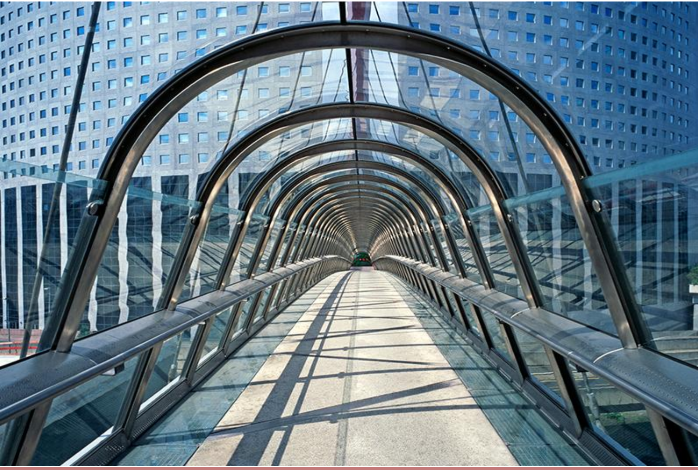

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FINANCE

Ho Chi Minh pitches itself as regional financial hub after COVID

Ho Chi Minh City is moving to develop itself as a financial center in the Mekong region and beyond.

The HCMC People's Committee, the executive arm of the southern Vietnamese city, recently proposed a development plan to Prime Minister Nguyen Xuan Phuc. The proposal is a key pitch ahead of the Communist Party convention in Jan, which will lay out the country's economic path for the next decade.

The committee's pitch comes as Vietnam plans to provide Ho Chi Minh City with increased financial support to boost the southern commercial hub's economy in a bid to help the country rise from the economic devastation caused by the coronavirus pandemic.

The city's first phase goal as a financial center is to provide financial services to neighboring countries such as Laos, Cambodia and Myanmar. It then aims to enter the network of regional financial centers to provide financial services in a wider region, including the Association of Southeast Asian Nations.

Economic experts say Beijing's moves to tighten its grip on Hong Kong with the national security law could have encouraged Ho Chi Minh City to speed up its plan to attract financial investors and services providers.

Experts say the city is well positioned to become an international financial center. It contributes 22.3% of gross domestic product, 26.6% of national budget revenue and 33.8% of the nation's foreign direct investment.

With Fulbright University VNas a consultant, the city government is now working on a feasibility study on its development plan as a financial center. FUV is expected to release its first report in September.

HCMC said it wants its proposal to be included in the country's "Economic and Social Development Strategy for 2021-2030 and Vision for 2045" as an important national strategy. The strategy will be approved by the Communist Party convention in January.

City leaders were keen to pitch their plan to a business summit in the city on Aug. 25, in which U.S. companies participated. Nikkei

Strong cash flow as investors remain optimistic about Vietnam’s Covid-19 management

Vietnam’s stocks have seen a strong rise in the context of strong capital flow, successful pandemic control, and businesses’ adaptation to the new conditions.

Following positive developments in previous trading sessions, stock trading floors were lit green on August 25 with strong demand.

The bluechips such as The Gioi Di Dong, Bao Viet, Techcombank, Petrolimex, Vingroup, Sabeco and Vinamilk saw prices increase.

PLX shares of Petrolimex, the biggest petroleum distributor in Vietnam, increased by VND1,900 in price to VND50,400 per share. As such, the PLX price increased by 48 percent over the last five months, from VND34,000 per share.

MWG shares of The Gioi Di Dong also soared from VND60,000 per share in early April to nearly VND90,000.

The VN Index increased by 100 points just over the last month to VND874.12 points. It has increased by 220 points, or 34 percent, from a low of 653.23 points seen on March 24.

The stock market continues to rise when cash flow is strong, bank loan interest rates are low, and other investment channels, including gold and real estate, are no longer attractive.

Meanwhile, cash flow from foreign institutions is ready to be poured into Vietnam, especially into the shares of leading enterprises.

Huynh Minh Tuan from Mirae Asset commented that Taiwanese capital is flowing, while domestic capital is also profuse. There are signs of strong growth in Q4 which will create an impetus for development next year.

He said investors are optimistic about Vietnam's capability of controlling the Covid, while businesses have adapted to the new circumstances.

Also according to Tuan, Vietnam's stocks are the second cheapest in Southeast Asia, just below Indonesia's. Therefore, it is easy to attract cash flow in the region.

The HCM City Stock Exchange (HOSE) reported that Eneos Corporation has registered to buy 13 million PLX shares and the transactions will be made August 27 – September 25.

The person involved in the transaction is Toshiya Nakahara, a member of Petrolimex's board of directors and a high-ranking executive of Eneos Corporation. This is a subsidiary of JX Nippon Oil & Energy Vietnam, a big shareholder of Petrolimex.

According to Tuan, the fact that a Taiwanese fund successfully mobilized VND4 trillion worth of capital to invest in Vietnam is a positive sign. The fund will disburse money for the listed businesses with high growth potential. The investment portfolio also comprises VFMVN Diamond EFT, an VN-Diamond Index-simulated ETF certificate.

Foreign investors last week bought more than sold, by VND1.7 trillion worth, of VHM shares of Vinhomes. In the last three months, Dragon Capital has bought 16 million VCB shares of Vietcombank. VEIL (Vietnam Enterprise Investments Limited), the biggest fund managed by Dragon Capital, is holding 30.5 million VCB, worth $108 million.

Arisaig Asia Consumer Fund Limited has become a noteworthy name in Vietnam's stock market with its move of continuously increasing its ownership ratio in The Gioi Di Dong, the mobile phone distribution chain. It is estimated that it is holding 16 million MWG shares, worth VND1.4 trillion.

In mid-June, Bloomberg reported that the KKR fund wants to triple its investment scale in Vietnam in the next 10 years.

Two Japanese shareholders to sell 25% stake in JVC

Japanese DI Asia Industrial Fund (DIAIF) announced it would sell all shares in Việt Nhật Medical Equipment from August 27 to September 25.

Japanese shareholders want to sell shares in Viet Nhat Medical Equipment from August 27 to September 25.

The 21.8 million shares, or 19.35%, with the sticker JVC, were registered to the fund's chairman Kyohei Hosono.

At the same time, Dream Incubator Inc or DI Inc, that is also related to Hosono, registered to sell nearly 6.6 million JVC shares, or a 5.85% stake in the firm.

DIAIF is an investment fund established by two Japanese companies, Dream Incubator and Orix Corporation.

The total volume of JVC shares to be sold was 28.35 million shares or 25.2% of the stake in the medical firm.

At the price of VND4,600 per share, the Japanese shareholders could earn more than VND113 billion (US$4.8 million) from the sale.

JVC was listed on the HCM City Stock Exchange in 2011 and used to be one of the best selling stocks for many investment funds. In 2015, each share peaked at more than VND25,000.

However, founder and CEO Le Van Huong was arrested on charges of fraud and lying to customers. The stock started to plunge. A series of major shareholders withdrew their capital from the company, including Dragon Capital, Vietnam Equity Holding, and Vietnam Medical Equipment Corporation.

Yesterday, the shares gained 6.8% to reach VND5,010 each on the market. — VNS

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E-COMMERCE

Vietnam keen on encouraging ASEAN e-commerce solutions

In light of a boom in e-commerce across Southeast Asia, Vietnam as the ASEAN chair in 2020 is determined to encourage the growth of cross-border e-commerce across the region.

In its role as the ASEAN chair this year, Vietnam launched the official ASEAN Online Sale Day to stimulate cross-border e-commerce in the region.

The event, held on August 8, saw participation of 216 companies across all 10 member states. Along with strengthening intra-bloc solidarity, the event assisted regional economic recovery amid the pandemic, while digital consumers in the ASEAN experienced cross-border e-commerce in an open, safe, and quality manner under the supervision of governments. Companies also promoted their platforms and services to regional customers.

Richard Burrage, CEO of market research company Cimigo, told VIR that Vietnam has a great role to play in stimulating the Southeast Asian online shopping market. "A strong digital, entrepreneurial, technologically-savvy consumer base in Vietnam supports the demand side and is leading the region in building new tools and ecosystems to support online sales growth," he said.

The promised land

By the end of 2020, the number of digital consumers in Southeast Asia could reach 310 million, a number previously forecast to be reached only by 2025. This means almost 70% of Southeast Asian consumers will go digital by the end of 2020.

Southeast Asia's online retail market penetration has now also surpassed India's, increasing as much as 1.6 times to reach 5%, according to the latest annual report by Facebook and Bain & Co.

The report said that 2020 has been a pivotal year. Social distancing has paved the way for home-centric lifestyles as well as commerce with minimal physical contact. This disruption has inadvertently accelerated the growth of Southeast Asia's digital economy.

Thus, there are many opportunities for Southeast Asian companies to ride the cross-border e-commerce wave, Burrage from Cimigo noted. In particular, the potential for improved lower-cost logistics for sourcing goods across borders will make the size of the prize worthy of significant investments even for the most niche consumer segments.

On the same note, Dang Dang Truong, lead representative of iPrice Vietnam, said that the country so far has been a very important market for the growth of e-commerce in the entire region. Google and Bain & Co. in 2019 found Vietnam to be the second fastest-growing digital economy market in the ASEAN behind Indonesia, and the first in terms of GDP penetration. The astounding growth rate has been very attractive for international investors and allows Vietnam as well as Southeast Asia to continue to attract new funding into the e-commerce sector, even as COVID-19 is happening.

"We cannot discount the competitiveness and innovativeness of Vietnamese e-commerce companies such as Tiki, Sendo, and Mobile World, as well as the Vietnamese digital economy as a whole. We found these companies to be among the most eager and most innovative companies in the regional e-commerce industry," Truong said. "For example, besides Shopee and Lazada, Sendo and Tiki were among the first in the region to show a strong priority towards their mobile apps. They were also the first to introduce live streaming features on mobile devices. Such innovations help force other companies to improve and continue to push the industry forward, bringing e-commerce to more and more consumers."

Challenges ahead

In line with the good prospects, e-commerce in Vietnam still faces immense objections, according to the E-commerce White Book 2019 published by the Ministry of Industry and Trade. Pointedly, the quality of goods, concerns on online payments, data leaks, and shipping costs are sizable obstacles for the e-commerce industry. "Despite e-commerce companies' steady improvements, concerns still affect the shopping orientation of consumers," noted the white book.

According to the Vietnam Logistics Association, local logistics costs currently occupy about 20.8% of total GDP, while the ratio in developed countries is about 9-14%. Of this, transportation cost makes up nearly 60% because most goods are transferred by land.

Logistics is also a common challenge in other regional countries, as Indonesia and the Philippines also report large expenses for such activities. According to the World Bank, the cost in the Philippines makes up about 27.16% of sales on average, the highest rate in the region, followed by Indonesia (21.4%) and Vietnam (16.3%).

Meanwhile, Cimigo's Burrage added that online shopping platforms are burning cash to attract transactions, with the only winner being the consumer for now and the next few years. Burrage expected that more consolidation has to happen until only a few winners remain. Only then will the consumer have to pay realistic prices for the convenience.

"Cash on delivery still accounts for 85% of payments in Vietnam, while cash collections and returns cost shopping platforms a great deal and will limit inbound cross-border sales," said Burrage.

Echoing this, Truong from iPrice told VIR that cash on delivery, the preferred payment method of consumers in most ASEAN countries, is very problematic for e-commerce businesses since it introduces extra risks and affects cash flow and expansion plans. For Southeast Asian e-commerce to achieve its full potential, a transition towards e-payment is a must.

For sellers, Burrage said they need to build capabilities, experience, and confidence to go beyond national borders. There are not yet many strong regional brands emanating from Vietnam. Thailand perhaps has the most visible brands around Southeast Asia, followed by Indonesia. "Vietnamese brands will accelerate and perhaps surpass many of our Southeast Asian neighbours, driven by that quintessential Vietnamese entrepreneurial spirit, willingness to learn, hard work, and perseverance," he said.

Relating to other factors, Truong said that cultural differences and the lack of senior talents have set a great burden on the e-commerce sector in the 650-million population market. The cultures of ASEAN member countries are quite divergent, with varied consumer preferences as well as differences in technological and political structures. VIRR

Accelerating evolution towards modern trade and e-commerce

As 65 per cent of export duties from the European Union to Vietnam will be eliminated, while the remaining will be gradually phased out during the next 10 years, the removal timeline of EU good tariffs will provide some advantage for the modern trade and e-commerce channel in Vietnam.

While traditional trade is still the most important channel in Vietnam, the shift towards the more modern e-commerce channel will speed up due to the implementation of the EU-Vietnam Free Trade Agreement (EVFTA).

European goods, which also come with the EU's standard of quality, could be easily accepted by a large portion of Vietnamese consumers. These products can come with a higher price tag and associated requirements for storing and distributing, which makes them more suitable for modern trade and e-commerce channels.

Since consumers using either one of these channels will have more choice, the EVFTA's implementation might provide certain catches for these two channels to grow faster.

The World Bank assessed that private consumption in Vietnam has grown into an important contributor to GDP growth as the result of rising expanding middle class and wages.

With higher disposable income, a large portion of the Vietnamese middle class is trying out European goods. On the one hand, traditional trade, which has been competing with convenience stores and mini-marts, is not going to a major beneficiary of the EVFTA. However, in the foreseeable future, the traditional channel will still account for a large share of the market. Interesting trends to observe include how traditional trade can evolve to compete with the other channels which can provide an increasingly diverse range of products.

A new landscape?

One of the most notable commitments from Vietnam is to remove Economic Needs Test (ENT) requirements within five years of the EVFTA coming into force. The World Trade Organization requires an ENT for the establishment of retail outlets. The EVFTA's requirements are similar but differ in ENT exemptions and the specified timeline.

This seems to constitute a significant advantage for large retail investment, such as a shopping malls. However, it is not a clear merit as the Vietnamese government still holds the right to approve retail planning and other required investment certifications.

With the impact of the pandemic on the global economy, the abolishment of ENT – a requirement once viewed as a considerable barrier for foreign investment in retail – will not result in large direct retail investment from EU businesses in Vietnam. Also, since EU investors need knowledge and a supplier network in Vietnam, mergers and acquisitions may be a viable method for market entry.

Meanwhile, pharmaceutical retail is a special case that might see robust transformation, partly due to EVFTA commitments. Pharmacies in Vietnam are now required to be digitally connected to the National Centralised Database which is managed by the Drug Administration of Vietnam under the Ministry of Health (MoH).

This progress will continue to tighten management over prescription medicine and antibiotic sales in Vietnam. Moreover, the EVFTA allows EU pharmaceutical firms to import and sell to distributors in Vietnam, who will be hard-pressed to adapt to the new requirements of the MoH and the EVFTA. This is a significant opportunity for Vietnamese players to adjust, improve, and upgrade their competitive edge.

Opportunities for EU businesses

New access to EU goods will require relevant businesses and experts who understand both doing business in Vietnam and sourcing goods from the EU. If these businesses are able to identify correctly the demand of the Vietnamese people, they will provide valuable knowledge and services for local retailers so that goods can be made available in the domestic market.

If successful, there will be more opportunities for businesses to provide training, workshops, and seminars, since retailers in both the EU and Vietnam will look to understand and explore their respective new markets.

With the access to European goods, certain retailers in Vietnam might want to rebuild their current business or launch new ones that are associated with the new image of quality and standards. European consultants can help to replicate the lessons and share experiences.

Finally, EU retailers will seek vast sourcing opportunities in Vietnam, where human resources are abundant and young. The EU delegation in Vietnam, in a report about the EVFTA, suggested that both economies are "strongly complementary", and Vietnam's competitiveness in the agri-food sector and labour intensive industries, such as textiles and footwear, are not to be neglected by EU investors.

With the EU-Vietnam Investment Protection Agreement, rules of origin, and geographical indication in the EVFTA, Vietnam's agri-food is expected to be one of the top sectors to benefit from the historic deal. For EU retailers, developing sourcing strategies and building supplier networks are far more important than investing in a direct presence in Vietnam.

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START-UP

PropertyGuru raises S$300m from existing investors following cancelled IPO

Online realty company PropertyGuru has raised another S$300 million from its existing investors KKR and TPG Capital, following its cancelled initial public offering (IPO) last year.

A PropertyGuru banner seen in Singapore

"The additional investments from TPG and KKR will enable us to continue building Southeast Asia's property trust platform and accelerate our momentum in key markets like Malaysia and Vietnam," Hari V Krishnan, its CEO and managing director, said in a statement on Wednesday (Sep 2).

The company scrapped its Australia IPO last year because of market volatility. It had expected to raise up to A$380.2 million (S$380.5 million) in the listing.

PropertyGuru, launched in 2007, is based in Singapore and also operates in Vietnam, Thailand, Malaysia and Indonesia. The company said it will further invest in areas including its new mortgage marketplace and data capabilities.

Start-up CVN Loyalty receives VND11 billion investment

Nguyen Huu Tuat, CEO of NextPay and Nguyen Tuan Phu, Founder cum CEO of CNV Loyalty during the investment contract signing ceremony. — VNS Photo

NextPay Joint Stock Company on Monday announced it had invested VND11 billion (US$473,000) in CNV Loyalty.

Established at the end of 2017, CNV Loyalty creates customer care applications for businesses.

Nguyen Tuan Phu, founder cum CEO of CNV Loyalty said: "With only the cost of VND50 - 150 million, significantly lower than building a customer care system in a traditional way, Loyalty designs a customised application for the business with its own brand to interact directly with customers. The advantage of this technology is that it can reach customers at a lower cost than email and text messages. In particular, the rate of accessing customers accurately up to 95%."

The start-up has received an investment of VND11 billion from NextPay and Next100 - investment fund from Nguyen Hoa Binh after 2 months of an appraisal.

CNV Loyalty will become an important piece in Nextpay's portfolio of products and services for digital transformation. The investment of NextPay will help CNV Loyalty to invest more deeply in technology and products.

With the market heavily influenced by COVID-19, Vietnamese start-ups still developing and receiving investment from domestic investors without being dependent on venture capital abroad is a great encouragement to Vietnam's start-up community. — VNS

Startups vs chaebol: Inside South Korea's delivery wars

Competition heats up as coronavirus drives demand for meal and grocery services. This growing demand has attracted greater competition, and now conglomerates are looking to snatch market share from the delivery startups that cultivated the industry -- and foreign players, too, are looking to expand their footprint in the country.

Naver, South Korea's largest internet company, said last month that it will expand its grocery shopping service by bringing three retail chains -- Homeplus, GS Fresh Mall and NH Hanaro Mart -- as well as Hyundai Department Store's grocery unit onto its online platform.

Lotte -- the country's fifth-biggest conglomerate -- has also recently launched new services to tap the spike in demand. The incumbents in the battle are startups like Softbank-funded Coupang and Market Kurly.

Coupang's Rocket Fresh guarantees fresh groceries ordered one day will be delivered in time for breakfast the next. Established by Harvard-educated Bom Kim in 2010, Coupang is the country's largest ecommerce company by revenue. Its sales jumped 64% to 7.2 trillion won in 2019. Coupang raised $2 billion from Softbank's Vision Fund in 2018, having raised $1 billion from the fund in 2015.

Coupang declined to reveal how much groceries contribute to its revenue, though government data shows that food and groceries accounted for 20.8% of the 13 online retailers' revenue in July.

CFO Alberto Fornaro said last month that the coronavirus pandemic increased its transactions by 15%, but its costs for safety management are also expected to rise by 500 billion won this year. "We are willing to pay for the cost to guarantee safety for 50,000 employees working at our 2 million sq. meters of infrastructure," Fornaro said in an email to employees.

Market Kurly also delivers a wide range of selected groceries, bakeries and deserts for greater Seoul residents by early morning, targeting busy double-income families. Kurly introduced the concept of "early morning delivery" in 2015 with its full cold-chain system.

Former Goldman Sachs banker Sophie Kim founded the company in 2014. Since then, it has grown quickly. Its revenue reached 428.9 billion won last year, almost tripling from 157.1 billion won a year ago. The company's investors include Sequoia Capital China and Euler Capital.

Coupang has played a major role in cultivating South Korea's delivery market. To ensure next-day delivery, the company set up "rocket delivery centers" in 2014 and by 2019 had increased the number of such centers sixfold to 168.

Part of that technology is artificial intelligence. Coupang says it uses AI to predict customer orders and then stocks them at its delivery centers in advance. The company has about 2,000 engineers working to make sure the process runs smoothly.

But the game has become more complex as Naver wants to take a bite out of the market. The internet giant has a huge customer base and abundant cash reserves. Analysts say that Naver may attract customers by offering generous cashback promotions, even though it does not have its own logistics infrastructure.

Industry sources say that Naver has long dreamed of tapping the ecommerce market with its more than 40 million-strong customer base. "Ecommerce was CEO Han Seong-sook's long-held dream," said an executive in an ecommerce company familiar with the matter, asking not to be named.

Analysts say that Naver's ambition reaches beyond the local market, aiming to become a regional player in Asia.

To fight Naver's challenge, Coupang said it will focus on its customers. "We plan to give more benefits to our loyal customers," said Kim Se-min, a spokesperson for Coupang. "Our best strategy is to offer good services to our customers."

The coronavirus pandemic has further spurred growth in the country's food and meals delivery market, as people remain wary of going to restaurants and bars. The meal delivery industry has long been dominated by Woowa Brothers, which runs the country's largest food delivery app Baedal Minjok, or Baemin for short.

The industry is drawing international interest, with German giant Delivery Hero announcing in December that it plans to acquire 100% ownership in Woowa for $4 billion.

Delivery Hero plans to purchase an 88% stake in Woowa in cash, while the remaining 12% stake owned by Woowa management will be swapped with Delivery Hero's shares. Under the terms of the deal, Woowa will manage Delivery Hero's Asia Pacific business, including South Korea, Taiwan, Hong Kong, Vietnam, Singapore and Thailand.

The deal, however, is pending approval from the country's antitrust agency. Delivery Hero also operates Yogiyo, South Korea's No. 2 food delivery app. Woowa's revenue marked 565.4 billion won last year, soaring 80% from a year ago. Nikkei

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RETAIL

Japanese retailers rouse Vietnamese market, despite pandemic

While most enterprises have had to scale down their business during Covid-19 and give back their retail premises to landlords, Japanese retailers have continued to open more shops in Vietnam recently.

The Japanese retail brand Muji in late July opened its first pop-up store on the first floor of Parkson Center in HCM City's district 1, displaying thousands of product items, including skincare products and clothes.

While most enterprises have had to scale down their business during Covid-19 and give back their retail premises to landlords, Japanese retailers have continued to open more shops in Vietnam recently.

The opening hour was set at 9.30 am, but Vietnamese youth came one hour before, queuing up for their turn. The shop received 15 clients every 30 minutes and asked people to stand at a distance from each other.

According to Thoi Bao Kinh Te Saigon, the official store will open at the Parkson center on Le Thanh Ton Street by year end.

Miki House, a high-end children's fashion brand, opened its first store in Vietnam at the Akuruhi Shopping Center in HCM City during the first epidemic outbreak.

Just days later, the well-known Japanese fashion brand Uniqlo opened its first store in Hanoi, at Vincom building on Pham Ngoc Thach street, one of the biggest fashion areas of the capital city. It opened its first store in Vietnam in HCM City last year. It now has two stores in the city.

Meanwhile, Matsumoto Kiyoshi plans to open its first shop in Vietnam in the near future. The newcomers have added their names to the long list of Japanese

retailers present in the Vietnamese market over the last five years.

JETRO's (Japan External Trade Organization) HCM City Chief Representative Hirai Shinji said the organization has found a considerable increase in Japanese investments in non-production sectors recently. These include investments by retailers, such as Aeon, Family Mart, MiniStop and 7-Eleven.

Long-term plan

Vietnam has become more attractive to Japanese enterprises thanks to stable economic growth and high political certainties.

Ryohin Keikaku began eyeing the Vietnamese market three years ago and officially made public the plan to join the market in 2019.

While trying to open more new stores in Vietnam, Muji in early July announced its restructuring of its business division in the US, shutting down shops which could not bring profits. The brand also bore pressure in its home country of Japan with sales down by 50 percent when the epidemic was at its peak in April and May. It took Miki House five years to survey the Vietnamese market and choose a partner.

According to Phan Thanh Tan, chair of Akuruhi, the partner, if the first store succeeds, the company will open two more shops in HCM City, and will consider opening shops in Hanoi and Da Nang.

The General Stastistics Office (GSO) reported that despite Covid-19, revenue from goods and service sales in Vietnam in the first seven months of the year increased by 3.6 percent compared with the same period last year, reaching VND2.218 trillion.

Vietnam's retail and consumer services down 2.7% in August

NDO - Revenue from retail sales and consumer services in August fell by 2.7% against the previous month as the resurgence of the coronavirus knocked domestic demand.

Accommodation & food and travel services were the hardest hit, falling by 14.7% and 61.8%, respectively, compared with July.

After more than three months without any domestic transmission of Covid-19, a new outbreak in late July has dealt a strong blow to the already weakened tourism industry, which was only just beginning to recover.

Overall, retail sales and consumer services in the first eight months fell by a slight 0.02% over the same period of 2019.

A breakdown shows retail sales rose by 4% from last year, primarily driven by revenue from food, but accommodation and food services shrank by 16.4%, mostly in Khanh Hoa, Quang Nam and Ba Ria-Vung Tau.

Travel suffered the biggest drop at 54.4% as tours and cultural events were cancelled and many tourist sites were closed due to the coronavirus.

The largest contraction in travel revenues was recorded in Khanh Hoa, Ho Chi Minh City, Ba Ria-Vung Tau and Quang Nam.

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LOGISTICS

Vietnam opens seaports to receive new FDI 'wave'

Development of coastal industrial zones appears to be the right move to take advantage of incoming FDI.

BW Industrial, a joint venture between Warburg Pincus and Becamex IDC, has followed famous realtors' moves to set up an IZ on Dinh Vu Peninsula in Hai Phong City. The project is hoped to open this September.

Prior to that, Dinh Vu welcomed a Belgium investor – Rent-A-Port NV – with its DEEP C industrial complex project which alone makes up 20 percent of total FDI in Hai Phong.

Like Hai Phong, the local authorities of coastal provinces of Vietnam have been trying to attract FDI to industry projects in coastal areas.

In 2019, the Quang Ninh provincial announced tax and land fund incentives to lure FDI into the Quang Yen coastal EZ, where Rent-A-Port NV could use the available land to build DEEP C III and a deep water seaport, capable of receiving large vessels with tonnage of over 30,000 DWT.

As of the end of June 2017, Vietnam had had 325 IZs, coveringva total area of 94,900 hectares. The figure had risen to 335 only by the end of March 2020, covering a total area of 97,800 hectares, according to the Ministry of Planning and Investment (MPI).

Tesa, a German manufacturer of hi-tech adhesive tapes used in the electronics and automobile industries, was one of a few European investors who announced the building of its factory in DEEP C in mid-June, the time when all economies had closed their doors to prevent the spread of Covid-19.

Covid-19 has slowed the relocation of production facilities out of China, which has also affected the industrial real estate market in H1.

However, IZs near the sea are a trend for Vietnam's logistics development in the future. In Singapore, for example, IZs are built at seaports, and then logistics centers, where liberalized trade and regional goods distribution centers are developed.

Vietnam loses $1 billion a year because of low port fees

Port fees in Vietnam are by far lower than regional countries, which causes the country to lose $1 billion a year from revenue sources.

Pham Quoc Long, deputy chair of the Vietnam Ship Agents and Brokers Association (Visaba), said on Dien Dan Doanh Nghiep that the loading and unloading fees are different in the northern, central and southern regions.

The lowest charges in the country are applied in Zone 1, including Quang Ninh, Hai Phong, Thai Binh and Nam Dinh. Service providers there just collect fees equal to 72 percent of that in Zone 2, including ports from Thanh Hoa, Nghe An to Khanh Hoa, Ninh Thuan and Binh Thuan, and equal to 80 percent of Zone 3, including ports in HCM City and Ba Ria – Vung Tau.

The service fees applied in Vietnam are equal to 30-60 percent of the service fees other countries in the region collect from foreign ships.

“When setting such low service fees, we are losing big money every year,” Long said.

Also according to Long, the import/export container loading and unloading fees at Vietnam's deep water ports are just equal to 45-80 percent of that at large ports in the region, including Hong Kong, Singapore, Malaysia and China. The fees at Vietnam’s ports are even lower than at the Phnom Penh Port in Cambodia, a port that does not have a high investment.

The problem is that though foreign ships can benefit from the low loading and unloading fees, they charge Vietnamese goods owners high fees.

Long said when foreign ships only pay $33/TEU in service fee at Dinh Vu Port, $52/TEU at Cai Mep and $41/TEU in HCM City, they collect $120/TEU from Vietnamese goods owners, which means that they make big profits.

“If the current floor fees are maintained, with 10 million TEUs of goods a year, foreign ships pocket $1 billion a year from the difference in the fees they have to pay and the fees they collect from goods owners,” Long said.

Vietnam needs to raise port service fees to reduce losses.

A representative of the shipping lines’ association affirmed that the increase in container loading and unloading fees will not lead to an increase in logistics costs because the loading and unloading fees are included in the total freight that goods owners paid to ship owners. It is estimated that ship owners pocket $55-80 per container.

The representative also said Vietnam loses $1 billion to foreign shipping firms’ hands, because foreign shipping firms undertake the shipping of 99.9 percent of container exports.

Deputy Minister of Transport Nguyen Van Cong confirmed that the service fees at Vietnam’s ports increased in Circular 54/2018, but there are still big differences between Vietnam and other regional countries, especially Cambodia. Therefore, making further adjustments in service fees to ensure enterprises’ benefits is a necessity.

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INVESTMENT

Vietnam's M&A market remains on radar of foreign buyers

Continuing pandemic cases may slow down mergers and acquisitions activity in the coming time, but Vietnam nevertheless remains on the radar of overseas buyers.

In the first eight months of 2020, there were over 4,804 cases of capital contribution and share purchases worth $4.93 billion, equalling 51.8% of last year's period, according to the Foreign Investment Agency under the Ministry of Planning and Investment.

It was believed that Vietnam's mergers and acquisitions (M&A) activities would pick up in numbers over the second half of 2020 as Vietnam grapples with successfully containing the pandemic.

However, a slight resurgence of COVID-19 infections in Vietnam has been dominating domestic and international news over the past few weeks, leading to a possible dampening of such activities in the very near future.

Le Viet Anh Phong, financial advisory leader of Deloitte Vietnam, told *VIR* that the return of COVID-19 in Vietnam will undoubtedly have a temporary negative impact on the M&A activities, especially for cross-border deals. The uncertainty associated with the coronavirus may require investors to be more prudent, especially when it comes to the recovery shape, resilience of the business model, and ultimately discount on valuation as well as tougher terms.

Physically, cross-border travel has become highly restricted and may continue to do so in any new normal. These restrictions will affect deal execution, where physical observations and face-to-face negotiations are still the norms and are not likely to change overnight. These factors will prolong the deal process and make it more difficult to complete for the foreign investors, Anh Phong explained.

Meanwhile, Masataka Sam Yoshida, head of the Cross-border Division and CEO of Vietnam RECOF Corporation, told *VIR* that this wave of coronavirus has raised concerns among foreign buyers. "Nevertheless, we expect the Vietnamese government to continue to apply necessary measures to control this new outbreak as effectively as it did early this year," Yoshida said.

The local community is now accepting and becoming familiar with the requirements of mandatory social distancing and quarantines, Yoshida added.

The response from the government and the community in combination with the acceleration of multiple stimulus packages and public investment execution will help Vietnam's economic recovery continue (as the only one having positive GDP growth among ASEAN countries), even though the speed of the recovery is probably slowing down, according to Yoshida.

In cross-border M&A settings, despite the governments' efforts to start up exchange of travellers, travel restrictions together with isolation or quarantine requirements are still effective, making it the highest obstacle for business travellers to travel in or out Vietnam to facilitate M&A processes.

Insiders agree it is hard for foreign investors without a daily presence in Vietnam to make up their minds to carry out a substantial investment without meeting up and shaking hands with their counterparts in Vietnam, as well as making visits to offices, factories, and other sites.

Despite the challenges of the pandemic, Deloitte's Phong said that they continue to observe strong interest from the foreign investors.

Strategic investors from countries such as Japan, South Korea, Thailand, and Singapore are continuing to seek growth and new market presence outside of their existing key markets, which may be lacking in growth and are severely impacted by COVID-19.

The clear diversification trend of the global supply chain will boost the confidence and motivation of these investors.

He added that the tremendous effort of the government to contain the first wave and the swift coordinated responses on the resurgence are highly recognised by the international community.

This, together with the passing of the EU-Vietnam Free Trade Agreement and important laws on investment, enterprises, and public-private partnerships strongly reinforce the credibility of Vietnam as a safe and stable investment destination.

All of these will place Vietnam in an advantageous position in the region to bounce back strongly in the new normal.

Importantly, the pandemic may help narrow the valuation gap that has generally been observed in the last few years in the high growth market of Vietnam.

Instead, the focus of the sellers are moving toward financial resilience, synergies, and exponential growth potential post-pandemic, which are more aligned with investors' intention.

RECOF's Yoshida said that as the coronavirus pandemic has wreaked havoc on global supply chains, not only do Japanese manufacturers but others across the globe are looking to de-risk from China.

Japan recently has been reported to be paying about ¥12 billion ($113 million) to 30 companies to increase production in Southeast Asia, in the first round of a multi-billion-dollar programme to diversify its supply chains after COVID-19 and worsening relations between the US and China.

Among Southeast Asian countries, Vietnam is likely to be in a good position as many firms have been focusing on the nation's young and rapidly-growing domestic market.

Investors also credit Vietnam for its stable political leadership and ability to contain the coronavirus outbreak, although the nation has recently seen a spike in cases again.

Vietnam's success in raising participation in the global supply chain, especially with the EU by trade agreements coming into force this summer, has been providing a valuable advantage for firms seeking to diversify their supply chain.

During the first half of 2020, Japanese companies' overseas investment had fallen by 33% (at $106 billion) compared to the same period last year.

However, at the same time, Japanese companies' deposit amount increased by 19% (reaching over $2.4 trillion), which is likely to be invested in order for Japanese companies to recover drops in investment during the pandemic as well as to realise their planned expansion in the regions.

Thus, when these investments will restart depends on the timing and how soon the biggest hurdle for investors (entry to the country with isolation or quarantine) will be relaxed, Yoshida concluded.

FDI reaches $19.54 billion in 8 months

Vietnam attracted a total foreign direct investment (FDI) of US$19.54 billion by August 20, equaling 86.3% compared to the same period last year.

Production at the Hoya Glass Disk Vietnam Company in Thăng Long Industrial Park, Hanoi

Of which, 1,797 new projects were granted investment registration certificates, a year-on-year decrease of 25.3%. The total registered capital reached $9.73 billion, a year-on-year fall of 6.6%.

Regarding the adjusted capital, there were 718 projects registering to adjust investment capital, down 20.9%. The total additional registered capital reached over $4.87 billion, up 22.2%.

For capital contribution and share purchase, there were 4,804 capital contributions and share purchases by foreign investors, down 8.2%.

The total value of capital contribution reached $4.93 billion, equaling 51.8% over the same period last year.

The Foreign Investment Agency under the Ministry of Planning and Investment said that due to the impact of the COVID-19 pandemic, the export turnover of the foreign investment sector continued to decline.

Exports including crude oil reached $113.3 billion, equaling 95.5% over the same period last year, accounting for 65.1% of export turnover.

Exports excluding crude oil totalled $112.2 billion, equaling 95.7% compared to the same period last year, accounting for 64.4% of the country's export turnover in the eight months of the year.

Meanwhile, imports of the foreign investment sector reached nearly $90.8 billion, equaling 94.7% over the same period and accounting for 55.6% of import turnover of the country.

Despite a reduction compared to the same period last year, the foreign investment sector still saw a trade surplus of nearly $22.6 billion in the eight months including crude oil and $21.4 billion excluding crude oil.

This filled the domestic sector's trade deficit of $11.6 billion, helping the country earn a trade surplus of $10.9 billion.

In terms of the investment sector, foreign investors have invested in 18 fields, of which the processing and manufacturing sector ranked first with total investment capital of over $9.3 billion, accounting for 47.7% of total registered investment capital.

Electricity production and distribution ranked second with total investment capital of over $4 billion, making up for 20.6% of total registered investment capital.

Regarding investment partners, there are 106 countries and territories investing in Vietnam.

Singapore tops the list with total investment capital of $6.54 billion, accounting for 33.5% of total investment in the country.

South Korea ranked second with a total investment of $2.97 billion, equaling 15.2%.

China ranked third with a total registered investment capital of $1.75 billion, accounting for nearly 9%.

Foreign investors have invested in 59 provinces and cities nationwide. Bạc Liêu Province leads with one big project with investment capital of $4 billion, accounting for 20.5%.

The capital city of Hanoi ranked second with a total registered capital of $2.86 billion, making up for nearly 14.6%. — VNS

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