 2021.

Earlier, a number of renewable energy projects demanded the ministry to extend the October deadline, a prerequisite to qualify for feed-in tariff (FIT), which pays small renewable energy suppliers at an above-market price, citing numerous challenges during the pandemic and prolonged social distancing periods last year.

However, MoIT has repeatedly rejected such demands. The ministry's proposal suggests instead said projects' investors may negotiate prices directly with Vietnam Electricity (EVN), the country's sole energy distributor.

The ministry said renewable energy has become more affordable and supply competitive in recent years. Therefore, it has voiced objections against Việt Nam's current preferential policies reserved for renewable energy development including FIT, saying it's time for the country to adopt a more market-oriented approach.

MoIT said previously signed 20-year contracts were no longer a suitable time frame as the cost to produce renewable energy has been steadily declining. Also, pegging renewable energy prices to the US dollar was also no longer appropriate under Việt Nam's legal framework on foreign exchange.

According to a recent report by the ministry, renewable energy, mostly consisting of wind and solar, accounted for 26 per cent of the country's total output. Contractual obligations to purchase said output has created an unfair playground for other energy suppliers. In the long term, it may even have a negative impact on the country's energy security.

According to EVN, by October 31 there were 84 wind farms that reached the commercial operation date with a total output of 3,980.27 MW.

Energy auctions are also known as “demand auctions” or “procurement auctions”, whereby the Government issues a call for tenders to install a certain capacity of renewable energy-based electricity. Project developers who participate in the auction submit a bid with a price per unit of electricity at which they are able to realise the project. The Government evaluates the offers on the basis of the price and other criteria and signs a power purchasing agreement with the successful bidder.

Since 2019, Việt Nam has emerged as the leader in solar and wind electricity adoption in the ASEAN area. The country overtook Thailand and had the largest installed solar and wind capacity in 2019. — VNS

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RETAIL

Masan to execute mini malls strategy to reach new revenue milestone

Private conglomerate Masan Group is eyeing a new revenue peak of VND100 trillion ($4.37 billion) this year by betting big on its "mini mall" strategy of satisfying every consumer's need.

The recently announced target, up 12.8 percent from last year, will include a 40 percent contribution from WinMart retail outlets, a key part of its "point of life" strategy.

To achieve its goals, Masan plans to transform its current WinMart and WinMart+ outlets into "mini malls," streamlining a complete retail and service experience to consumers. The malls will include financial services by Techcombank, beverages by Phuc Long Tea, medicines from Phano Pharmacy, and mobile services by new telecommunication brand Reddi.

This means that nearly 2,800 WinMart and WinMart+ outlets across the country will become places where people go to for almost any need, from withdrawing or depositing money, getting a SIM card, or just for a cup of tea, with cashless transactions available for all services.

"The mini mall model is the key to integrate all spending demands of consumers and expand our operations from offline to online," Masan chairman Nguyen Dang Quang said recently. This is how Masan will be able to serve 100 million consumers without a "cash burning" strategy that is being used by e-commerce platforms, he added. Rural areas, therefore, play a major role in the company's strategy as this is where most consumers are located.

Masan plans to have 30,000 mini malls nationwide by 2025, with plans to integrate two more "missing pieces" in its ecosystem – content and entertainment. The group first launched two franchised WinMart locations in December last year, and it plans to take this number to 200 this year.

Masan expects that the mini mall model will meet 60-80 percent of consumers' demand, up from the current 25 percent. Quang also said that artificial intelligence and machine learning will be utilized this year to perfect the retail ecosystem.

The technologies will analyze the shopping preference of each store to reduce the number of days goods are stored in the inventory while increasing customer satisfaction. The group also seeks to identify its customers and personalize their shopping experience. Masan Group joined the retail industry in December 2019 by acquiring the WinMart operations (formerly VinMart) from Vingroup, the nation's largest private conglomerte. As of now, WinMart remains the biggest retail chain in the country.

The group brought down the chain's loss of VND5.6 trillion in 2019 to VND1.4 trillion last year, the smallest loss it has recorded since 2015. In February, Masan announced it had spent an additional $110 million to increase its ownership in the Phuc Long beverage chain from 20 percent to 51 percent.

HSBC Research earlier this year released its first report on Masan Group's stock, saying that the target price of MSN could reach VND 200,000 this year, up 24 percent from the beginning of the year. HSBC analysts expect the potentials of WinMart outlets, together with the impact of Reddi telecom services and Phuc Long drinks, will serve a wide range of customers and drive revenues up. They value WinCommerce, operator of the outlets, at $3.2 billion.

Last year, Masan raised $2.3 billion from several investors including South Korea's SK Group, China's Alibaba and Baring Private Equity Asia. Vnexpress

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LOGISTICS

Vietnamese seaports lag behind regional peers

Despite growing demands, Vietnam's seaport development masterplan has been deemed inappropriate by experts, leaving much to be desired in the race to attain capital.

Vietnam Maritime Corporation (VIMC) and the world's leading container shipping company MSC are currently researching development of an international transhipment port in Can Gio in the south. The port would have capacity of 15 million TEU and could receive ships of up to 250,000DWT.

However, VIMC and a group of investors must mobilise about $10 billion to implement the project and the pressure to call for this is great, as this project has not been added to Vietnam's seaport masterplan.

The lack of deepwater ports in the country has been a hindrance to timber exporters, among others. The price of imported wood materials in March increased sharply, driven by oil price rises and the Russia-Ukraine conflict, deepening the shortage of raw wood in Vietnam.

"We are importing at a very low level and accepting a reduction in revenues of up to 50 per cent," said Tran Thien, director of Thanh Hoa Co., Ltd., one of the largest suppliers of wood materials in Vietnam.

Vietnamese raw wood suppliers can import logs for sawing if they use China's seaport infrastructure to balance raw wood supplies for domestic production. Its dense seaport system has helped China maintain raw wood supplies and compete on the world market.

"However, Vietnam cannot learn any lessons from its neighbour as its infrastructure remains limited," said Thien.

The cost of storing timber in the south has exceeded the tolerance of local producers. Large ships carrying more than 30,000cu.m of timber must be brought to ports in the central region, such as Quy Nhon or Quang Ngai, and then transported by other means to the sout. In the meantime, warehouse prices at Quy Nhon's port have also increased more than 10 times compared to last year.

Assoc. Dr. Tran Dinh Thien, former director of the Vietnam Institute of Economics, commented that Vietnam is lacking large, international seaports that are qualified to receive medium-sized ships.

"The volume of goods passing through in central and southern regions breached capacity, leading to transhipments and longer export procedures," Thien said. "The central coastal region has built many seaports that are not competitive enough in the context of integration. In terms of development conditions and capabilities, the central coast is weaker than other economic regions due to the lack of underdeveloped industrial and economic infrastructure."

Statistics from the Ministry of Transport (MoT) from last September show that, in the past five years, the volume of goods being unloaded through ports in the central region has been increasing, but the rapid increase mainly belongs to Vung Ang Port in Ha Tinh province and Nghi Son Port in Thanh Hoa province.

Dr. Beom-Hung Kim from the Korea Maritime Institute warned several years ago that the serious lack of deepwater ports for large container ships is a fundamental limitation of Vietnam's seaport system.

"The masterplan on the seaport system 2020-2030 has excluded Vietnam from the international playing field as there is a lack of deepwater ports capable of receiving large tonnage ships," he said.

While it is unlikely that any government can afford to invest in all infrastructure at the same time – leaving them with raising private and foreign capital – Kim recommended that Vietnam should issue specific legal provisions for the construction of ports and their modernisation.

"The government should accumulate statistics on port usage and develop an information system on port operations. Port constructions require reliability through expert forecasts. Thus, seaports should be built as a logical economic centre with a network of transport links."

According to the masterplan for Vietnam's seaports, the country needs about $13.6 billion to develop. The targeted cargo volume would then reach up to 47 million TEU while also providing transport for up to 10.3 million visitors.

Vietnam wants to put more emphasis on its marine economy to ensure the sustainability of the overall national economy. But with the existing seaport system, Vietnam is lagging behind some countries.

According to the MoT, in the last five years, Vietnam established 32 shipping routes, of which 25 are international routes and seven domestic ones. The north of Vietnam currently operates two routes to North America, while the south formed 16 routes to North America and Europe.

During this period, the volume of goods through the seaports increased 61.8 per cent, an average annual increase of about 10 per cent. In 2021, the total volume of goods passing through Vietnam's seaports reached roughly 700 million tonnes, up 2 per cent compared to 2020.

News and procurement site Ship Technology quoted information from the Maritime and Port Authority of Singapore, showcasing that container capacity through Singapore has increased to a record 37.5 million TEU in 2021. About 80 per cent of these are transshipped to other ports. Meanwhile, Singapore also handles around 600 million tonnes of goods, higher than in 2020.

However, Singapore's achievements do not come by accident but are the result of a combination of public policy with many development incentives. VIR

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Railway goods transport between Vietnam and China up 34.1 percent

The total volume of railway goods traded between Vietnam and China in the first quarter of this year has seen an increase of 34.1 percent over the same period of 2021.

According to China Railway Nanning Group, as many as 98 international trains operated between Vietnam and China, transporting a total of 2,940 twenty-foot equivalent units (TEUs) of cargo, up 27.3 percent in terms of the number of trains and 34.1 percent in the volume of goods year-on-year.

Of which, 57 outbound freight trains departed from China to Vietnam in the first quarter, a rise of 128 percent year on year. Most of the exported items included made-in-China machinery, equipment and electronic products.

Meanwhile, fruit remained China’s leading import category via rail with around 11,366 tonnes of Vietnamese fruits imported via Guangxi's Pingxiang Port during the reviewed period.

Statistics have shown that over 200 varieties of goods have been transported by the China-Vietnam freight trains in recent times, including Chinese traditional medicinal materials, fruits, machinery, and equipment, contributing to ensuring a diversified and stable supply of goods for businesses of the two countries. NDO

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INVESTMENT

Canada and Vietnam to boost the economic cooperation

Canadian businesses place great confidence in the Vietnamese investment environment and its potential, said the director of the Canada-Vietnam Trade Council at the Vietnam-Canada Investment Forum which was held virtually on April 7, featuring the participation of roughly 200 delegates.

The Vietnam-Canada Investment Forum was held as part of a wide range of events organised by the Vietnamese Embassy in Canada over recent years in a bid to promote greater economic diplomacy and serve the country's overall development.

Currently, both the Vietnamese and Canadian economies are showing positive signs of recovery, with the Southeast Asian nation's economic growth rate estimated to have increased by 5.03% during the first quarter of the year.

Furthermore, Canadian GDP jumped 6.7% in the final quarter of last year, with both countries applying a safe COVID-19 pandemic adaptation strategy.

In this context, the Vietnam-Canada Investment Forum can be viewed as a prime opportunity for Vietnam to attract greater investment, whilst also strengthening the supply chain between the two sides amid the uncertain global environment.

Over the past two years, despite enduring the COVID-19 pandemic, the development momentum of the friendship and comprehensive co-operation between the two governments and citizens of each side has been actively maintained.

Meetings, phone calls, and exchange of letters between Vietnamese Prime Minister Pham Minh Chinh and his Canadian counterpart Justin Trudeau, as well as between the various leaders of ministries and sectors, have served to create a favourable basis for bilateral economic connectivity.

According to details given by Vietnamese Ambassador to Canada Pham Cao Phong, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), of which Vietnam and Canada are founding members and which features tax incentives on both consumer goods and raw materials, has created favourable conditions for trade and investment activities. In addition, it has also boosted supply chains between the two countries, thereby actively contributing to ensuring human security and economic security between both sides.

Ambassador Pham Cao Phong emphazised that Vietnam continues to represent an attractive destination for investment and business activities, largely due to its political and macroeconomic stability, geographical location, favourable environmental and land conditions, dynamic and abundant human resources, along with many other factors.

The country has improved its business and investment policies, whilst it has also devised master plans and an industrial development strategy towards 2025 with a vision for 2035, with a view of fully tapping into its long-term growth potential.

Speaking at the forum, Representative Laurie Scott, Parliamentary Assistant to the Ontario Minister of Economic Development, Job Creation and Trade, affirmed that Ontario wishes to continue to strengthen its relationship with the Vietnamese side, particularly as the nation has been Canada's largest trading partner in ASEAN since 2015.

Most notably, two-way trade value between the country and the Canadian capital reached nearly CAD6 billion, equal to US$4.7 billion, in 2021, accounting for a large proportion, over 50%, in joint trade turnover.

With strong GDP growth and a growing middle class, the Vietnamese market is now an important one for Ontario, the North American nation's most populous province.

With Ontario making every effort to diversify its international trade, the provincial administration sees real opportunities for businesses in the financial service, information and communications technology, and infrastructure development sectors.

In line with this, it is hoped that Vietnam can act as a bridge connecting Canadian businessmen to the 14 other members of the Regional Comprehensive Economic Partnership (RCEP), a huge market with approximately 30% of the world's population, 2.2 billion people which also makes up 30% of global GDP, US$26.2 trillion.

Meanwhile, Canada can serve as a door in which Vietnamese goods can penetrate the US and Mexican markets, both of which are members of the US-Mexico-Canada Trade Agreement.

At the forum, representatives of Canadian and Vietnamese companies such as FPT Canada, Manulife Vietnam, and Dan On Food Canada shared their businesses' market access strategies, challenges, and opportunities.

The event also expects additional Vietnamese investors to be interested in the Canadian market as it is considered a leader in energy and agriculture, whilst it also boasts a very strong logging and seafood processing sector.

The Vietnam-Canada Investment Forum is regarded as a venue in which both nations' authorities, as well as the business communities, can come together to find solutions to increase investment capital flows in both the public and private sectors. In addition, both sides can use the platform to explore the potential for co-operation and at the same time deepen ties of bilateral friendship. VOV

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Two districts of Ho Chi Minh City mobilise $9.4 billion investments

Ho Chi Minh City People’s Committee is inviting domestic and international investors into 48 projects in Cu Chi and Hoc Mon districts, with the total capital investment of $9.4 billion.

State President Nguyen Xuan Phuc and Phan Van Mai, Chairman of Ho Chi Minh City People's Committee, chaired an investment promotion conference in Hoc Mon and Cu Chi districts on April 12.

This is the first time that the two northwestern districts of Ho Chi Minh City have jointly held an investment promotion conference.

Among the projects are 12 related to transport and infrastructure, amounting to more than $9 billion. Opportunities in waterways, waste treatment, urban landscape improvement, culture, sport, education, trade, and services were also presented.

Some outstanding projects are the elevated railway linking Thu Duc city, Hoc Mon, and Cu Chi districts, the expressway linking Ho Chi Minh City and Moc Bai Gateway, and the No.2 railway route from the southern province of Tay Ninh to Cu Chi.

Also at the conference, 10 investment registration certificates were handed over with the total investment capital of almost $370 million. In addition, 39 MoUs with the total investment capital of $16.5 billion were signed between the local authorities and foreign and domestic investors. Partners include Sovico Group, AEON Mall, Van Phu Invest, Hyundai E&C, and CMIA Capital Partners.

Hoc Mon and Cu Chi are relatively new destinations for both foreign and domestic investors. According to Furusawa Yasuyuki, general director for AEON Vietnam, it plans to develop retail services that are suitable for local living standards. AEON Mall plans to set up the AEON Mall Hoc Mon with an investment capital sum of $250 million.

CMIA Capital Partners and Surbana Jurong plan to set up a high-tech agricultural park on more than 1,000 hectares in the Cu Chi district. Ken Chan, a representative of the investors, said that this project would shape an eco-urban area with functional locations for food processing and logistics, expecting to bring about a turnover of $2 billion annually and more than 50,000 jobs.

“With our capacity and experience, we believe that this project will bring about a new motivation for developing Cu Chi and Hoc Mon districts as the first high-tech agriculture and eco-urban area in Vietnam,” said Chan.

At the conference, State President Phuc said that Hoc Mon and Cu Chi have the potential for comprehensive socioeconomic development, especially in industries, logistics, agriculture, tourism, health, and education.

The president added, “The conference on investment promotion is important for attracting investment, especially as the domestic economy and Ho Chi Minh City have been seriously affected by the pandemic. They need resources and the dedication of entrepreneurs in the community.”

“The events of the last two years also provide an opportunity to change the mindset and make us more innovative in attracting investment. We must prepare the infrastructure of industrial parks, economic zones, transport systems, and human resources to seize those opportunities and prepare the best conditions to welcome investors,” concluded State President Phuc.

Hoc Mon and Cu Chi districts are two suburban districts of more than 544ha, occupying almost the entire territory of the north and northwest of Ho Chi Minh City. They are the gateway connecting the city with the other urban areas of Duc Hoa, Trang Bang, and Thu Dau Mot in the western and southeastern provinces.VIR

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