



Highlight

Japanese retail giants flock to Vietnam

VIETNAM BUSINESS REVIEW

What's in it today?

Vol 33, Aug 19th 2020



FINANCE

Reference exchange rate down 5 VND on August 19
Southeast Asia, 'fertile land' for online payments, e-wallets



E-COMMERCE

Vietnam's e-commerce revenue grows 25% in 2019
ShopBack launches cashback reward platform in Vietnam



START-UP

Vietnam startups share 'IPO dream'
Vietnam's proptech startups favored by investors despite Covid-19



INVESTMENT

FDI inflows from Europe yet to shift into Vietnam
Japanese businesses seek to take advantage of Vietnam potential



LOGISTICS

Domestic airlines ask for Government loan of \$1.16 billion
Transport companies rush to deal with licence plate colour changes



RETAIL

Thai, Vietnam retail back at pre-Covid-19 levels says Central Retail CEO
Japanese retail giants flock to Vietnam

FINANCE

Reference exchange rate down 5 VND on August 19

The State Bank of Vietnam set the daily reference exchange rate at 23,204 VND per USD on August 19, down 5 VND from the previous day.

The State Bank of Vietnam set the daily reference exchange rate at 23,204 VND per USD on August 19, down 5 VND from the previous day.

With the current trading band of +/-3 percent, the ceiling rate applied to commercial banks during the day is 23,900 VND/USD and the floor rate, 22,508 VND/USD.

The opening hour rates at commercial banks stayed stable.

At 8:15 am, Vietcombank listed the buying rate at 23,060 VND/USD and the selling rate at 23,270 VND/USD, both unchanged from the previous day.

BIDV also kept both rates unchanged, listing at 23,085 VND/USD (buying) and 23,265 VND/USD (selling)/.

Southeast Asia, 'fertile land' for online payments, e-wallets

The obvious effects of the COVID-19 pandemic include the rapid increase in online payment services and digital banking across Southeast Asia.



A customer makes a payment using e-wallet at a supermarket in HCMC. With more customers using e-wallets, mobile banking and web applications, banks and financial service providers need to build their cyber defences intelligently.

Due to social distancing restrictions, people across the region now avoid brick-and-mortar bank branches and prefer the physically safer option of e-wallets and mobile payment applications, Yeo Siang Tiong, cybersecurity company Kaspersky's general manager for Southeast Asia, said.

"It is, however, far beyond surprising. As early as late 2019, before COVID-19's massive effects across SEA, I read an article which said online financial transactions in the region will be worth US\$1 trillion by 2025 and the digital wallet segment will jump fivefold to \$114 billion.

"I believe these two key sectors will go far beyond these predicted numbers as we try to minimise human contact for the sake of our physical health."

A recent study by Mastercard found 40 per cent of consumers in the region saying they were using e-wallets more than ever, with Malaysia leading the way, he said.

On the other hand, cash is slowly being dethroned as king as fewer people use banknotes to buy or trade goods and services, he said.

“What makes the region a fertile land for digital banking and online payment is the fact that it has countries with a young population --- millennials and Gen Z’s who are not used to physically visiting financial buildings or queuing for a long time to fill up forms with pen and paper like the generations before them did.

“Another important factor is that there is still a significant per cent of individuals who are unbanked or underbanked. This is particularly true in still emerging countries like Indonesia, Malaysia, Thailand, the Philippines, and Việt Nam.”

At the centre of this digital revolution is trust. Customers are using e-wallets, mobile banking, and web applications driven by necessity, he said.

Now, more than ever, they need to trust financial institutions to secure their money, he said.

“Digital transformation, in any sector, always presents new challenges, but especially for banks and for financial services. To put it simply, revolutionising banks’ way of doing transactions means overhauling their legacy systems including people, process and technology.”

Humans remain the weakest link since, especially those who are not digitally native, lack proper awareness about the simplest risks like phishing and spam, while employees require new training and third-party services should be assessed comprehensively, he pointed out.

“When it comes to security, endpoint should be the foundation and banks should have known this by now. Financial services ... should be looking at an adaptive approach in security which should be proactive rather than reactive – ready before an attack happens.”

The future may be foggy as different technologies continue to be developed, like AI, 5G, the Internet of Things, and cryptocurrency, but the past offers concrete lessons the financial sector could learn from, he said.

“Given the evolving nature of cyberthreats that are expected to become more sophisticated, it is also important that financial institutions have the necessary tools that help track threats that can evade regular endpoint solutions even before they hit you.

“We are in the middle of a digital revolution, and the use of online payment gateways and e-wallets are certainly here to stay and even increase. While it is a huge responsibility for banks and financial service providers to secure their virtual systems, I am certain they can pilot their way to the future as long as they build their cyber defences intelligently.” VNS

[Back to top](#)

E-COMMERCE

Vietnam's e-commerce revenue grows 25% in 2019

Vietnam's B2C e-commerce revenue rose by 25% to 10.08 billion USD in 2019, according to the e-Commerce White Book 2020 released by the Ministry of Industry and Trade (MoIT)'s e-Commerce and Digital Economy Agency (iDEA).



Vietnam's B2C e-commerce revenue grows by 25% to 10.08 billion USD in 2019, according to the e-Commerce White Book 2020.

The number of online shoppers grew about 1.12% year-on-year to 44.8 million people last year from 39.9 million people in the previous year, says the book. Average spending for online shopping was 225 USD per person, 23 USD higher than in 2018.

Head of the iDEA Dang Hoang Hai said 2019 saw a big change of Vietnam's e-commerce sector when the country was implementing the government's master plan for e-commerce development between 2016 and 2020.

He noted that e-commerce has smoothed the way for the flow of goods and services and supported firms, especially small- and medium-sized enterprises, in seeking business opportunities in the era of international integration and the Fourth Industrial Revolution.

The book provides readers with an overall picture of Vietnam's e-commerce industry from legal environment, logistics infrastructure, payment to use of e-commerce among businesses, exporters and people.

Vietnam has set a target that the e-commerce industry would grow by 25% per year to 35 billion USD with more than half of the population shopping online by the end of 2025.

According to the e-Commerce White Book 2019, e-commerce revenue jumped 30% from 6.2 billion USD in 2017 to 8.06 billion USD in 2018.

The size of the local e-commerce market was expected to reach 13 billion USD this year.

The e-Conomy SEA 2019 report by Google and Temasek predicted that e-commerce in Vietnam would expand 43% per year in the 2015-25 period, making it the fastest growing e-commerce market in the region.

Vietnam is now the second fastest growing e-commerce market in Southeast Asia, after Indonesia. VNA

ShopBack launches cashback reward platform in Vietnam

ShopBack's website and mobile app made their official debut in Vietnam on Saturday, bringing about a smarter way for local online shoppers to "shop, save and discover". Online shoppers in Vietnam can now earn up to 25% cash back from ShopBack Vietnam's roster of over 150 merchants. These include international and regional brands like Lazada, Shopee, Watsons, Booking.com, Klook and 7-Eleven, as well as local brands Tiki, Sendo, Juno, G Kitchen, Vascara, and Fahasa.



Founded in 2014, ShopBack, a leading rewards and discovery platform, now serves over 20 million users in nine markets across Asia Pacific. Besides Vietnam, it is also present in Singapore, Malaysia, the Philippines, Indonesia, Taiwan, Thailand, Australia, and South Korea.

ShopBack rewards users with cashback across a wide range of categories including general merchandise, travel bookings, fashion, health and beauty, groceries, and food delivery.

"At ShopBack, one of our six core values is 'Never Ending Customer Obsession', and we hope to bring the high-quality ShopBack experience that our users know and love to consumers in Vietnam," said Josephine Chow, head of expansion at ShopBack.

Chow added that the increasing number of internet users, rising internet penetration, and a steady increase of the e-commerce share of total retail sales in Vietnam make it a core and high-potential market for the company.

ShopBack Vietnam was launched in Beta at the end of 2019, and since has acquired over 150 merchants and around 800,000 users. The firm has seen consistent month-on-month growth of over 150% in sales and over 150% in orders this year. To date, VND4 billion (\$172m) has been given out to ShopBack users in Vietnam.

"In fact, ShopBack Vietnam has been very well received since its beta launch late last year. We are thrilled to be officially launching ShopBack Vietnam and excited for what's in store next," Ha added.

As part of its 8.8 launch campaign on August 8, 2020, ShopBack Vietnam will be teaming up with selected merchant partners like Lazada, G-kitchen, Watsons, Shopee, Booking.com, and Klook etc. to offer deals exclusive to ShopBack users.

During the campaign, ShopBack users can earn up to 100% cashback during two flash sales. In line with the official launch, ShopBack Vietnam has rolled out new features including a new 'Coupon' icon on its homepage, whereby users can click to view a consolidated list of promo codes.

[Back to top](#)

START-UP

Vietnam startups share 'IPO dream'

Having an IPO (initial public offering) is an unfulfilled dream for startups because they are all incurring losses, experts said.

"It is even more difficult to become public, because shareholders won't accept defects," he said.

He believes that no startup will be able to have an IPO in the next three years.



Opportunities to attract public investors depend on many factors, including the business fields in which enterprises operate. Plastics and packaging manufacturers are more difficult to list shares.

Under current regulations, businesses have to satisfy many requirements on stockholder equity and profit in consecutive years. As for enterprises which plan to list shares on the bourse, the requirements are even stricter.

With the requirements, the State wants to protect investors with limited knowledge. This is the common characteristic of many Southeast Asian countries and explains the low percentage of enterprises with an IPO.

In Vietnam, capital mobilized by businesses through the stock market is very low. In 2019, 1,674 companies mobilized VND93 trillion

worth of capital, but 80% of that went into 10 large companies.

Businesses would prefer to borrow capital from banks rather than list shares on the stock market.

Opportunities to attract public investors depend on many factors, including the business fields in which enterprises operate. Plastics and packaging manufacturers are more difficult to list shares.

Experts also said that it is difficult for small and medium enterprises to launch an IPO, and even more difficult for startups. However, the challenge is not the requirements on capital and profitability, but in the readiness to be transparent.

Despite the great challenges, startups have been told to continue cherishing the IPO dream.

Vietnam's proptech startups favored by investors despite Covid-19

Many Vietnam's startups have died young during Covid-19, but startups in the real estate sector, or proptech, appear to have been unhurt by the epidemic.

In February, CenGroup announced the investment of \$1 million in Revex, a technology platform for joint investment in real estate. The deal was made following a capital call by Revex founders at Shark Tank 2019, a TV show.

Commenting that this is a good idea but there are latent legal risks, the other ‘sharks’ refused to provide capital. But Shark Hung of CenGroup thinks otherwise and decided to pour \$1 million worth of Capital in Revex for 25% of shares.

In April, the representative of Homebase spoke about the pre-seed funding from Antler and Iterative VC, the two venture funds from Singapore which specialize in providing capital in the first phase of startups’ operation, and other angel investors.

JunYuan Tan, a co-founder of the startup, revealed that Homebase has successfully called for \$310,000 worth of capital.

In June 2020, Propzy.vn revealed that it successfully raised \$25 million worth of funds in Series A round. The two biggest investors are Gaw Capital and SoftBank Ventures Asia. It also got support from other investment funds, including Next Billion Ventures, RHL Ventures, Breeze, FEBE Ventures, RSquare and Insignia.

Most recently, in July, RealStake, a proptech and fintech, said it successfully called for capital in the seed funding round from 500 Startups Vietnam and angel investors.

The angel investors include well known names, such as Neil MacGregor, the CEO of Savills Vietnam, Dinh Anh Huan, founder and chair of Seedcom, Ba Ha Truc from Qatar National Bank, Alex Huy Tran and Minh Cao.

RealStake says its mission is to digitize and simplify investment activities of individual users in Southeast Asia.

In 2019, the platform was officially launched in Vietnam, allowing many individual investors to invest in the same real estate products. The real estate sales on RealStake have been growing by more than 200% over the last year since the launch and investors have mostly invested \$1,000 more than the minimum investment set by the platform.

Analysts pointed out three reasons for investors to have an interest in proptech.

First, the real estate investment and business environment in Vietnam still lacks transparency and real estate assets are set at overly high levels compared with what people can actually afford.

Second, the proptech sector in Vietnam is still in very early stage of development, so it has a lot of potential.

And third, the founders of most proptechs are well known names in the Southeast Asian startup community.

John Le of Propzy, for example, is very famous, and behind the success of leading fintechs, including LoanTrader and Portellus.

[Back to top](#)

RETAIL

Thai, Vietnam retail back at pre-Covid-19 levels says Central Retail CEO

Thailand's Central Retail Corporation says sales in its home and offshore markets have already bounced back to pre-Covid-19 levels.

Revealing a loss of US\$80.7 million in the June quarter, CEO Yol Phokasub said its businesses are showing a positive sign of recovery, thanks to the group's agility.

"Since June, our business in Thailand, Vietnam and Italy has resumed its sales at the same pace as what had happened before the Covid-19 outbreak in February," he said. "Its profit (EBITDA) has also been positive again."

Phokasub said trading at more than 80% of the group's retail space was suspended for more than 46 days of the 91-day second quarter when the pandemic hit all three countries. But despite the restricted trading, the company's quarterly revenue was down only 21 % year on year to \$1.33 billion.

Revenue for the first six months of the year reached \$3.07 billion, declining by just 10%, with a half-year loss of \$52.2 million, down by 139%.

Phokasub said the company's investment in an online model three years paid off during the pandemic as it was able to migrate some trade online.

"During the Covid-19 crisis, the main factor that allowed the business to continue in a secure manner was solid support from customers, business partners, and the contribution from all employees who whole-heartedly worked hard and adjusted their work to offer the best services to customers, as well as resilient business strategies, including cost, investment, and expenditure management, and an efficient liquidity boost enabled Central Retail to regenerate its profit quickly," he said.

"Central Retail foresees the continuous recovery of the business in the second half of 2020 regarding positive signs including the policies of the government and the capability of its new economic team that will be driving the economy, helping SMEs and stimulating employment, especially in retail and service sectors which cover more than 19 million workers. Public health measures are also important."

Japanese retail giants flock to Vietnam

After the entry of well-known Japanese names in the Vietnamese market, such as Aeon, Takashimaya, Family Mart, MiniStop, 7-Eleven, the domestic retail market has recently seen a massive number of other Japanese retail brands that are currently expanding in the country in spite of present difficulties.

BRG Group, one of Vietnam's leading private multi-sector economic groups, and its Japanese partner, Sumitomo Corporation is planning an inauguration of the 2nd FujiMart at 36, Hoan Cau Street in Hanoi's Dong Da District after the success of the first one opened at 142 Le Duan in the end of 2018.

Clothing brand, Uniqlo opened its first store covering on a large area across 2 floors in Vincom Center in Hanoi.

MUJI, a popular with its simple packaging and the elegant neutral product design from skincare, clothing to stationery, and housewares launched the first MUJI POP UP store at 1st Floor Parkson Saigontourist Plaza in July.



Vietnamese customers are shopping in Aeon Mall Tan Phu in HCMC

Miki House offering clothing & accessories for Kids opened the first store in Japanese Akuruhi market in HCMC's District 1 while Japanese drugstore chain Matsumoto Kiyoshi plans to inaugurate its first pharmaceutical, cosmetic store in coming time.

In fact, those businesses have spent much time in planning and executing their projects after the success of compatriot companies, such as Aeon, Takashimaya and others.

Japanese retail giant Aeon will open its 6th store in Hai Phong in the end of this year

and another in Hanoi's Hoang Mai District in the future.

While Takashimaya Shopping Center in HCMC in April announced results for the first four years of operation with a profit of US\$929,000 from the total sales of JPY 2 billion (US\$18,7 million).

Big names of Japanese convenience stores are amily Mart, MiniStop, and 7-Eleven that entered into Vietnam while Lawson is carrying out Market research before opening.

The expansion of Japan's well-known retailers created a direct competitiveness between Japanese convenience shops and Vietnamese traditional retail stores.

Vietnam's retail market has seen a sharp increase of Japan's investment capital, said Chief Representative of the Japan Trade Promotion Organisation (JETRO) in Ho Chi Minh City, Hirai Shinji.

The entry of Uniqlo into major cities of Hanoi and HCMC shows that Vietnam is a potential market and attracts many Japanese enterprises, he added.

According to the General Statistics Office of Vietnam, the retail sector earned a revenue of VND2,218 billion (US\$95.5 million) in the first seven months of this year, presenting a year on year increase of 3.6 percent.

Vietnam is one of the rare retail markets in the region and the world that gained positive growth in a difficult situation worldwide due to the outbreak of COVID-19.

[Back to top](#)

LOGISTICS

Domestic airlines ask for Government loan of \$1.16 billion

The Vietnam Aviation Business Association (VABA) has proposed the Government lend domestic airlines a credit package of VNĐ25 trillion-VNĐ27 trillion (US\$1.07 billion-\$1.16 billion) at a preferential interest rate for a three-four year term.

This is one of recommendations the association sent recently, asking the Government stimulate the sector as it is facing serious impacts caused by the COVID-19 pandemic.



A corner of Tan Son Nhat International Airport in HCM City.

VABA also called for the extension of the period of exemption and reduction of aviation service charges until the end of 2021. At the same time, it asked the Government to direct the Ministry of Transport and Airport Corporation of Vietnam to cut 50% of all airport service charges.

“Airlines expect the Government to ask the National Assembly Standing Committee to allow a 70%, or at least 50%, cut of environmental protection tax for flying fuel by the end of 2021, and consider and direct speeding up the construction progress of upgrading runways at Nội Bài and Tân Sơn Nhất international airports, which should be completed in six months,” VABA noted in its recommendation document.

VABA said the pandemic had recurred in some localities, especially Đà Nẵng, a key aviation market. The outbreak is also having a psychological impact on society, causing a sudden drop in demand for domestic travel and air travel.

Although airlines have made efforts to limit losses such as cutting total costs from 50% to 70% year-on-year, negotiating with partners to reduce debt and interest rates, selling aircraft, transferring assets, reducing salaries for all staff and decreasing airfares, however all airlines face serious cash flow depletion.

The International Civil Aviation Organisation recently forecast that it would take until 2024 for the world's airlines to recover their business to levels seen in 2019. Vietnamese airlines will suffer an estimated loss of more than \$4 billion this year.

VABA also petitioned Prime Minister Nguyen Xuan Phuc allow reopening flight routes to countries that have controlled the outbreak, and studying standards on disease prevention and infection control in air transport, allowing tourists to enter Vietnam if they meet such requirements.

“More than ever, Vietnamese airlines all are in need of timely support from the Government, ministries and agencies,” VABA said. – VNS

Transport companies rush to deal with licence plate colour changes

While recovering from the disruption caused by the pandemic, transport businesses in Vietnam will have to invest even more time and money to change the colour of their licence plates in line with the latest policies.



The new yellow licence plates are meant to distinguish commercial vehicles from privately-owned ones

According to the Ministry of Public Security’s (MoPS) Circular 58/2020/TT-BCA released in June, all vehicles used for commercial purposes in Vietnam will need to change their licence plates from black-on-white to black-on-yellow. The circular officially came into effect on August 1, and all licence plates must be changed by the end of the year.

Data from the MoPS’ Traffic Police Department estimates that around 1.6 million four-wheeled vehicles registered for commercial transportation are subject to this new regulation. It means all cars, trucks, buses, and ride-hailing vehicles used for commercial purposes also need to implement the

change.

However, there are several obstacles during the transition process. Nguyen Xuan Tuan, head of a transportation co-operative managing more than 20,000 ride-hailing vehicles, said they are bewildered about the policy.

“According to the Ministry of Finance, it costs VND150,000 (nearly \$7) to change one licence plate. It means we will have to spend VND3 billion (\$130,000) for the process, which will disrupt our operations and drivers’ income,” he noted.

In addition, individuals and businesses will have to spend more time and financial resources meeting this provision, which could lead to rising fares which directly affects consumers.

Nguyen Van Nam, a ride-hailing driver with two years of experience, said that the change will not only affect their livelihoods but also reduce a car’s value when sold, along with many other consequences.

In Vietnam, the transport sector has been steadily modernising its vehicles. Most commercial cars are equipped with electronic clocks as well as contract vehicle badges and business registration. Thus, it is not necessary to change the licence plates, according to Nam.

However, lieutenant colonel Pham Viet Cong from the Traffic Police Department argued that the identification of vehicle colours is important to solve problems in the management of business vehicles.

He said that in his eyes the “fee for changing the plate is not high – people only have to pay the fee as prescribed which is a just over VND100,000 (\$4.30) for the exchange.”

Commenting on the new policy, Nguyen Viet Linh, PR director of Vietnamese ride-hailing firm Be Group, told VIR its drivers will have to contact the authorities to change the plate colour in accordance with the law. The firm will help the drivers better understand Circular 58. At present, the firm’s business remains stable after the economic impact of the pandemic, so drivers are expected to comply with the implementation of the new policy to continue working. Currently, the firm’s ride-hailing department is still reviewing different options to provide assistance for its drivers.

Similarly, a representative of Grab Vietnam said that the company is working with the local authorities and co-operatives to provide specific and detailed instructions for GrabCar drivers to ensure full compliance with Circular 58.

Unlike ride-hailing firms, large taxi companies in Vietnam with fleets of thousands of vehicles will face rising expenses from the new policy. Mai Linh Group, one of the largest taxi companies in the country, said that it will be responsible for its directly-owned fleet while individual taxi drivers will pay for themselves.

Despite the extra expenses, Ho Huy, chairman of Mai Linh welcomed the policy since it will create an obvious distinction between private cars and commercial vehicles, thereby creating a fair and equal playground for transport businesses.

“In the long term, the government can also more effectively collect tax from individuals and enterprises engaged in transport businesses,” Huy said. “Thus, Mai Linh is eager to change the colour of its plates in line with the new policy. We hope that the government can ease the administrative procedures and apply more reasonable fees for transport businesses.”

On the same note, deputy general director of Vinasun Ta Long Hy said that taxi firms have been in tough financial times after suspension during the social distancing measures. However, Vinasun is eager to invest money to change the plate colour of its vehicles because it will help the government identify commercial and non-commercial vehicles, according to Hy.

The latest policy is one of Vietnam’s efforts to regulate transport businesses in a new competitive landscape where ride-hailing firms are eating up the market share of traditional taxis. Over the last few years, there has been a fierce battle between traditional taxi companies and ride-hailing platforms.

Julien Brun, managing partner of CEL Consulting, said that the battle highlights the challenge behind disruptive businesses that are using technology and follow a completely new economic model which does not typically fit into the legislative framework. VIR

[Back to top](#)

INVESTMENT

FDI inflows from Europe yet to shift into Vietnam

Foreign direct investment (FDI) inflows from Europe will initially be slow to move into Vietnam following the implementation of the EU-Vietnam Free Trade Agreement (EVFTA) which entered into force on August 1.



With the implementation of the EVFTA and the EU-Vietnam Investment Protection Agreement, they are both seen as a way of helping the nation receive more quality investment capital flow from EU financiers. However, with their being no sign of complicated developments relating to the novel coronavirus (COVID-19) stopping, capital flows from various free trade agreement (FTA) will be slow to enter the country.

With regard to opportunities to receive EU capital, Nguyen Hai Minh, Vice Chairman of the European Chamber of Commerce in Vietnam (EuroCham), said the shifting of capital from European investors to the nation is not likely to enjoy a rapid increase in the near future.

According to some major groups and enterprises, there is a trend occurring of capital shift, although they still consider this issue to be within ASEAN nations or countries in South Asia such as India, Minh notes.

According to data released by the Foreign Investment Agency under the Ministry of Planning and Investment, as of June 20 the total newly registered figure for FDI, adjusted, and contributed capital to purchase shares for foreign investors had reached US\$15.67 billion, representing 84.9% compared to the same period in 2019. In addition, FDI inflows into the country in June recorded an increase, although the waves of shifting investment have yet to be seen.

Nguyen Hai Minh says that European financiers are interested in three key factors in the nation, namely, improving infrastructure, quality human resources, and the investment and business environment, all of which can be considered as "magnets" which serve to attract investment.

Most notably, one of the leading issues among the European Commission as well as the European Parliament is the country's commitment to trade facilitation for import and export activities, especially with regard to the prerequisite element which is information transparency and customs regulations.

Investors remain cautious

Moving cautiously when making investment decisions in the context of the COVID-19 epidemic adversely affecting the global business environment is currently a necessity for businesses. Therefore, it

is difficult to assess the trend of investment shifting from the EU, even with the EVFTA coming into force imminently.

EuroCham's survey during the first quarter of the year on business climate index (BCI) indicates that the COVID-19 has had a significant negative impact on the European business community. Indeed, a similar situation is occurring throughout the world, as the pandemic has had a strong impact on international trade and investment in general.

As a result, the BCI has dropped to its lowest level, down to 26 points from the 77 points recorded in the fourth quarter of 2019.

According to EuroCham, this result directly reflects the impact of the pandemic on the global business climate. Accordingly, 55% of firms surveyed say that the environment for enterprises is either "not good" or "very bad". Furthermore, 93% of them say the COVID-19 has negatively impacted their operations, with more than half judging it to be at a "significant" level. Participants added that the three most negative effects include a reduction in the number of customers and orders, revenue decline, and supply chain disruption.

In order to take part in "handshakes" of co-operation, EuroCham says, the two sides will move to promote the establishment of the Vietnam-Europe Business Council with a view of gathering strength among businesses from both sides, as well as compiling strategies and investment projects in the future.

According to analysis by Giorgio Aliberti, Ambassador of the EU Delegation to Vietnam, the implementation of FDIs are often coupled with a strong boost in trade relations. Moreover, FDIs will serve to increase trade exchange between partners.

Both of these agreements therefore provide the country with the opportunity to become a regional production centre. Compared to similar economies in the region, the nation has the advantage of being a pioneer after negotiating for up to 10 years to have the privilege of accessing the EU market. Only Singapore, which signed and ratified an FTA before Vietnam, is in a similarly favourable position, Aliberti explains. VOV

Japanese businesses seek to take advantage of Vietnam potential

Japanese enterprises are expanding investment in sectors that are seen to have growth potential in Vietnam, according to experts.

Japanese company Nikkiso Vietnam MFG Co.,Ltd last month decided to pour an additional US\$3 million into its medical equipment factory at the Tân Thuận Export Processing Zone in HCM City.

The company said the money would be used to install more machinery and equipment to increase the production of blood tubing lines used for haemodialysis to 24 million a year.

Nikkiso Co., Ltd, the parent company, also has a factory to produce the lines in Thailand, but it decided to increase production in HCM City.

Many Japanese supporting-industry projects have been licensed this year in many localities in the south, including large ones such as Furukawa Automotive Systems in Vĩnh Long (\$48.8 million) to produce electric wires for cars.

In Dong Nai Province, SMC Manufacturing Co., Ltd at the Long Duc Industrial Park, which produces automatic devices for offices, factories and warehouses, has increased its investment by \$70m.



A factory owned by a Japanese company MTEX VIETNAM in HCM City. Japanese firms are expanding investment in various sectors in Vietnam.

Lixil Global Manufacturing Vietnam Co., Ltd has registered to increase its capital by \$25m, making it the largest Japanese company in the province.

Masahiko Makata, CEO of Long Đức Investment Co., Ltd., which builds the seven-year-old park's infrastructure, said almost all the space has been leased out.

Many Japanese companies want to continue investing and the company seeks to expand the

park in the second phase.

According to the Japan External Trade Organisation, of 30 companies selected by Japan's Ministry of Economy, Trade and Industry from 124 applicants to receive support to expand in Southeast Asia, 15 chose Vietnam to invest and expand production.

This was a testimony to Vietnam's attractiveness, Takeo Nakajima, chief representative of JETRO in Hà Nội, said. In the long term, they also aim to take advantage of the opportunities arising from the country's free trade agreements.

Takeo said the process of diversifying value chains by the Japanese enterprises began a while ago, and the COVID-19 pandemic requires firms to diversify production to two to three destinations to avoid supply chain disruptions though production costs might rise as a result.

Japanese firms established supply chains in China and South Korea, and expanded in recent years to Southeast Asia, which is an important investment destination, he said.

The Japanese Government has earmarked 70 billion yen (US\$653 million) to support firms that diversify their supply chain out of China.

Japanese investments are expected to flow into sectors like medical equipment, agricultural and food processing, agriculture, education, and manufacturing, they said. — VNS

[Back to top](#)

For more information, please contact us:

SEIKO IDEAS - 14th Anniversary

Research & Consulting Division

Our services	Marketing Research Business Matching Investment Consulting Translation - Interpretation Training (Language & Soft skills)
Our clients	Think tanks, Universities Japanese & Vietnamese Government Organizations Manufacturers, Retail companies Advertisement agencies, Mass media
Head Office	Floor 5 th – A Chau Building No.24 Linh Lang Str., Ba Dinh Dist., Hanoi, Vietnam
Rep. Office	〒220-0012, 8F Wework, Ocean Gate Building 3-7-1 Minatomirai, Nishi ward, Yokohama Kanagawa, Japan
Telephone	+84-24-6275-5246 ; +84-24-6273-6989
Fax	+84-24-6273-6988
URL	www.seiko-ideas.com
PIC	Tram Nguyen (Ms.)
Email	tram.nguyen@seiko-ideas.com

**You are receiving this because you [subscribed](#) to our weekly business newsletter or you gave us your address via name card.*