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VIETNAM BUSINESS REVIEW

Highlight

Hundreds of million of dollars pouring in from Japanese investors

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What's in it today?

FINANCE

Banks target consumer loans for higher credit growth

Commercial banks are trying to boost individual consumer loans, especially to home and car buyers, since credit growth had slowed due to low capital demand from businesses.

SHB has recently launched attractive loan packages for home and car buyers, with interest rates of 6.5% and 6.8% per year, respectively, down from 7.5%.

In a similar move, BIDV said it had set aside VND30 trillion (US$1.29 billion) to lend to individual clients with interest rates of 5.5% per year for loans with terms less than six months, and 6% for 6-12 month loans. These rates are down 0.5% against last month.

At Maritime Bank, clients can borrow money to buy cars at 6.99% per year while the rate at NCB is 7.99%.

Other banks offering car purchasing loans at interest rates below 10% include Techcombank at 8.19%, Vietcombank at 8.4% and Military Bank at 8.5%.

Foreign banks have also joined the push, offering car loans at interest rates below 10%.

Woori Bank is lending to fund car purchases at a rate of 7% per year for the first 12 months.

HongLeong Bank quotes a rate of 7.55% per year for the first 12 months and 8.55% for 24 months, Standard Chartered 7.25% and 8.49%, and Shinhan Bank 7.69% and 8.6%, respectively.

Interest rates for home loans offered by foreign banks are also attractive. Standard Chartered provides loans at a preferential interest rate of 6.49%, HongLeong Bank 6.75%, Shinhan Bank 6.9% and Woori Bank 7%.

According to industry insiders, interest rates for car and home loans were nearly equal to 6-12 month term deposit interest rates.

Home and car loans account for the largest proportion of banks' consumer loans. Home loans are estimated to account for 50%, and car loans 10%.

According to experts, banks had to cut interest rates for consumer loans to boost lending as deposits had continued to rise while lending to firms had slowed.

According to the State Bank of Vietnam (SBV), as of mid-August, deposits had increased by 6.3%, while loans had risen by only 4.13%.

Money had continued to flow into banks, despite deposit interest rates falling. Meanwhile, individuals and firms with large amounts of cash were leaving their money in banks.

Banking expert Nguyễn Trí Hiếu told Vietnam News that banks were focusing more on consumer lending as these loans had interest rates far higher than other kinds of loans because of the higher risks.

Finance reports from some profitable banks showed that their profits were due to the increase in consumer loans.

Hiếu said at the moment, with the economy struggling to recover from the COVID-19 pandemic, consumer loans would help stimulate general demand, thus supporting economic growth.

A recent report from BIDV Securities Company (BSC) forecast that credit growth in the entire banking system this year would be only 9%, compared with the 13% set in 2019.

Analysts from Saigon Securities Incorporation (SSI) estimated an even lower rate. SSI's recent report on the outlook for the banking industry in the second half of 2020 forecast credit growth in 2020 would be around 7.5-8.5%.

According to the analysts, the credit demand may continue to weaken as the country still suffered impacts of the pandemic while banks, especially large-sized ones, may not lower their credit granting standards.

Due to the low credit growth, besides consumer loans, banks were increasing their purchases of Government bonds, despite the lower interest rates.

The Hà Nội Stock Exchange (HNX) reported that it had mobilised VND22.8 trillion through Government bond issuances in August. The figure had reached VND1,230 trillion as of August 31.

Banks were also buying more corporate bonds. Bankers were the biggest buyers of bonds, especially real estate bonds. In the first half of this year alone, banks bought VND28 trillion worth of bonds issued by real estate firms, which accounted for 40% of the total bonds issued. — VNS

Hundreds of million of dollars pouring in from Japanese investors

Many Japanese groups are investing in Vietnamese enterprises instead of setting up their production and business facilities in Vietnam.

ENEOS Corporation has spent VND650 billion to acquire 13 million shares of Petrolimex (PLX), the largest petroleum distributor in Vietnam with 60 percent of market share, at the price of VND50,000 per share.

The transaction was carried out between August 27 and September 14, according to HOSE.

Petrolimex also announced it has completed the sale of 13 million treasury stocks on August 27 - September 15 to reduce the amount of treasury stocks to 75 million.

Japanese investors now hold 116.5 million PLX, or 9 percent of Petrolimex shares.

ENEOS Corporation is a long standing group in Japan, specializing in petrochemistry, gas import/export and power supply. It is the biggest petroleum retailer in the country with 50 percent market share.

ENEOS bought PLX when the Vietnamese enterprise was facing difficulties because of Covid-19.

Petrolimex took a loss of VND1.1 trillion in H1. However, it has a huge amount of cash of up to 10 trillion dong and has a large distribution network throughout the country.

The enterprise is believed to have potential in expanding its business to other fields. In 2019, it had a plan to open a convenience store chain to take full advantage of its network of 5,200 filling stations.

Analysts note that many Japanese corporations have bought into Vietnamese enterprises recently.

In 2019, Sumitomo and two institutions spent $37 million to buy 10 percent of shares in Gemadept (GMD).

Analysts commented that the Japanese corporation can see great opportunities for logistics services thanks to the relocating of production bases from China to Vietnam in the context of the US-China trade war.

In early 2020, Sumitomo Life from Japan invested $173 million to buy more than 41 million Bao Viet shares (BVH), or 5.91 percent of the current charter capital, raising its ownership ratio in the insurance company to 22.09 percent.

Analysts say Japanese investors now have a golden opportunity to invest in Vietnam. The country is now the member of 15 FTAs, and is negotiating another two agreements. This allows Vietnam to become a center of global trade flow.

With EVFTA, Vietnam’s exports to the EU are expected to increase by 20 percent in 2020, 42.7 percent by 2025.

According to JETRO, Japanese corporations are increasingly leaving China to invest in Vietnam, especially in the fields of real estate, infrastructure, retail services, textile and garment, high technology, energy and aviation.

In the stock market, MBS believes that the possible scenario for VN Index is that it will hover between 873.53 and 905 points.

FTSE Russell keeps Vietnam at secondary emerging market level

Vietnam remains a secondary emerging market following the latest market re-classification by the British analytics and data solution provider FTSE Russell.

FTSE Russell had listed Vietnam in its watchlist for potential re-classification since September 2018. The latest result, made on late September 25, had been widely expected by local securities firms.

According to Bao Viet Securities Co (BVSC), in FTSE Russell’s March re-classification, Vietnam met seven of nine criteria to upgrade it to the emerging markets status.

The two standards Vietnam did not satisfy were Settlement – Rare incidence of failed trades and Deliver-versus-payment (DvP) Settlement Cycle, which were marked “not available” and “restricted”.

BVSC said that Vietnam did not meet those two items as investors were asked to make a sufficient deposit before trading, subject to Circular 203/2015/TT-BTC dated December 21, 2015.

A KB Securities Vietnam Company's office

FTSE Russell, in its assessment, said that the rule did not allow the settlement to follow the DvP model and failed trades were almost non-existent in the market.

According to KB Vietnam Securities Co (KBSV), Vietnam may get a chance to be promoted to emerging markets status by September 2021.

Until the upcoming review in March 2021, Vietnam will not have enough time to make changes to its existing issues addressed by FTSE Russell, KBSV said.

The State Securities Commission (SSC) may complete upgrading the trading system in early 2021, KBSV predicted, which would become a milestone for Vietnam to transform its settlement method from pre-funding – which requires the investor to have a sufficient amount of cash in the account to buy and sell securities – to DvP system, the brokerage said.

However, the transformation will not go smoothly as there are some differences between the SSC and the settlement service provider, and securities firms will need some time to complete updating their technology to match the stock exchanges’ trading systems, the company said.

KBSV said that a failure in next year’s market status re-classification and the slow process of equitisation among State-owned enterprises may make Vietnam miss the chance to draw a huge flow of foreign capital.

VNDirect Securities Corporation (VNDS) forecast that about 1.4-1.9 billion USD worth of foreign capital may flow into the local equity market if Vietnam is lifted to emerging markets status./.VNA

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E-COMMERCE

First Shopee co-branded credit card launched

E-commerce platform Shopee, VPBank and Visa on Monday launched their first co-branded credit card with an eye on the fast-growing online market.

Shopee, Visa and VPBank launch their first co-branded credit card in HCM City on Monday

Trần Tuấn Anh, CEO of Shopee Vietnam, said: "The partnership between Shopee, VPBank and Visa will strengthen our eco-system and cater to our ever-increasing and diverse user base.

"We have seen rapid and constant growth in Vietnam's e-commerce, and Shopee wants to provide shoppers and merchants with greater value, convenience and security with these co-branded credit cards."

The card offers privileges such as a full year of free shipping, up to 10% cashback, online gifts, and advanced digital experiences, Shopee said in a release.

In the last few months it said it had seen an increase in online shopping as Vietnamese turned to e-commerce as a one-stop access to everyday needs.

Besides, the adoption of cashless payments is growing as consumers value speed and safety, it said.

Applicants can directly register on the Shopee site and get pre-approved cards with a credit limit of up to VND 20 million that are immediately activated. — VNS

Vietnam digital bank relaunches as e-commerce booms

Vietnam's first digital bank on Monday relaunched its services with a new partner, promising to offer more than just basic financial services to a population seen to be ready to embrace online banking amid an e-commerce bqoom due to the coronavirus pandemic.

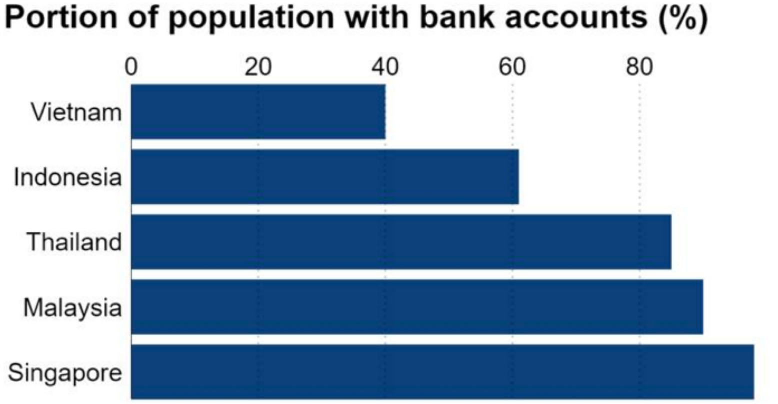
Timo Plus, Vietnam's first online-only bank, will operate in partnership with Viet Capital Bank, which has replaced VPBank. Timo Plus also has a new CEO, Henry Nguyen, whose sprawling portfolio includes a McDonald's franchise in the country and a Los Angeles football club.

Nguyen said under the old partnership that launched in 2016, Timo was more of an external party to VPBank, but this time around, the two sides will work closely to introduce new products.

Phoenix Holdings now has a controlling stake in Timo. Nguyen runs Phoenix with his wife, Nguyen Thanh Phuong, daughter of ex-prime minister Nguyen Tan Dung and a board member at Viet Capital.

Online-only banks, which often piggyback on existing ATM networks, are starting to pop up in Southeast Asia. The Philippines just granted its first license to a virtual bank, Tonik, that will launch by the end of the year. The U.K.'s Revolut operates in Singapore, where China's Ant Financial, a unit of Alibaba Group, and TikTok owner ByteDance are jockeying for a handful of digital bank licenses.

Vietnam is seen by analysts as a market ripe for digitization. A recent Boston Consulting Group survey showed that just 40% of the population had bank accounts, a rate lower than in neighboring Indonesia and Thailand. Vietnamese said in the survey that they would shift 13-15% of their deposits from legacy banks to digital banks, the highest proportion among Southeast Asians polled.



Note: Age 15 and older Source: Boston Consulting Group

To attract depositors, Timo will have to change the business model it had with VPBank, which provided a bank license but otherwise mostly stayed out of Timo's operations. Viet Capital promised a closer working relationship.

Timo also will have to compete with increasingly tech-savvy traditional lenders, such as TPBank, which employs facial recognition technology and Techcombank, which allows customers to access ATMs with an app instead of a card.

Vietnam is also becoming an increasingly crowded market for e-wallets like Momo and ZaloPay that are linked to customers' bank accounts so that they can pay for bills and items in stores, and even top up their phone credit. Vietnam has roughly 20 digital wallet brands, according to Standard Chartered.

The number of payments by credit or debit card increased 51% per year from 2016 to 2019, according to the State Bank of Vietnam. The Vietnam E-commerce Association forecast that the value of online trade will grow more than 30% in 2020, surpassing $15 billion, driven in part by the pandemic.

Some locals use e-wallets without a bank account and add funds via phone apps, but the push for nearly every Vietnamese to open an account comes from the top. Among the government's key socioeconomic targets is for 80% of the population to have bank accounts by 2025 and 90% by 2030, up from 40%, the lowest rate among Southeast Asian countries, according to the BCG report.

Analyst Robert Vong said part of the issue for Timo in its first act was the unexpectedly high costs of operations and compliance. In its next role, Timo noted that Viet Capital has become the first bank to obtain state approval to conduct due diligence electronically, which will reduce costs.

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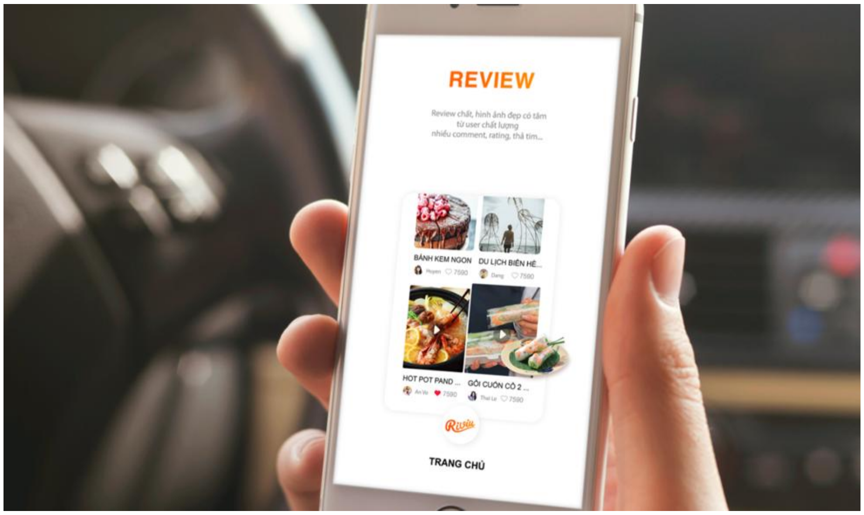
START-UP

Vietnamese restaurant review app Riviu bags USD 3.6 million

Riviu benefited from operating in a country with a young population, where 28% of its total 59.2 million internet users are between 25 and 34 years old.



Riviu, a Vietnam-based website and app that is reviewing restaurants, has notched USD 3.6 million from undisclosed investors for domestic expansion, according to a news report by local media VnExpress.

The publication will use the fresh capital to extend coverage to Vietnam's major cities Da Nang and Nha Trang, which are popular tourist hotspots. It will also add beauty and entertainment sections. "In our vision, people will use Riviu whenever they need to review or rate any local services, just like they say 'to google' instead of 'to search'," said CEO Dang Le Huy.

As Vietnam resumed international commercial flights to several Asian countries on September 18, cities like Da Nang have lifted travel restrictions. Dang is positive about the open-up and affirmed that his company has witnessed tremendous growth from both users and merchants recently.

Founded in 2019, Riviu started as a Facebook group—which has now over 930,000 members—and later added a website and mobile app. The company benefited from operating in a country with a young population, where 28% of its total 59.2 million internet users are between 25 and 34 years old, according to estimates by data provider Statista.

Vietnam's digital economy is expected to reach USD 43 billion by 2025, according to the e-Conomy Southeast Asia 2019 report by Google, Temasek, and Bain & Company. According to the report, Vietnam is emerging as "the most digital of all economies in the region."

Vietnam to drive high-tech startups with new incentives

Vietnam will launch a program to accelerate the founding of startups in information technology and other high-tech businesses in a bid to boost the country's growth potential as COVID-19 weighs on the economy.

Starting on Oct. 5, the new program is a set of incentives to encourage innovative startups engaged in "telecommunications businesses, information technology, automation and other related businesses," according to a decree approved at the end of August. Startups engaged in "new and clean energy" and in the "production of intermediate goods participating in value chains and industry clusters" are also eligible.

The launch comes as Vietnam's economy suffers a slowdown due to the pandemic. Hanoi is set to lower this year's growth target for gross domestic product to 2-2.5%, down from the level of over 5% announced in May before the resurgent coronavirus started spreading in July.

The program provides incentives to a list of startups setting up their offices in industrial parks including Hoa Lac Hi-Tech Park, a new flagship facility in Hanoi. Startups are exempted from the entire cost of land leases for 50 years. The state will cover the cost of the use of infrastructure in Hoa Lac and also fund land clearance and basic preparations for setting up offices.

Startups will be entitled to borrow public investment credit capital, enjoying preferential loans from state-owned Vietnam Development Bank.

Startups are also eligible to apply for tax incentives. Companies specifically located in Hoa Lac will enjoy a 10% corporate income tax rate, instead of the usual rate of around 20%, for 30 years starting the first year a turnover is reported. They will be also exempted from import taxes on raw materials, supplies and components that cannot be produced domestically and are imported within five years of the start of production.

Vietnam started its national program to support startups in 2016, with a target of supporting around 1,000 startups and related projects by 2020. As of Aug. 31, around 2,500 startups and projects had received support under the program, with 52 companies attracting a total of 900 billion dong ($38.6 million) from investors including private and foreign funds.

To help ensure a better environment, laws will be enacted in January aiming to remove the need for the prime minister's approval of mergers and acquisitions if they do not result in a higher ownership ratio by foreign investors in a target company. Mergers and acquisitions that result in an increased foreign ownership ratio in a target company, and also exceed 50% of shares or charter capital, will be subject to approval. Projects with an investment capital of 10 trillion dong ($428 million) will not require approval from the prime minister.

2019 was considered a great year for tech and startup investment in Vietnam. Domestic startups secured 123 investment deals, with a total value of $861 million, up 92% year-on-year, according to Vy. But the momentum lost steam this year due to the coronavirus. The investment proceeds in the first half decreased by 22% to $222 million, from $284 million in the same period last year. Travel restrictions and uncertainties in global financial markets have disrupted investment activities, Vy said.

Vy launched Do Ventures in September, betting on the potential of Vietnamese startups in the long run. "In the pre-COVID-19 days, Vietnam boasted more than 30,000 businesses engaged in the ICT sector, with 955,000 employees," Vy said.

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RETAIL

Household groceries compete equally with modern retail chains

Contrary to all predictions, modern convenience stores and supermarkets, with powerful financial capability, have not led to the closure of traditional household-run groceries.

Many convenience store chains, such as VinMart, Circle K, Family Mart, Co-op Smile and Satrafoods, have opened, present in every residential quarter and satisfying all consumers' needs, from needles and thread to vegetables and fish.

Contrary to all predictions, modern convenience stores and supermarkets, with powerful financial capability, have not led to the closure of traditional household-run groceries.

However, surprisingly, traditional groceries still thrive, despite the strong rise of these retail chains.

Nga's grocery, for example, is located in Long Bien district in Hanoi. Nga is busy selling goods all day and the grocery enjoys many sales, though it is located near a convenience store.

The grocery offers food and essential goods, from batteries to phone scratch cards. On holidays, when demand increases, Nga only closes her shop at midnight.

Buyers mostly make payments in cash. But Nga also accepts online payment of different kinds. The buyers are mostly people in residential quarters nearby, whom Nga knows well. Therefore, customers can buy things on credit and pay money after some days.

According to Nielsen, Vietnam has 1.4 million groceries and 9,000 traditional markets, which make up 75 percent of the retail market share and bring revenue of $10 billion a year.

Meanwhile, Kantar Worldpanel Vietnam reported that traditional retail channels (traditional markets and groceries) satisfy 85 percent of the needs of customers.

Nine out of 10 polled customers, or 92 percent, said they prefer buying essential goods from groceries. Vietnamese have the habit of going to groceries because they are are small scale, require low operation costs, and can sell products at low prices.

According to Nguyen Ngoc Tram from JLL Vietnam, traditional markets are still the choice of the majority of consumers.

However, analysts said groceries now are different from what they were in the past. They not only sell essential products priced at several thousand dong for each item, but also wholesale rice, sweets and dairy products for large manufacturers.

They manage ' sales and run delivery services just like modern retailers.

DInh Thi My Loan, former chair of the Vietnam Retailer Association, noted that traditional retail has to adapt to new circumstances.

Traditional retailers compete with modern retailers and understand consumers' needs, so they know how to better serve customers.

Traditional retailers have made changes to satisfy customers: they accept e-payments, use both online and offline retail, try to approach modern methods in goods display, and connect customer feedback with manufacturers.

Many sales management solutions for groceries have been designed. Sapo X provides software to manage sales at shops and chains.

KiotViet uses cloud computing technology that allows retailers to access sale data anytime and anywhere. Shop owners can now update selling prices and confirm orders quickly and conveniently.

With Vinshop, a new app, groceries can connect to manufacturers through intermediary distributors, which minimizes costs. In addition, groceries are now using new payment tools such as e-wallet and QR Code.

In late 2019, Telio, a platform connecting business households with wholesalers, mobilized $25 million worth of capital from Tiger Global, Sequoia India, GGV Capital and RTP Global.

Mobile World shoots for breakthrough growth in Cambodia, eyeing other oversea markets

Bluetronics - Mobile World Investment Corporation (MWG)'s household electronic appliance chain in Cambodia, similar to the Dien May Xanh chain in Vietnam - will celebrate its 20th store to then start gunning for 50 stores before the year ends.

The event marks the first milestone in the retail group's ambition to scale up market coverage and acquire the leading position in Cambodia by the end of this year.

According to MWG's market development team, the household electronic appliance sector in Cambodia today is reminiscent of the Vietnamese market about a decade ago when choice of goods was limited, while the market was awash with goods of unknown origin and quality as well as parallel imports. The modest number of stores also limits access to warranty and after-sales services. According to statistics from MWG, the largest household electronic appliance chain only has 20 stores in the country while all competitors have less than 50 stores altogether.

Three years ago, MWG began deploying BigPhone stores in Cambodia, which followed a similar operating model to the thegioididong.com chain in Vietnam. These exploratory moves paved the way to MWG changing its tack by opening the Bluetronics chain with larger floor areas and better variety of goods from household electronic appliances to mobile phones and accessories.

With 20 stores in the Phnom Penh area in the south, Bluetronics will march on the Northwest, namely Siem Reap, to achieve full market coverage in Cambodia by the end of this year. MWG's market development team estimates that a retail network of 50 stores would fit the capacity and demand of the Cambodian market.

The target of opening 50 stores by the end of the year showcases MWG's determination to conquer this overseas market. Putting the enormity of the task in perspective, the development team shared that opening a store in Cambodia is 10 times more difficult than in their home market.

While Cambodia is not a large market, it is nevertheless an important market for MWG. Doan Van Hieu Em, CEO of MWG said: "By increasing our network to 50 stores, we would occupy 50 percent of the market. However, the most important target is that MWG will bring this successful recipe to other countries, targeting at Indonesia, the Philippines and more."

"In Vietnam, MWG achieved success with the Dien May Xanh model. While we have a winning recipe, we only need to adjust it to fit the culture of each new market," Hieu Em said.

Notably, in Cambodia MWG applied its Dien May Xanh model and enlisted plentiful local expertise to help tweak it in a myriad ways under the watchful eyes of a few Vietnamese senior managers. This has helped Bluetronics localize not only décor but even promotions and after-sales services to suit the local customers' taste.

"MWG's suppliers include several global groups who can easily accompany us in our overseas endeavors, 'Dien may Xanh oversea' will be the new future of Thegioididong brand," Hieu Em said.

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LOGISTICS

Airlines reinventing the skies for agricultural business lines

While many of the worlds' aircraft have been grounded throughout the pandemic, local airlines have found ways to support Vietnam's agricultural export businesses in the wake of sky-high freight charges.

With that, and some creativity and ambitious plans to establish domestic cargo transport for international routes, hopes are high that the country's fruit and vegetables can soon be delivered to consumers overseas.

Local airlines combine repatriation flights with low-cost deliveries of agricultural products to support local producer

The fact that only a few airlines, such as Cathay Pacific and Slovak Airlines, can currently fly from Vietnam to international markets like the United States has pushed the prices of global agricultural exports up, increasing the burden on local businesses seeking to sell off their produce.

Ngo Thi Thu Hong, general director of Ameii JSC, which prepared a shipment of late-ripened longan for sale to the Czech Republic, Sweden, and Italy, is worried about the transportation costs. The price for 1kg of longan has increased to over $4 from $1.6 before the pandemic, and generally transport fees make up a huge share of these prices, making it difficult for companies like Ameii to compete with other export markets like Thailand and China.

Moreover, since the pandemic has limited air traffic in many regions of the world, simply finding a plane to deliver goods can already be a problem.

The persisting limitations in air traffic only add up to the general issue of high delivery fees. At Vina T&T – a company specialising in agricultural exports to the US, Canada, Australia, South Korea, and China – the need to transport their produce by air to guarantee quality and freshness makes up around 30% of the company's costs.

Furthermore, Vina T&T expects its transportation costs to spike in 2020 to thrice the amount before the pandemic. For instance, the fees for shipping 1kg of dragon fruit to the US has increased from $3 to $7. Unable to change anything about these fees, Vina T&T's general director Nguyen Dinh Tung could only describe the situation as one with “many difficulties”, especially in competing with other regional exporters to the US.

Last year, Tung’s company made around $43 million for exporting its fruit to the US, accounting for more than 50% of Vietnam’s fruit output to this market. This year, however, exports are only about 150 tonnes per week, reflecting a decrease of 30% to before the pandemic.

While Vina T&T can sell some of its products to the local market, this channel only accounts for around 5% of the company’s output, and dragon fruit sells for just $1-2 compared to $10-11 per kg in the US. “However, shipping to the US brings us about 1-2% profit now, and we have been meeting additional hurdles in guaranteeing the freshness and quality of our goods due to the lockdowns. We will lose both prestige and a lot of money if the quality is not right,” Tung said.

Improvements necessary

In general, the increasing connectivity between countries has created good conditions for Vietnam’s export development, and despite the pandemic, goods transported through VN’s airports are set to reach 1,300 tonnes in 2020, just 2% less than in 2019. However, the amount of agricultural products being transported by air remains modest, accounting for only about 5% of all air-shipped wares.

According to Do Xuan Quang, vice general director of Vietjet, the fact that foreign airlines make up for nearly 90% of international aviation is one reason why Vietnamese airlines had been reluctant to invest into developing their cargo fleets. Currently, Vietnam’s aviation stands about 10 years behind the development of China with an annual growth rate of around 10%.

However, Vietnam’s infrastructure lacks specialised logistics that connect sea, air, rail transport effectively. In addition, the country’s airport and warehouse systems are already overloaded. By the end of the year, experts predict demand for cargo transported through Hanoi’s Noi Bai International Airport exceeding one million tonnes – much more than its current capacity of 300,000 tonnes.

Forecasts state that air transport of agricultural goods will increase as soon as the pandemic eases, especially since Vietnam signed many free trade agreements which will further boost exports of this commodity. Besides this, several large domestic corporations, like THACO, Masan, and Vinamilk, are planning on expanding their investments in agricultural exports.

The government has approved reopening international routes from last week – good news, said Tran Thanh Hai, deputy director of the Agency of Foreign Trade of the Ministry of Industry and Trade. However, the current reduction of air-shipped freight remains an “urgent issue” for the industry, Hai went on, especially with regards to growth momentum and expected export increases.

Finding alternatives

COVID-19 gave Vietnam’s aviation time to rethink approaches and restructure entire business lines. As such, the development of freight carriers through the skies may help to reduce local airlines’ risks rather than putting all eggs in the passenger transport basket.

Both major urban centres, Hanoi and Ho Chi Minh City aim to become freight hubs for Southeast Asia, and domestic airlines could grab the chance to outmanoeuvre regional competitors in this sector as direct contenders, such as Thailand and Malaysia, currently have only 1 major transportation hub each.

Meanwhile, instead of being bound to the ground, some local airlines use their passenger craft in alternative ways, offering freight transports and reducing the cost burden for agricultural firms.

“We are using our 787s to transport cargo, each with around 20-25 tonnes per flight,” said Vu Tien Dung, head of Bamboo Airways’ Cargo Department. “In some cases, we have even been using passenger compartments, such as for flights to Germany and South Korea, with an increased payload of 38 and 40 tonnes, respectively.”

For October, the airline plans another 10 flights to South Korea, Taiwan, Australia, and the US to pick up overseas Vietnamese and bring them back home. “As our outgoing flights will have no cargo, we are happy to cooperate with agricultural export companies to deliver their goods,” suggested Dung to help reduce these businesses’ transportation costs.

Nevertheless, taking advantage of these outgoing no-load flights is not easy. “We have talked with Vietnam Airlines about shipping our goods to the US and Canada on repatriation flights. However, the carrier refused, stating that these countries’ pandemic prevention measures were too tight”.

Aware of the agricultural sector hurdles in exporting their goods, Vietjet is planning to convert three of its passenger craft into cargo transports during the third quarter of this year. Vietjet’s Quang said, “We have already renovated three aircraft and want to add another four in this quarter to carry goods.”

In October alone, the airline will launch cargo flights to Los Angeles and Chicago from Hanoi, using its Boeing 747s while offering “decent price policies,” Quang said.

Thailand’s incentives and large-scale operations have so far enabled the nation to stay ahead of its regional competition and even deliver goods throughout the pandemic at cheaper costs than VN. VIR

EVFTA to have wide impacts on transport businesses

The EU-Vietnam Free Trade Agreement is having an impact on the local government procurement market, with transport being among the more attractive sectors to EU businesses.

Deputy Minister of Transport Le Anh Tuan talked Bich Thuy about the opportunities and the challenges ahead, as well as international lessons the country can draw on.

In line with EU-Vietnam Free Trade Agreement commitments, Vietnam has opened the government procurement market to EU businesses. What opportunities are there for EU contractors?

The agreement (EVFTA) includes the highest commitments that a partner has ever made to Vietnam among all the FTAs it signed, and is the first FTA the European Union has concluded with a developing country in the Asia-Pacific.

One of the differences between the new-generation EVFTA and traditional FTAs is that the scope extends to several new fields such as intellectual property, labour, environment, and government procurement. Specifically, under Chapter 9, government procurement covers bidding packages for goods purchases, consulting and non-consulting services, engineering construction, or mixed bidding packages. As the EVFTA took effect from August 1, EU businesses can now join bidding.

In the first five years, EU businesses can join bidding packages for goods purchase, consulting and non-consulting services, with each value upwards of 1.5 million in special drawing rights (SDR); or upwards of SDR40 million ($56.52 million) for engineering construction packages. For the following years, the SDR thresholds are regulated in the EVFTA.

It is worthy to note that the EVFTA does not apply for some bidding packages like constructions in extremely difficult areas and remote and mountainous areas, or islands as regulated by Vietnam. EU bidders are also excluded from the constructions of headquarters of ministries and ministerial agencies.

The EVFTA is expected to bring about both opportunities and challenges for most sectors. How do you foresee its effect on the transport sector & what competition will domestic transport businesses face?

The EVFTA was driven home in the context of strongly developing bilateral ties, especially in the fields of trade and economy. The EU is now one of Vietnam's leading partners. Bilateral trade has grown by more than 13.7 times from $4.1 billion in 2000 to $56.45 billion in 2019. Vietnam's exports to the EU rose 14.8 times (from $2.8 billion to $41.54 billion), and imports from the EU ascended over 11.4 times from $1.3 billion to $14.9 billion.

In recent times, COVID-19 has had a negative impact on manufacturing and trade across the globe. However, the EVFTA is forecast to shore up exports and imports, helping to compensate for the global economic downturn. The Ministry of Transport (MoT) understands that all kinds of businesses depend on transport services to approach material sources and distribute goods.

The EVFTA also opens prospects for transport firms in approaching partners who have experience and have attained a high-level of development in the fields of maritime and aviation transport, among others.

Moreover, Vietnam's tariff cut commitments for transport, machinery, and technology devices to serve logistics activities from the EU provides a chance for domestic logistics firms to buy manufacturing products at more reasonable prices, thus enabling them to reduce costs, improve their technological and internal capacities, as well as reduce outsourcing services.

At the same time, this landmark agreement is expected to create more competition for the Vietnamese economy, for businesses and individual goods and services alike. In fact, this will be a significant challenge, especially in the transport sector because EU companies hold many advantages over their Vietnamese counterparts in terms of competiveness, marketing experience, and better exploitation of FTAs.

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INVESTMENT

$4 billion LNG project helps Bạc Liêu lead in FDI attraction

Bạc Liêu ranked first among 63 provinces and cities in term of foreign direct investment (FDI) attraction in the first nine months of this year, with projects including an LNG-to-power project worth US$4 billion from Singapore, according to the Foreign Investment Agency (FIA).

A view of HCM City which is among leading provinces and cities in term of FDI attraction in the first nine months of this year

This project alone accounted for 18.8% of total registered FDI in Vietnam in January-September.

The latest update from the FIA showed foreign investors registered to pour a total of $21.2 billion in Vietnam from the beginning of this year to September 20, equivalent to 81.1% of the same period last year.

Of the figure, $13.76 billion was disbursed, 96.8% of the same period last year.

Although there were some drops in registred and disbursed capital in the period, Vietnam's FDI attraction results were positive amid a sharp decline in global investment due to the impact of the COVID-19 pandemic, the FIA said.

There were 1,947 FDI projects with a total registered capital of $10.36 billion, 29.4% and 5.6% lower than the same period last year, respectively.

Nealy 800 projects registered to increase their capital to the tune of $5.11 billion, 23% lower in terms of the number of projects but 6.8% higher in additional capital.

Foreign investors also spent $5.73 billion on buying stakes, 55.1% of the same period last year.

According to the Ministry of Planning and Investment, FDI flowed into 18 sectors, among which, the processing and manufacturing industry led in FDI attraction with a value of nearly $9.9 billion.

Power generation and distribution ranked second with a total investment of $4.3 billion, followed by real estate with $3.2 billion FDI and wholesale and retail sales with $1.3 billion.

The statistics showed that 111 countries and territories invested in Vietnam in January-September. Singapore was the largest investor with total registered capital of $6.77 billion, followed by South Korea with $3.17 billion and China with $1.87 billion.

In terms of the number of new FDI projects, South Korea ranked first with 499 projects. China was second with 271 projects, Japan third with 209 and Singapore fourth with 173.

In the first nine months of this year, foreign investors invested in 60 out of 63 provinces and cities in Vietnam.

With the Singapore-invested $4 billion LNG-to-power project, Bạc Liêu became the leading locality in FDI attraction.

Other leading destinations included HCM City with $3.25 billion worth of registered FDI and 719 projects and Hà Nội with $2.92 billion investment and 409 projects.

In June, a working group was founded to promote foreign investment and attract quality and high-tech FDI flow and capture the opportunities from the global production shift. — VNS

Singaporean business keen on investing in Vietnam

Singapore is Vietnam's leading investor this year with more than US$6.54 billion or 33.5% of total investment in the first eight months, according to the Ministry of Planning and Investment.

South Korea was the second with $2.97 billion and China was third with $1.75 billion.

Singapore has been the largest foreign investor in Vietnam this year

Total FDI in the period was $19.54 billion, or 86.3% of the amount in the same period last year.

New projects accounted for $9.46 billion, including $4 billion by a Singaporean company, Singapore's Delta Offshore Energy Pte Ltd Co, in the Bạc Liêu LNG power plant.

Vietnam - Singapore investment co-operation is complementary to each other, and high technology is an area identified for attracting Singaporean investment in the near future, the ministry said.

Deputy Minister of Planning and Investment Trần Quốc Phương told an online Vietnam-Singapore investment promotion conference held on September 17 that Vietnam has persisted with proactive and effective solutions to simultaneously contain the COVID-19 outbreak and keep the economy ticking over.

He said foreign investors, including Singaporean, have growing opportunities to invest and do business successfully in Vietnam since the country's legal framework is constantly being improved and channels connecting the domestic and foreign markets are being expanded, and the Government and provinces are determined to improve the business environment.

The Government encourages Singaporean firms to, among other things, invest in the hi-tech industry, set up innovation and R&D centres, develop industrial park infrastructure, and take part in the equitisation of State-owned enterprises, he added.

The event was attended by executives from 500 enterprises -- that are members of more than 80 Singaporean business groups around the world -- who shared their views on Vietnam's growing role in the international community and described it is a safe and attractive investment destination for Singaporean businesses in the post-pandemic period.

The event was organised by the Ministry of Planning and Investment in co-ordination with the Singapore Manufacturing Federation and the Singapore Business Federation amid a global restructuring of production and supply chains to avoid overdependence on a single country.– VNS

New coastal economic zone set up in Quảng Ninh

Prime Minister Nguyễn Xuân Phúc recently signed a decision on the establishment of the coastal Quảng Yên Economic Zone in the northern province of Quảng Ninh.

The 13,303ha economic zone, located in the southwest of Quảng Ninh, will include an urban, industrial and hi-tech complex and the Đầm Nhà Mạc seaport, as well as related services.

In particular, the urban, industrial and hi-tech complex will span 6,403ha in Uông Bí City and Quảng Yên Town.

This economic zone is aimed at capitalising on natural and geographical advantages in economic, trade and service connections with other coastal economic zones like Vân Đồn, Đình Vũ-Cát Hải in nearby Hải Phòng City and Thái Bình in Thái Bình Province, thereby helping to optimise competitive edges of each zone and forming socio-economic development connectivity between the economic zones with neighbouring areas.

The Quảng Yên Economic Zone will closely combine investment attraction and economic development with defence-security ensuring, and preservation and promotion of values of local marine ecosystems, historical relics and culture.

It also looks to become a multi-sectoral economic zone and a modern and smart industrial, port logistics services and urban centre of Quảng Ninh as well as the Red River Delta; create a modern living environment via synchronous development of technical and social infrastructure; while boosting hi-tech and environmentally friendly sectors and R&D centres.

The economic zone is scheduled to be developed from now to 2035, according to the Prime Minister’s decision. — VNS

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