



## Highlight

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# VIETNAM BUSINESS REVIEW

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## FINANCE

### Realty, materials boost VN market

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Vietnamese shares were upbeat on Monday, driven by large-cap companies in the real estate and materials sectors.

The benchmark VN-Index on the HCM Stock Exchange rose 0.63% to 894.57 points.

The VN-Index dropped a total of 1.39% last week. Real estate and material sectors led the market's upturn. The two industries advanced 1.9% and 1.2%, respectively.

Vingroup (VIC), Novaland (NVL), Khang Dien House Trading and Investment (KDH), and Phat Dat Real Estate Development (DPR) rose between 1.2% and 2.2%.

Vingroup shares advanced 2.2% after the company said last weekend it would not exit the medical and education units.

Material producers were led by steel companies such as Hoa Sen Group (HSG), Nam Kim Steel (NKG), Pomina (POM), Vietnam-Italy Steel JSC (VIS) and Hoa Phat (HPG).

Among those companies, Hoa Sen shares soared 6.7% and the company was the most active stock on the market with more than 25.8 million shares being exchanged.

According to Vietnam International Securities Co's head of market analysis Nguyen Hong Khanh, some real estate companies will still record good earnings in the past quarter.

In general, realty firms with huge land assets and strong financial status will be a good choice at the moment and the purchasing power into property developers may only benefit some particular stocks in the short term, he said.

By market capitalisation, the large-cap tracker VN30-Index gained 0.81% to 832.24 points while its VN30 futures due on September 20 edged up 0.74% to 834 points at the end of Monday.

Mid-cap and small-cap indices VNMID and VNSML were up 0.87% and 0.67% to support the market.

The market sentiment improved on Monday and large-cap stocks were still the designated destination for investors, Thanh Cong Securities (TCSC) said in its daily report.

On the Hanoi Stock Exchange, the HNX-Index was up nearly 1% to 127.43 points on Monday.

The northern market index inched up nearly 0.5% last week.

Nearly 423 million shares were traded on the two exchanges, worth VNĐ7.03 trillion (US\$303.6 million).  
— VNS

## Bank service revenue to grow next year

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Despite a slowdown this year, bancassurance and payment fees are expected to rise and help banks' service revenue increase in 2021.

According to Viet Dragon Securities Company (VDSC), service revenue growth at listed banks slowed significantly in the first half of 2020, to only 9.9% from 42.1% in the same period last year.

Most listed banks reported a low service fee growth of below 10% in the period, except Techcombank and VPBank which maintained a high growth of more than 40% thanks to their diversified service fee structure.

VDSC attributed the slowdown to a decrease in bank services including bancassurance, trade finance and foreign exchange.

Besides, the reduction was also due to banks' decision to offer some free payment service fees to aid customers amid the COVID-19 pandemic. However, VDSC forecast the banking services segment would still have a great growth potential next year.

Accordingly, bank income from payment and card fees are expected to maintain growth momentum in 2021 due to the trend of encouraging non-cash payments, along with the orientation of banks to focus on retail and digital transformation investment.

Statistics from the Vietnam Bank Card Association show that the total numbers of cards in circulation and card accounts at banks was growing in recent years.

In addition to the payment channel, bancassurance fees were expected to continue to be one of key drivers for the banks' service revenue next year, thanks to a rising number of customers, VDSC forecast.

According to statistics of the Vietnam Insurance Association (IAV), the total revenue of life insurance premiums in the first half of 2020 reached VNĐ55.95 trillion, an increase of 19% over the same period last year.

The rise was lower than the 25-32% growth rate in the last seven consecutive years due to the influence of the COVID-19 pandemic, but VDSC believes the growth has been showing signs of recovery and the bancassurance segment would continue to grow well and be the main driver of banks' service income.

Techcombank, VIB and Military Bank are currently the top three gainers in life insurance premium revenues in the banking industry. However, VDSC expects the market share will change next year when many new players with high reputation and large customer scale, such as Vietcombank and ACB, will also participate more actively in the business segment.

With the expected rise of payment and bancassurance fees again next year, VDSC anticipated the growth of service revenue of listed banks would reach 25% in 2021 from 12% in 2020. — VNS

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## E-COMMERCE

### Alibaba rolls out initiatives to support Vietnamese SMEs

Alibaba.com, the leading global business-to-business (B2B) e-commerce platform, has rolled out two initiatives this September to empower its Vietnamese sellers.



*Alibaba.com kicked off 'Super September 2020', its largest annual event designed to help small-and-medium enterprises (SMEs) trade and thrive*

Alibaba.com's 'Super September 2020' aims to help small-and-medium enterprises (SMEs) trade and thrive.

This year, the top 55 Vietnamese sellers are participating in this global promotion in categories like food and beverage, agriculture, home and garden as well as furniture and apparel.

The website also hosted its '910 Customer Day' on September 10 and announced the launch of the '100 Great Vietnamese Exporters' project, a long-term initiative to

showcase role-model sellers.

Last year, Alibaba.com expressed its commitment to Việt Nam by aiming to support 10,000 Vietnamese SMEs in five years.

Stephen Kuo, Head of Asia Pacific, Alibaba.com said: "Traditional offline routes are costly and have been confronted with many challenges.

"This has further reinforced our belief that digitalisation is an inevitable trend for sellers to sustain and grow their businesses.

"We are excited to see more and more Vietnamese businesses making digitalisation a priority.

"We believe that with the power of e-commerce, Alibaba.com and its various initiatives can enable more Vietnamese SMEs to recover and even generate sustainable growth."

In the 12 months ended March 31, 2020, more than 20 million buyers from approximately 190 countries sourced business opportunities or completed transactions on Alibaba.com. — VNS

### Vietnamese publisher sues Lazada for allowing sales of pirated books

Publisher First News has sued the e-commerce platform Lazada, charging it with repeatedly abetting the sales of pirated books and ignoring its warnings. The Ho Chi Minh City-based company announced on Wednesday that it had filed a suit in the District 1 People's Court against the e-commerce company for allowing merchants to sell fake copies of its bestsellers.

Its CEO, Nguyen Van Phuoc, said the issue had been raised with Lazada for the last 12 months by sending it documents and evidence of counterfeiting. But the subsidiary of the Chinese e-commerce giant Alibaba did not make any effort to stop the selling of the pirated books, and the issue had in fact worsened, he said.

The fakes sold on Lazada cost half the original prices, and his company has received hundreds of complaint letters from customers about them, he said. Some of the fake titles include the self-help classic “How to Win Friends and Influence People” by American writer Dale Carnegie and the “Chicken Soup for the Soul” series.

First News allows customers to trade their fake books for originals, but “we cannot keep doing that forever,” Phuoc said.

Lazada Vietnam said in a statement on Wednesday that all merchants on its platform are required to comply with local laws and piracy would be punished according to the law. But it did not make any reference to First News’ allegations. In the suit, the publisher has demanded that Lazada remove all fake books and stop allowing their sale in the future.

First News said last year 686 of its titles were counterfeited and sold on e-commerce platforms. It had organized two public events last year just to furnish evidence against book piracy. It has not revealed its losses due to piracy, but Phuoc said without it the company’s revenues could have been dozens of times higher in the last 15 years.

First News was established in 1994, and has published or distributed over 2,000 titles so far. Vietnamese publishers have in recent years been grappling with widespread illegal reproduction of books. HCMC-based Tre Publishing House last year discovered a pirated version of its book, “Japanese For Everyone,” being sold on Tiki, a Vietnamese e-commerce platform. The website later suspended the account of the fake bookseller.

Publishers lament that e-commerce platforms often deny their involvement in the selling of pirated books, claiming they are merely intermediaries who provide trading space and do not store the goods themselves. The Ministry of Industry and Trade requires e-commerce sites to remove all information related to counterfeit goods if they receive complaints backed by evidence.

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## HEALTHCARE TOURISM

### A new trend: Luxury healthcare resorts in Vietnam

Never before has luxury healthcare tourism been such a hot trend in the context of the prolonged impact of dangerous diseases like COVID-19 on the whole world.



*Yoko Onsen Quang Hanh hot spring resort*

About two years ago, it was reported by the World Tourism Organization (UNWTO) that tourists around the world are showing increasing preference for different types of tourism that serve their healthcare and beauty needs.

Since the COVID-19 pandemic started spreading around the world in early 2020, this type of tourism is becoming more attractive

and is even predicted to be a rising trend in the coming time by industry experts as health has become the top concern among people globally, forcing them to change their behaviour, including travel plans, to meet their healthcare goals.

*ETBrandequity*, an India-based news site, recently predicted 25 post-COVID-19 tourism and resort trends, specifying the domination of experiential tourism in the near future. Particularly, health farms and spas, among others, are receiving far more attention in the tourism industry.

In Vietnam, tourism associated with relaxation, healthcare, and rehabilitation is drawing the attention of tourists. Notably, this trend is shaped and developed with the emergence of a relatively new type – hot spring resorts.

In May 2020, as soon as the government brought COVID-19 under control, Quang Ninh – a province in the northeastern coast of Vietnam – rose to the fore as a must-visit destination among holiday-goers with its new trendy tourist magnet: the Yoko Onsen Quang Hanh luxury hot spring resort.

On its first opening days, the resort, as the latest product of major developer Sun Group in Quang Ninh, showed its trendy attraction by a sharp jump in the number of service bookings.

#### **An experience with numerous health benefits**

Yoko Onsen Quang Hanh has quickly risen to widespread fame because of the quality of Quang Hanh hot spring and its excellent health benefits. The resort is located about 10km from Halong city and 15km from the centre of Cam Pha to the west. Since the French colonial period, research by French experts flagged Quang Hanh hot spring as one of the most valuable sources of minerals in Vietnam.

"The analysis of samples collected in Quang Hanh hot spring and sent to Tokyo, Japan showed that this water is rich in valuable minerals, including metasilicic acid and boric acid. Particularly, Na<sup>+</sup> and Cl<sup>-</sup> ions account for more than 20 grammes per litre. It also contains a significant portion of Bromine, up to 40mg per litre," said Wataru Shintaku, a Japanese hot spring expert and the director of Yoko Onsen Quang Hanh.

With such a high content of precious minerals and Bromine, the mineral water in Quang Hanh Onsen helps eliminate toxins, promotes blood circulation, boosts immunity, supports the treatment of skin diseases, rejuvenates the skin, relaxes the nerves, and helps to get a deep and refreshing sleep easy to sleep after each day of work in addition to reducing fatigue, relieving pain, and quickly restoring musculoskeletal functions.

The hot mineral bath is especially good for the elderly, those doing mental work in a stressful environment, and women wishing to have youthful skin and a vibrant body.

A representative of the resort said that Yoko Onsen Quang Hanh has as many as 27 baths with many different uses. For example, the Silky Bath may be used for cleansing and relaxing the whole body while helping to clear pores and beautifying the skin.

The high concentration CO<sub>2</sub> aeration tank (carbonate aeration tank) helps clean the skin, expand capillaries, reduce high blood pressure, and increase the concentration of oxygen in the blood in addition to warming the body from the inside. Japanese research showed that high concentration CO<sub>2</sub> aeration tanks help reduce clinical symptoms in diabetic patients.

Different types of sauna and spa services after mineral bath are also preferred at Yoko Onsen Quang Hanh. Loily rock sauna – commonly known as "the panacea" among the Finns – soothes aching muscles for healthy and smooth skin. Meanwhile, Himalayan salt stone sauna will be a great treatment for people with respiratory problems.

Cold steam inhalation therapy at temperatures down to 6 degrees Celsius is also very popular among customers, especially female visitors for its help to smoothen the skin. 25 Japanese-style spa rooms providing massage therapy with Shiatsu reflexology is also a must-try for those who wish to have "everlasting youth" and beauty.

Taking a rest in a pure Japanese space in the middle of the cool Quang Hanh valley surrounded by green forests and mountains while enjoying wonderful mineral bath services with many health benefits make for a compelling case for healthcare resort services like Yoko Onsen Quang Hanh.

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## RETAIL

### Miniso sees positive and steady development in Vietnam market

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Chinese discount retailer Miniso has opened more than 40 stores in Vietnam, four years since it launched in the market.

Miniso entered Vietnam with its first store in Hanoi in 2016. Since then, the brand has been the local's favorite destination for discount merchandise. Miniso now has more than 700,000 fans following its Facebook account.

Miniso operates in key cities in the country and has a presence at major shopping malls including Aeon, Lotte, and Vincom.

During the early stages of entering Vietnam, Miniso showed its understanding of the market by choosing local top star Son Tung M-TP as a brand ambassador. The brand also teamed with well-known Vietnamese host Sam to launch a beauty line called Sam Skin and Makeup.

Miniso has not only joined several e-commerce channels, including Shopee, Lazada, and Tiki, but also created Shopify to provide "a barrier-free shopping environment".

### KFC most favoured fast food chain in Vietnam

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American chain KFC is the most frequently visited fast food restaurant chain in Vietnam, with 45% of respondents visiting its stores often, a new survey found. It is followed by South Korea's Lotteria with 17% of 600 respondents, and American restaurant chains Pizza Hut and McDonald's both at 6%, according to the survey by Ho Chi Minh City-based market research firm Q&Me.

Top reasons cited for favoring KFC were: delicious food (66%); convenient location (63%); suitable for family and the youth (60%); and variety on the menu (56%).

The survey found 87% ordering food online from fast-food chains. Of these, KFC was the most ordered from at 52%, followed by Lotteria (30%) and Pizza Hut (21%).

"Now" was the most popular delivery app for fast food online orders with 24% of the respondents opting for it, followed by GrabFood (20%). In Vietnam since 1997, KFC now has 135 outlets, mainly in HCMC and Hanoi, Vietnam's two biggest metropolises, while Lotteria has around 200. Market research firm Euromonitor said in a recent report that international players dominate the limited-service restaurant market in Vietnam, since local independent chains are mostly small family-based businesses with insufficient resources to take on the big players.

But, as a whole, fast food chains are experiencing slower growth. Market observers have said one of the reasons could be that the eating habits of Vietnamese are changing, with health being prioritized over convenience. In 2018, there were 7,000 fast food outlets in Vietnam, a relatively insignificant number considering there are around 540,000 food and beverage businesses comprised of 430,000 street



vendors, 80,000 restaurants and 22,000 cafes and bars, according to Dcorp R- Keeper, a global company which provides technological solutions to food and beverage businesses.

## Predicted consumer resets to shape Vietnam FMCG market: Nielsen

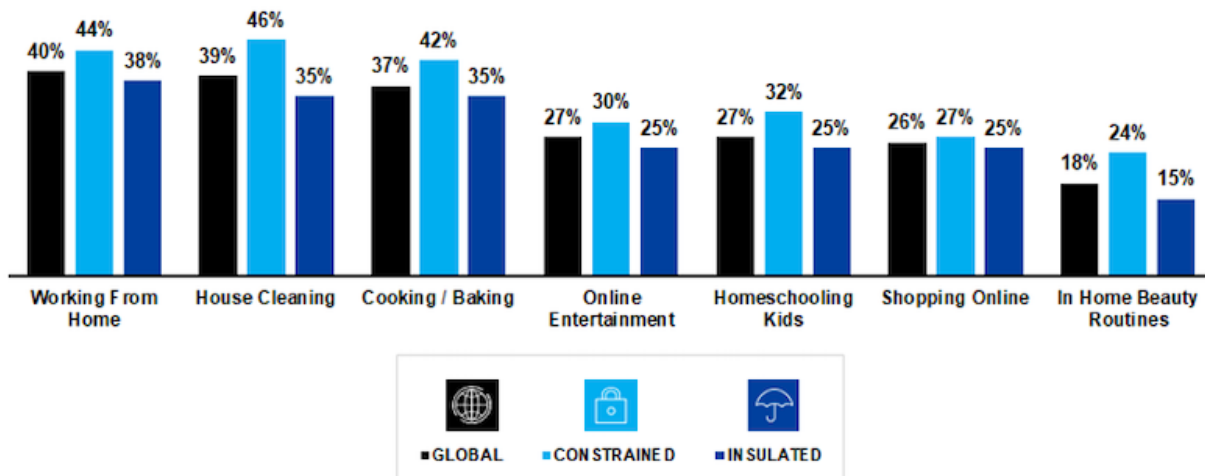
The news cycle related to Covid-19 transmission no longer influences trends on the FMCG market in Vietnam and Southeast Asia.

Four predicted consumer resets will shape the Southeast Asian (SEA) and Vietnam fast-moving consumer goods (FMCG) market in the future, according to the latest study by Nielsen, the market research company.

A new Nielsen study indicates that the basket, homebody, rationale and affordability reset underpinned by worsening unemployment situations and uncertain financial prospects in Southeast Asia, are the new drivers of consumption patterns.

The study presents how behavioral responses could differ according to the circumstances and level of personal impact the pandemic has had on consumers. Across Asia nearly two out of every five consumers (38%) said they have been impacted by Covid-19, versus 32% globally.

### Homebody reset



Another consumer shift that Nielsen predicts will reshape FMCG markets is the evolving routines of consumers at home. 'Do-it-yourself' (DIY) behaviors and demand for in-home branded experiences have persisted even beyond living restrictions and store re-openings in many Southeast Asian markets.

In Vietnam, 82% consumers said to reduce out-of-home consumption occasion, corresponding to heightened sales of instant noodles (up by 14.1% vs last year), sterilized sausage (17.9%), meal maker (7.4%) and mayonnaise (31.0%).

Percentage of respondents who added DIY activities to their normal routine than pre-Covid-19 outbreak

### Affordability reset

With less disposable income in their pockets, consumers will search for ways to optimize their basket spend to prioritize both health and value needs.

Nielsen has observed a historically low level of trade promotion activity across various countries. Channel preferences are also shifting as the criteria for affordability evolves in the minds of consumers.

In Vietnam, Modern Trade channel posted positive sales growth in June (up 13% in value sales against last year) with the number of stores on constant rise (up 35% stores in June 2020 versus June 2019), driven by Minimarts format (up 51% stores in June 2020 vs June 2019). Hanoitimes

## Drug retailers in fierce competition for bigger share of \$16 billion market

The long queues of people standing and waiting for their turn to buy face masks show the great potential of the drug and medical equipment market.



*The long queues of people standing and waiting for their turn to buy face masks show the great potential of the drug and medical equipment market.*

While many retail chains have had to shut down or reduce operations because of Covid-19, drug retail chains have been thriving because of the increased demand. This has prompted retailers to expand their chains.

Pharmacy is the drug retail chain with the highest number of stores. Established in 2011, it had 328 stores as of April 2020. The chain plans to open 350 more stores this year to increase the total number of stores to 602.

Long Chau drugstore chain said it has found 40 retail premises for the opening of new stores in Q2. It plans to have 200 stores by the end of the year. It has been expanding very rapidly. It had 83 stores in 19 cities and provinces as of late Q1 2020.

In 2017, The Gioi Di Dong, a mobile phone distribution chain, said that it would join the drug retail market. Nguyen Duc Tai, chair of The Gioi Di Dong, said he would expand the chain through M&A deals. It is expected that it will have 500 stores from the initial 10-15 stores.

To implement the ambitious plan, in 2018, The Gioi Di Dong poured capital into the Phuc An Khang chain, which was managing 20 medium-scale stores in HCM City.

Foreigners also have also jumped on the bandwagon. Century Pharma from Indonesia is one of them.

The chain of Century Healthcare stores took shape after the retailer bought Vistar, which then had 24 stores, located at large shopping centers in HCM City, including Bitexco, Saigon Center, Aeon Mall and Giga Mall.

Nikkei reported that the Japanese drug chain Matsumotokiyoshi Holdings is planning to expand business to Vietnam. The company said the activities in Vietnam would be carried out in cooperation with the HCM City-based Lotus Food.

Meanwhile, Guardian and Medicare are dominating the distribution of health care and beauty care products targeting individual consumption.

### **Great potential**

The drug market is described as "the goose that lays golden eggs" because of its promised high profits. BMI, a market analysis firm, believes that market value would rise from \$7.7 billion in 2021 to \$16.1 billion by 2026 with the CAGR of 11% based on Vietnam dong.

IMS Health predicted that the average spending for drugs would increase from \$20 per head per annum in 2015-2017 to \$50 in 2020. It is estimated that 25% of revenue of the pharmacy industry in Vietnam, or \$2 billion in 2021 and \$4 billion in 2026, would be poured into the drug retail market through drugstores.

Vietnam is increasingly attracting investors, especially after the government decided to reduce many business conditions and loosen requirements on foreign investors.

In early February, when Covid-19 broke out in many countries, Pharmacity got another \$31.8 million from a series-C round.

In May 2019, MEF III also announced investment in Pharmacity, but the value was not unclear. Analysts guess the investment was worth \$8-15 million.

### **Money not easy to be made**

Analysts said the drug retail market is large, but there is no outstanding retailer that dominates the market. A report of Rong Viet Securities showed that there are 30,000 drugstores, which means that the market is fragmented.

Rong Viet believes that limited market share is a great challenge to retailers. At present, it is not drug retail chains, but individual stores, which dominate the market.

The stores have advantages in low rent and store owners who offer consultancy to buyers. They have high flexibility and competitive operation costs.

According to Rong Viet Securities, drug retail turnover in Vietnam just accounts for 30% of total revenue from the pharmacy market. The figures are 64% in Brazil and 80% in the Philippines.

Chair of The Gioi Di Dong Nguyen Duc Tai recently told the press that he doesn't intend to make heavy investment in An Khang drug chain because he thinks the environment is not favorable enough.

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## LOGISTICS

### Converting Danang from an industrial to logistics centre

Developing ecological industrial real estate is a new direction for the central city of Danang in its strategy to attract investment into high-tech projects, with many companies interested in large-scale logistics projects manifested by the upcoming Lien Chieu deepwater port.



*Cleaner and more efficient infrastructure is boosting investor attraction to Danang city*

According to Pham Truong Son, director of Danang High-Tech Park and Industrial Zones Management Authority, the city has so far implemented a plan to construct an eco-industrial model in Hoa Khanh Industrial Park. This plan is contributing to limit the impact of the industrial zones (IZ) on the environment.

The efficiency from cleaner production has been not only breaking the urban chain in the west of the city but also linking urban areas turning the high-tech park into a highlight in the formation system of eco-industrial real estate products, which is attracting many investors in the city.

Currently, the high-tech park bears the character of an urban area inhabited by professionals, scientists, investors, employees, and their families.

Adjacent to the high-tech park is Danang IT Park, invested in by Danang Information Technology Park Development JSC (DITP). The park will be an ideal living and working environment for more than 25,000 employees including professionals, senior engineers, and other workers.

In the next 10 years, Danang IT Park Phase 1 has a scale of 131 hectares and this land will be increased to 341ha in the second phase. The project will become a satellite city in the northwestern region of Danang with about 100,000 residents. In addition to improving infrastructure projects, DITP is investing a sum of VND1.7 trillion (\$74 million) to develop an accommodation project serving experts and utilities for Danang IT Park.

According to Nguyen Tam Thinh, chairman of DITP's Board of Directors, this is a large-scale industrial real estate project to promote investment attraction for Danang IT Park and catch the new investment shift after COVID-19.

Lam Quang Binh, director of Investment and Business Services Company in the city, said that the emergence of extra demand in attracting new-generation capital flows is requiring changes in the existing industrial park model. This means the requirement of an industrial real estate system is enhanced with higher technical standards.

Planning must be synchronously made and publicly announced for investors to research and take opportunities and jump into investment early, he added.

### **Developing a logistics centre**

Strong prospects are becoming clear but will also quickly pass if Danang authorities are slow compared to other localities making similar moves.

Binh added that the proactiveness of Danang to develop ecological IZs will help improve the economic development of the city and, at the same time, minimise the impact on the environment, improving the efficiency of natural resource usage and reducing waste.

Therefore, the opportunity to own a land fund to approach and develop the industrial real estate segment is huge for both existing and potential investors in the future. Ecological industrial real estate will emerge as the dominant segment in the market in the coming time, experts say.

Danang has nearly 800 companies specialising in the field of transportation and warehousing. In addition, around 60 bank branches are connected to international transactions and 30 domestic and international insurance companies covering almost all fields.

These are considered part of the most favourable conditions for Danang to become a logistics centre by 2050 with a range of new bases and logistics centres such as those established at Lien Chieu Port, Hoa Nhon, New Kim Lien Cargo Terminal, Danang International Airport, and many other small-scale centres and warehouses.

With such an improved infrastructure system, Danang has been meeting the necessary and sufficient conditions for the development of the logistics industry for the entire central region and is attracting interest from overseas groups and corporations.

At the end of August, LOGOS Group, a member of ARA Fund Management and headquartered in Sydney, began working with Danang authorities to establish a joint venture in Vietnam.

### **Convenient infrastructure**

LOGOS Vietnam Logistics Venture is the fourth joint venture of the Australia-based investor LOGOS established in 2020. The group has raised more than \$1 billion of investment capital to penetrate the Vietnamese and South Korean markets – accordingly, LOGOS and its partners will build a portfolio of logistics facilities throughout Vietnam.

LOGOS will reserve an initial investment capital of \$350 million to develop logistics property in key locations such as Danang, Hanoi, and Ho Chi Minh City.

LOGOS is investing in Danang because the city has a lot of room for investment and development, in which Lien Chieu Port is a strategic investment project to strongly develop the fields of logistics, e-commerce, and food products, the group explained.

LOGOS Vietnam Logistics Venture's entry into the country's real estate logistics market is an important step in its development strategy in the region based on customer demand and interesting economic growth forecasts for Vietnam. Currently, the group's portfolio in the Asia-Pacific region has 100 logistics properties in nine countries, with total assets under management of about \$ 9.5 billion.

According to a representative from LOGOS, the convenient transportation infrastructure will help Danang become a major seaport service centre for the whole region. Danang is developing its urban area in a sustainable way, restructuring the economy towards service development. These are favourable factors for Danang to develop the logistics sector and open a new direction for investors, according to the group.

The adjusted master plan in Danang towards 2030 with a vision until 2045, carried out by a joint venture of Sakae Corporate Advisory Ltd. and Surbana Jurong (Singapore), has determined that Danang will develop a seaport and aviation system associated with logistics services towards forming a supply chain of logistics services in the central region – where the logistics heart is the seaport system of Tien Sa and Lien Chieu, as well as Danang International Airport.

According to Nguyen Thanh Tien, director of Danang Urban Department, the plan has breakthrough proposals such as building a compressed urban model, airport urban area, seaport urban area, and forming new functional areas such as an innovation and renewables zone, a high-tech agricultural zone, and a logistics service centre.

## **BDP Expands Logistics Services into Vietnam**

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BDP International, a U.S.-based 3PL, has spun off a new subsidiary company with the intention of becoming a major player in Vietnam's growing logistics sector. The new company, BDP International (Vietnam), will be a fully integrated unit of the parent company

U.S.-based BDP International, a privately-held, U.S.-based third-party logistics provider (3PL), has spun off a new subsidiary company with the intention of becoming a major player in Vietnam's growing logistics sector. The new company, BDP International (Vietnam), will be a fully integrated unit of the parent company.

According to Mike Andaloro, managing director of BDP Asia Pacific, "We are seeing a growing demand for Vietnamese produced goods in North America and Europe as well as in other parts of Asia. We expect our customers will source more of their goods from Vietnam, and this new company will allow us to continually support our customers as they expand their supply chains. With the changes to foreign ownership laws in 2014, we anticipate there will be an even larger increase in demand as more manufacturers establish themselves in the [Vietnamese] market."

BDP will target chemical, healthcare, retail, telecom, electronics and other manufacturing industries. Vietnam will be a key element of BDP's strategy in Asia over the next decade, Andaloro states.

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## INVESTMENT

### Vietnam's energy sector a magnet for foreign investors

National electricity demand is expected to increase by 8.5% a year until 2025 and 7% until 2030, making Vietnam an attractive market for foreign energy investors.



*A project of rooftop solar power in HCM City*

The economy is expected to grow at 6.5-7.5% annually until 2030, and would require 90,000MW of power by 2025 and 130,000MW by 2030.

At the 2020 Vietnam Energy Summit in July in Hanoi a number of deals for investment in energy projects were signed, including the memorandum of understanding by the Copenhagen Infrastructure Partners, Asiapetro and Novasia Energy with the Binh Thuan Province People's Committee to develop the 3.5GW La Gan offshore wind

power project at a cost of US\$10 billion.

Many investors said Resolution No 55-NQ/TW for strategic orientations for national energy development through 2030 has created a favourable environment to invest in the country's power sector. The resolution prioritises renewable and clean energy, offering foreign investors a great opportunity, experts said.

Hoang Tien Dung, director of the Electricity and Renewable Energy Authority, said: "Existing regulations allow the [sale] of projects to eligible foreign investors. Transferring projects and changing shareholders need approval from the Ministry of Planning and Investment or the Department of Planning and Investment depending on scale."

As of May 11 Vietnam had 92 solar and 10 wind power plants with a total capacity of nearly 6,000 MW in operation, according to the Department of Electricity and Renewable Energy.

A number of them have been sold partially or wholly to foreign investors from Thailand, the Philippines, China, Singapore, and Saudi Arabia.

Coal and gas power projects are invested under the build-operate-transfer model with Government guarantees, but solar and wind power projects do not have such guarantees.

Foreign investors, with their great experience and capability in investing in and managing plants bring investment efficiency and thus greater benefit to society.

The development of renewable energy is helping reduce dependence on costly oil-fired power plants and greenhouse gas emissions.

Feed-in tariffs (FIT) for solar power were considered too high, and though they fell quickly as technology improved from 9.35 US cents per kilowatt-hour in 2017 to 7.09 cents last year for plants on land, they remain quite high compared with other countries.

According to Nguyen Tam Tien, general director of Trung Nam Group, one of the leading wind power producers with 12 projects underway in Vietnam, wind power cannot be cheap in the country yet.

According to the latest study by the World Bank, more than 39% of the country's land area has annual average wind speeds of over 6m/s at a height of 65m, equivalent to a total capacity of 512GW. The offshore potential is 475GW. VNS

## **Vietnam might become largest manufacturing facility of Samsung**

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Samsung Electronics will close its sole Chinese TV factory in November and shift part of its operations to Vietnam while recategorising its factory in HCMC as an export processing enterprise. Moving the factory to Vietnam, Mexico, and elsewhere is part of a greater trend of businesses shifting supply chains away from China.

According to *Nikkei Asian Review*, Samsung has been losing market share in China due to the rising quality of local competition as well as boycotts triggered by Seoul's decision in 2016 to deploy a US-developed missile shield over Beijing's objections. Labour costs also have been rising in China.

The move is said to make Samsung's global production more efficient. Previously, Samsung shut down its smartphone factories in Tianjin also and the southern Chinese city of Huizhou before the end of 2019, and the company said in June that it would cease production at a computer factory in Suzhou. Samsung still operates an appliance factory in Suzhou and two chip factories in Xi'an.

On the other hand, in Vietnam, HCMC People's Committee has just proposed the prime minister to switch the label of TV screen producer Samsung Electronics HCMC CE Complex (SEHC) from a manufacturing to an export processing enterprise (EPE) in order to fulfil the city's commitment to create a favourable investment environment for the South Korean conglomerate.

This will turn Vietnam into Samsung's export base to the global market and in turn benefit the local suppliers of the South Korean giant, the proposal said. Vietnam allows EPEs to enjoy zero import and export duties and other tax incentives, but a company needs to have 90% of its revenue coming from exports to be able to achieve this status.

SEHC forecasts its revenue from exports to reach \$4.4 billion this year, out of the total \$4.9 billion, a ratio of 90%.

In a discussion, economist Nguyen Hoang Dung, former R&D director of the Ho Chi Minh City Institute of Economy and Management said that Vietnam could become Samsung's largest production base outside of South Korea. The categorisation of SEHC to EPE will benefit the Vietnamese economy and enhance its reputation over the world, drawing a new wave of foreign investment to the country.

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## **SEIKO IDEAS - 14<sup>th</sup> Anniversary**

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