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FINANCE

Billions of dollars worth of shares expected to enter bourse

A number of commercial banks are going to list their shares at the HCM City Stock Exchange (HOSE), and are expected to bring a breath of fresh air to the market, which has been stagnant because of the pandemic.

LienViet Post Bank (LPB) has announced it has applied to HOSE to list shares, expecting to become the first bank to get approval for listing this year.

The others are Asia Commercial Bank (ACB), VIB Bank and Saigon-Hanoi Bank (SHB).

A representative of LienViet Post Bank said the bank's listing has been approved in principle by HOSE and the listing would be 1-2 months earlier than other banks.

Analysts believe that the number of enterprises and banks to list shares at HOSE will be increasing rapidly toward the end of year to comply with current regulations before the new Securities Law takes effect on January 1, 2021.

The new law stipulates that public companies must register their shares for transactions on the system reserved for unlisted shares at least two years before applying for listing shares once they meet specific requirements.

ACB has recently decided to move from the Hanoi Stock Exchange (HNX) to HOSE, while SHB of Do Quang Hien (Boss Hien) is considering moving to HOSE.

ACB managers said at the bank's annual shareholders' meeting that the listing at HOSE would bring some benefits. ACB shares are likely to be added to a 'basket of shares' such as VN30, VNDIAMOND and VNFINSELECT, which would help increase the market value of the shares and bring benefits to shareholders.

SHB, in the statement to shareholders, said the listing will help polish the image of SHB in the eyes of foreign strategic investors and improve SHB's position in the stock market. As for VIB Bank, HOSE in early September confirmed it has received the application for listing from VIB Bank.

Eighteen banks list their shares on the bourse, including Vietcombank, Vietinbank, BIDV, Techcombank, MBBank, HDBank, TPBank, VPBank, Eximbank and Sacombank at HOSE, while ACB, SHB and NVB are at HNX, and LienViet Post Bank, VIB, VBB, BAB and KLB are on UpCom.

Analysts say the listing at HOSE will help businesses more easily mobilize capital and attract investors, especially professional finance investors.

The listing at HOSE is partially attributed to the plan to merge stock exchanges approved by the Prime Minister. HOSE is a large trading floor with a long history of operation and higher requirements for enterprises.

With the moves taken recently by banks, analysts believe that Vietnam is about to witness a new wave of banks moving to HOSE.

Renewable energy firms rush to issue bonds

Renewable energy companies were becoming more active in the corporate bond market, according to brokerages.

Statistics from the Hanoi Stock Exchange (HNX), the national trade promotion office of Finland Finnpro and Techcombank Securities Co showed that among the 171 trillion VND (7.4 billion USD) of corporate bonds issued in the first half of this year, renewable energy companies accounted for 4%.

The average interest rate of energy bonds was 10.3% per year, only second after the real estate sector which stood at 10.6% per year. The successful issuance rate in that period reached 92%, with an average term of 7.2 years.

Trungnam Group has mobilised up to 4.5 trillion from bonds so far this year, with an interest rate of 10.5% per year. Hong Phong 2 Energy JSC has also mobilised 1.6 trillion VND from 6-year bonds with an interest rate of 10% per year. Ea Sup 5 JSC collected 1.14 trillion VND with an interest rate of 11.3% per year and terms of 18 months to 9 years.

In August, My Son 1 Solar Power Co Ltd successfully issued 300 billion VND of three-year bonds with an interest rate of 10% per year.

Clean energy projects such as solar power and wind power are being promoted by the Government, with attractive electricity purchasing prices of 7.09 - 9.35 cents per kWh, tax exemptions for 4 years, and a reduction of 50% of tax payable for the next 9 years.

With the advantages of stable operations, low operating and maintenance costs, and high economic efficiency, bonds issued by clean energy companies have lower risks than other issuers in the fields of real estate and construction, while offering interest rates that are attractive to investors.

Clean energy bonds have a relatively long maturity, averaging 7.2 years, and most of them are issued privately, meaning they are sold to no more than 100 investors in the first year under current regulations.

However, from the second year onwards, these bonds can be traded by more than 100 investors, so there is no difference in buying or selling clean energy bonds compared to other bonds like real estate, which usually have a maturity of about 2-3 years.

Buyers of corporate bonds are often banks. Previously, banks focused on real estate bonds but clean energy is becoming increasingly more attractive./.

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E-COMMERCE

Cross-border e-commerce opens door to global market

Cross-border e-commerce is rapidly becoming an indispensable trend in the global economy, and digital transformation is a necessary step for increased exports.

The importance of cross-border e-commerce

According to an assessment by the Vietnam Ecommerce and Digital Economy Agency (IDEA) under the Ministry of Industry and Trade (MoIT), cross-border e-commerce yields many benefits for both buyers and sellers. With the advantages of cost saving, it helps distribute directly to end-users and is highly suitable for small and medium enterprises.

Vietnam is regarded as one of the fastest growing e-commerce markets in the world at a rate of 35% per year, 2.5 times higher than Japan's. According to Dang Hoang Hai, Director of IDEA, digital transformation will help VN enterprises, especially small and medium enterprises, find flexible business models, reduce costs, and optimize resources to access global supply chains, and cross-border selling.

Lever for cross-border e-commerce

According to Tran Thanh Hai, Deputy Director of the MoIT's Foreign Trade Agency, one of the solutions to improve the competitiveness of enterprises is to promote the development of cross-border e-commerce, expanding output markets for Vietnamese products and goods.

Although cross-border e-commerce has generated billions of dollars for Vietnam's economic activities in recent years, participation in this new global supply chain still faces many limitations and risks. Specifically, both buyers and sellers have encountered difficulties in language and business culture. Buyers often have difficulties in international payment because most Vietnamese do not have international payment cards such as Visa and Mastercard.

Dang Hoang Hai also explained that building a legal framework for cross-border activities is not easy, even in countries with modern legal systems. Therefore, the MoIT will start from specific products that have advantages, and then gradually adjust to suit the market.

The ministry will continue not only to create favorable conditions for businesses to implement e-commerce, but also to reform administration and improve business support in providing opportunities for contacts, exchanges and import partners.

According to the MoIT, focusing on digital transformation, promoting cross-border e-commerce will help businesses participate strongly in new supply chains, replace traditional supply chains that are interrupted and stalled by the pandemic as well as help businesses diversify import and export markets, reducing their dependence on one source.

8 e-commerce trends that will continue its success in 2020

Southeast Asia, with a booming population and a surging internet penetration rate, is set to be the next consumer powerhouse in the world. Google reports that the region's E-commerce sector already surpassed USD 38 billion in value, with a bold prediction of $50 billion by the year 2025.

Moving towards an automated and mobile-focused experience, here are the recently emerged trends that are likely to continue its success in 2020 for Southeast Asia's E-commerce playground.

1/ D2C model on the rise

In the traditional retail model, there are many parties involved in getting the product from the manufacturer to the customer's hand: wholesaler, distributor, retailer. Before the Internet revolution, power lay in the hands of distributors. However, in today's business, the manufacturer can be their own distributor. Through multiple online channels such as store websites, social media, and E-commerce platforms, brands can promote and distribute the products by themselves without having to share the margins with the middlemen. This model is called Direct to Customer, or D2C.

D2C allows you to have higher control over the product's overall experience and pricing strategy, which is the main source of profit. Brands can also forge a closer relationship with customers to gain valuable insights or adjust quickly according to the market's current demand. However, it also means more responsibilities for the manufacturer's end.

2/ Video product marketing

The only aspect that online shopping loses to offline retail is the ability to experience the product firsthand. Customers want to know as much as possible about the product before making the purchase decisions. While texts are boring & pictures can easily be altered, video rises as a powerful tool.

A survey by YouGov shows that more than half of the customers rather watch a video than reading descriptions for personal electronics, household appliances, software and tools products. The rate is 35% for clothes and beauty products, and 27% for the personal care category.

With the rapid rise in usage for short video applications like Tik Tok, it doesn't take much of an effort to create a captivating video for product demonstration purposes. Thus, brands should adopt the trend to showcase their products in the truest form.

3/ User-generated content

User-generated content, or UGC for short, is any type of content that is created and spread by unpaid brand contributors. UGC represents an authentic experience of the product from its real users, which is much more reliable and persuasive than brand-produced content. Opinions from other consumers are a good indicator of the brand, as 70% of buyers trust peer reviews and recommendations than the brand's original content, according to a Reevoo study.

One of the most successful UGC campaigns was "Shake a Coke" launched by Coca Cola. Coca Cola was able to inspire people to share about them voluntarily simply by putting popular names on their Coke bottles, creating a trend that excites customers which boosts sales eventually. Thus, one of brands' missions in 2020 is convincing consumers to review and mention them across platforms.

4/ Private label

Private label is conceived to be exclusive products that are manufactured and sold by one brand only. As the sole source for supply, private labels can create a hype in demand through marketing and charge premium prices for their products. As the young generation see shopping habits as a way to express themselves, the private label sector is expected to rise by 25% in the next few years. According to Frozen & Refrigerated Buyer Magazine, one-third of a millennial's shopping card is products from private brands, which is higher than the average of 25%.

Only a few private labels have the internal resources to manufacture products themselves, thus a lot of them choose the easier route: order from a mass manufacturer, then label the product under their brand to market and sell. One way or another, private label has to pay a large amount of upfront capital to manufacture in large quantity.

5/ More fulfillment options

Delivery is the key to customer satisfaction. An iPrice survey on Southeast Asians reveals that anytime the delivery time lengthens, the percentage of happy customers with 4-5 stars rating decrease by 10-15%. A lot of customers prioritize receiving the product early that they are willing to pay more for express or same-day delivery.

To fulfill these demands from customers, brands should partner up with third-party logistics companies to offer various shipping methods, instead of in-house management with limited capacity and ability. For E-commerce brands with a store location, offering an in-store pickup option can be of convenience for your buyers.

6/ Dropshipping

Dropshipping is a perfect model for new and ambitious E-commerce startups with limited capital. Dropshippers can set up their own stores and start selling without stocking inventory. When an order is placed, the item will be purchased and shipped to the customers directly from the suppliers.

This business model doesn't come with financial strains such as stock management, warehousing cost for logistics problems. Dropshippers can also start small and experience with many types of products, then scale up with profitable ones.

However, dropshipping also comes with fierce competition and uncontrollable risks. Since sellers are not in control of the product or the shipping process, any occurred issue can destroy the sellers' credibility. High logistics costs for each product can make it uncompetitive compared to other retailers, not to mention the cost of advertising.

7/ Subscription service

Another rising E-commerce trend is the subscription model, from big purchases like cars and houses to monthly online services such as Spotify and Netflix, beauty products and even grocery shopping. Customers always value cost-efficient, time-saving and personalized service, which the subscription model can provide under many forms.

There are three main types of subscriptions: replenishment, curation, and access. Commodity items like tissue papers and diapers can be restocked through the replenishment subscription, while curation surprises customers with new and personalized experience. Lastly, access subscription allows buyers to enjoy member-only perks.

On the other hand, subscription service gives sellers a consistent stream of revenue and a lot of touchpoints to contact and retain customers.

8/ Digital payments

According to a Google report for Southeast Asia's E-commerce landscape in 2019, digital payments have reached its inflection point with rising usage and adoption rates within the region. Defined as all cashless transactions including cards, bank transfer and e-Wallets, the convenience of digital payments speeds up the purchasing process, thus it is being heavily promoted by E-commerce portals.

With a total of 600B in Gross Transaction Value (GTV) in 2019, the digital payments sector is predicted to cross $1 trillion by 2025, accounting for nearly half of the total consumer payments. Even though the current preferred payment method is cash-on-delivery (CoD), digital payments are starting to take over in a technology-integrated world. Businesses should be prepared by offering various payment methods or running sales promotions through these platforms.

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START-UP

Silicon Valley in Southeast Asia: Da Nang lures Japanese technologies

Da Nang has caught the attention of Japanese ICT firms thanks to its favorable investment environment.

Japan is the second largest foreign direct investor in Vietnam with total registered capital of $60 billion. Japanese investors have invested in 4,200 projects, including 700 ICT ones.

Japan is leading foreign direct investors in number of investment projects (214) and registered investment capital ($816m), which account for 25% of total FDI projects and 23% of total registered capital.

Speaking at an online ceremony on promoting ICT investments from Japan held in late September, Deputy Minister of Information and Communications (MIC) Pham Anh Tuan said VN is ready to receive new Japanese investments by technology firms which will come in the expected investment relocation wave.

The government of Vietnam has been perfecting policies to create favorable conditions for the breakthrough development of IT industrial parks and hi-tech zones at key economic centers of the country, especially Da Nang.

Considered a Southeast Asian Silicon Valley, Da Nang, in cooperation with central agencies, is building a digital ecosystem and prioritizing foreign invested projects using high technologies. It aims to become an ‘environmental city’ and an attractive destination for global technology groups in the future.

According to Da Nang’s Vice Mayor Tran Van Mien, Japan is one of the key markets from which the city is seeking investment from, especially in ICT.

Japan is leading foreign direct investors in number of investment projects (214) and registered investment capital ($816 million), which account for 25% of total FDI projects and 23% of total registered capital.

The Da Nang authorities have decided that ICT industry needs to make up 15% of GRDP (gross regional domestic product) of the city.

In order to reach that goal, according to deputy director of the Da Nang Information and Communication Department, the city has been attracting investment in six hi-tech zones, and ICT and software parks.

Vietnam has released a national digital transformation program which states it will become a digital country by 2030. It is expected that the program will cover many fields, including healthcare, education, finance, agriculture, and forwarding and transportation. A large cooperation space for foreign technology firms to come and do business will be created.

One of the hot issues the participants at the conference raised was how to create a high-quality workforce with Japanese skills to be provided to Japanese firms.

Onose Takahisa suggested that in order to turn Da Nang into a Silicon Valley of Southeast Asia, MIC and Da Nang need to promote media campaigns to convey the message about Da Nang to other cities of Vietnam (Hanoi and HCM City) and overseas. This will help attract investors and resources to Da Nang in the time to come.

After peaking in 2019, startup investment slows down in first half of 2020

Investment in Vietnamese startups reached a record high in 2019 but dropped 22% in the first half of 2020 due to COVID-19, according to the Vietnam Tech Investment Report.

The report says that Vietnamese tech startups enjoyed the most favourable year ever in 2019 with $861 million invested in 123 venture deals in 2019, more than double the number of 2018. The main driver for this jump is the existence of more later-stage companies such as Tiki, VNPay, and Sendo.

However, as COVID-19 broke out at the beginning of 2020, investment proceeds in the first half of 2020 decreased by 22%, from $284 million in the same period last year to $222 million. This is anticipated as travel restrictions and uncertainties in global financial markets have been disrupting deal-making activities.

In addition, the number of foreign investors entering Vietnam spiked to a record number of 109 in 2019, in which Korean VCs continued to show great interest and accounted for the most, followed by Singaporean and Japanese ones. In the first half of 2020, the number of active investors was nearly the same as last year, but only a very limited number of new investors entered the Vietnamese market as most early-stage deals in 2020 have been conducted by local investors or foreign investors with personnel based in Vietnam.

The pandemic caused a slowdown in venture capital financing activities in the Vietnamese market in the first half of 2020. However, while COVID-19 has been disastrous for several economic spheres, it has partly favoured the key foundations of the local internet economy and catalysed digital transformation.

Moreover, Vietnam is currently at its sweet spot for internet consumption with a young, tech-savvy population and a fast-growing middle-class. During the outbreak of COVID-19, internet and mobile accessibility have been significantly improved thanks to the efforts from local telcos, which is considered one of the main contributing factors to the robust growth of the internet economy. Periods of social distancing also caused major changes in consumer behaviour and brought them online more than ever. As online shopping and online payment become essential to our daily lives, consumer trust will likely improve across sectors such as e-commerce, education, and healthcare. VIR

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RETAIL

Foreign retailers comb country for high quality Vietnamese goods

Major foreign retailers, including Aeon, Walmart, Central Retail, and MM Mega Market, are experiencing growing demand for high quality Vietnamese goods. They are expected to help Vietnamese products and businesses gradually participate more deeply in the global commodity supply chain.

The MM Mega Market system has huge demand for Vietnamese goods

Great demand

With 20 supermarkets in 15 provinces and cities throughout Vietnam, the MM Mega Market supermarket system has great demand for Vietnamese products, especially farm produce. Tran Kim Nga, Business to Business Development Manager (HoReCa) at MM Mega Market Vietnam, said the firm has signed contracts with farmers in different regions, building a vegetables and fruits purchasing station in the Central Highlands city of Da Lat, a seafood purchasing facility in the Mekong Delta city of Can Tho, and a pork purchasing establishment in Dong Nai Province.

With the Ministry of Industry and Trade's support, MM Mega Market Vietnam wants to expand its product-purchasing network to northern provinces and the Mekong Delta, Nga said. The group has also signed contracts to export agricultural products to Singapore, Thailand and Hong Kong (China), she added, providing a great opportunity for Vietnamese goods, especially farm produce, to penetrate the MM Mega Market.

Walmart, Aeon, Central Retail, and Lotte also have great demand for Vietnamese products. At an online workshop on connecting Vietnamese businesses with foreign distributors, recently held by the Ministry of Industry and Trade, Deputy Minister of Industry and Trade Do Thang Hai said the need to maintain stable supply chains and retail markets, has become urgent in the context of the complicated Covid-19 pandemic in Vietnam and abroad. This is especially true in the case of essential goods, such as farm produce and foodstuffs and is the reason that the ministry is continuing activities to connect Vietnamese manufacturers with major foreign distributors and retailers, he said.

The Ministry of Industry and Trade has been conducting such workshops for many years to enable Vietnamese goods to penetrate foreign distribution systems, Hai said.

Sustainable supply

Domestic manufacturers need to have long-term business strategies and ensure product and service quality if they are to increase their products' presence in foreign distribution systems.

Tomoaki Fukui, senior director of AEON Topvalu product division, said the retailer is seeking to provide safe products and build a complete supply chain from the farm to the dining table. Aeon has imported many products from Vietnam, including Tra fish and agricultural products, demand for which has been growing well in its distribution systems not only in Vietnam but also in many other countries. Despite the pandemic, Aeon exported US$268 million worth of Vietnamese goods in the first six months of this year, with the total for 2020 expected to reach US$500 million, in keeping with the group's commitment to the Ministry of Industry and Trade, he said.

Tran Kim Nga, Business to Business Development Manager (HoReCa) at MM Mega Market Vietnam, said the company not only provides products to individual customers but also restaurants, canteens, hotels, and industrial kitchens. Suppliers of MM Mega Market must ensure product quality to meet market demand, Nga said.

Starbucks struggles to beat Vietnamese coffee chains

Despite recording double-digit growth last year, the American coffee chain Starbucks remained in third place in revenues behind two local competitors.

Its 2019 revenue of VND780 billion ($33.6 million), up 32% year-on-year, was behind market leader Highlands Coffee at VND2.2 trillion and The Coffee House at VND863 billion.

This makes the international coffee shop chain rank third in revenues for the second year in a row after securing second place behind Highlands Coffee in 2017.

It also stood in the third place in terms of growth rate behind Phuc Long's 65% and Highlands Coffee's 35%. Although Starbucks, the only foreign brand in Vietnam's top five coffee chains, has been established in the country for seven years, the number of outlets in four localities (60) remains small compared to main competitors. Highlands Coffee has 336 outlets and The Coffee House has over 150.

The number of outlets is less than one-fifth of its presence in other Southeast Asian markets. Starbucks Thailand has 336 outlets and Starbucks Indonesia more than 320. In terms of gross margin, Starbuck's rate of 19% is smaller than 60-70% for Highlands Coffee and The Coffee House and 35% for Phuc Long.

One of the reasons for the lower margin is that Starbucks sources its coffee from the U.S. to ensure the same quality globally, so its costs are higher than those making local procurements.

The brand, however, is among a few that remain in the market even as several other foreign brands have left, including Australia-headquartered Gloria Jean's Coffees and Singapore's New York Dessert Coffee (NYDC).

Another foreign brand, U.S.-based The Coffee Bean & Tea Leaf, saw revenues in Vietnam dropping 30% year-on-year to VND71 billion last year.

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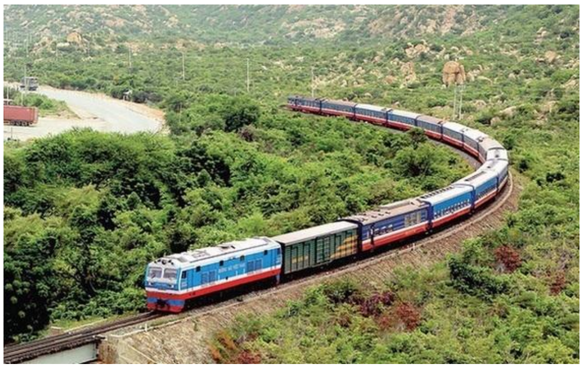
LOGISTICS

Incurring big losses, Vietnam railway faces serious challenges

The number of train trips Vietnam Railways (VNR) provided in February-May 2020 decreased by 2,886 compared with the same period last year, mostly because of Covid-19. The occupancy rate in H1 was only 56%.



The number of train trips Vietnam Railways (VNR) provided in February-May 2020 decreased by 2,886 compared with the same period last year, mostly because of Covid-19. The occupancy rate in H1 was only 56%.

Just within 18 days, from July 23 to August 9, 2020, the number of returned tickets was worth VND34.4 billion. Some localities which were hotbeds of the outbreak, including Da Nang, Quang Nam, Quang Ngai and Hai Duong, asked VNR not to pick up or drop off passengers at local stations because of social distancing.

VNR also had to take out 6 out of 10 trains on the Hanoi-HCM City routes, the ones which bring high revenue to the corporation. The trains on other routes were also reduced, and trains only ran on weekends.

The holding company reported modest revenue of VND1.164 trillion in the first eight months of the year, just 72.5% of the same period last year and 55.5% of the yearly plan. The consolidated revenue of the whole VNR was VND4.088 trillion, equal to 77.8% of the same period last year and 66.4% of the yearly plan.

It is estimated that VNR will incur a loss of VND1.2 trillion in the year 2020 with cash flow declining since March 2020, and with total cash flow deficit roughly VND1 trillion.

The cash flow balance at its subsidiaries, the Vietnam Railways Transport and Sai Gon Railways Transport, is facing difficulties. With the former's predicted loss of VND410 billion and the latter's loss of VND357 billion, the two companies will see a cash flow deficit of VND1 trillion.

Both companies in recent years have invested VND1.5 trillion in building new or upgrading wagons, so they will be under pressure to pay debts.

The cash flow imbalance of the subsidiaries will directly affect VNR's cash flow, because the subsidiaries are using the services of the holding company. The amount of money the subsidiaries have to pay to the holding company is up to VND1.6 trillion.

The biggest challenge in 100 years

VNR's Chair Vu Anh Minh said the internal problems have existed for many years, and now with Covid-19, VNR faces its biggest challenge over the last 100 years.

According to Dang Sy Manh, general director of VNR, the corporation is asking the State Capital Management Commission (SCMC) to report VNR's problems to the Prime Minister and appropriate agencies and ask to reduce the railway infrastructure use fee (8% of transport revenue).

It has also asked to exempt, reduce or extend the deadline of the land use fee payment, extend the bank debt payment, and ease lending interest rates.

Under Decree 65/2018, VNR will have to replace all expired locomotives and wagons in a 3-year roadmap which will end in 2021. This means that VNR will have to liquidate 60 locomotives, nearly 1,000 cargo wagons and 500 passenger wagons. It will have to arrange VND6.822 trillion to have new equipment. In the current conditions, VNR is incapable of implementing the requirement.

VNR has requested that SCMC and the Ministry of Transport (MOT) extend the deadline for the implementation of the decree, or add clauses to the implementation roadmap. The vehicles that have expired but still work well should be allowed to be used, if they meet technical and environmental requirements.

Russian ride-hailing app makes Vietnam debut

Russia's InDriver has become the latest entrant in Vietnam's growing but fiercely competitive ride-hailing market, joining several foreign and domestic firms in the fray.

Starting this month, the company is offering car and motorbike ride-hailing services in the central province of Thua Thien Hue, the southern city of Can Tho, and the northern city of Hai Phong. It now has 260 car and 300 motorbike driver-partners. The company currently does not charge any fee from drivers, allowing them to receive in full the amount that customers pay.

The biggest difference between InDriver and other ride-hailing apps is its real-time deal feature, which allows customers to offer an initial fare for the ride and send it to nearby drivers, who have the option to either accept the fares or propose a higher one. While other companies automatically select drivers, InDriver allows customers to manually choose one based on their proximity, reviews and price offers.

A company spokesperson said this feature goes against popular algorithms which automatically increase fares during peak and high-demand hours.

InDriver has over 50 million users worldwide. Its main competitors in Vietnam are currently Singapore's Grab, domestic player Be, and Indonesia's Gojek. U.S.'s ABI Research estimates Grab dominates the Vietnamese market with a 73% share, followed by Be with 16% and Gojek with 10.3%.

In July, domestic player GV Taxi became a new player in the ride-hailing market, aiming to have 8,000 partner drivers in six months.

Vietnam's ride-hailing market was the fourth largest in Southeast Asia last year behind Indonesia, Singapore, and Thailand, according to a report by Google.

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INVESTMENT

Mirae Asset-Naver fund invests $37 million in warehouse in Vietnam

South Korea's top securities firm Mirae Asset Daewoo Co. and internet giant Naver Corporation have jointly invested $37 million in a warehouse in Vietnam, as reported by Pulse News.

Mirae Asset and Naver will inject $37 million in a warehouse in Bac Ninh

Mirae Asset-Naver Asia Growth Fund, a joint fund launched by Mirae Asset and Naver, bought the warehouse in the Southeast Asian country in partnership with another Korean financial firm Shinhan Investment Corporation in late September, the companies said on Monday.

Located in LogisValley logistics hub in Bac Ninh, northeast of Vietnam's capital, Hanoi, the warehouse has cold storages used for storing fresh and frozen food products. The warehouse is reserved for cold chain service of Vincommerce, the supermarket chain operator under Vietnamese retail giant Masan Group.

Vietnam has been emerging as the post-China logistics hub in Asia with high growth potential, said Koh Joon-ho, Mirae Asset Daewoo official who has led the latest warehouse acquisition project.

Mirae Asset-Naver Asia Growth Fund was created in 2018 for investments in emerging Asian economies, with a focus on e-commerce, healthcare, logistics, and other promising sectors. The joint growth fund has been actively investing in logistics services in Vietnam. It made its first investment in another warehouse in Vietnam in 2018 and is hunting for more in the Southeast Asian country.

Vietnam faces tough competition in FDI attraction

Vietnam is facing tough competition from other countries to attract foreign direct investment (FDI), requiring improvements in infrastructure, clean lands and a skilled labor force.

Due to the outbreak of the Covid-19 pandemic, supply chains around the world are facing major disruptions. Many large economies realize that it is necessary to improve supply chains and reduce dependence on manufacturing in China. Many companies are accelerating their efforts to relocate production out of China. Facing a shift in investment from China to other countries, Thailand, Indonesia, India and Bangladesh are quickly adjusting their FDI policies to grasp the opportunity.

Professor Nguyen Mai, chairman of the Vietnam Association of Foreign Invested Enterprises (VAFIE), said Vietnam is not the only country in Asia eyeing capital outflows from China.

India and Indonesia are emerging as alternatives, too. The Indian government has contacted more than 1,000 American and other companies to offer incentives for manufacturers seeking to move out of China.

India has prepared a clean land fund and infrastructure to welcome investors, while studying tax exemptions and other incentives for investment projects in priority areas. Indonesia has lowered tax rates in a bid to attract more investment and committed to improving its business and investment environment.

Despite the competition pressure, Vietnam remains attractive to foreign investors. According to the Ministry of Planning and Investment's Foreign Investment Agency, newly registered and adjusted capital increased by 6.6% and 22.2% in the first eight months of the year compared to the same period last year.

Google and Microsoft are moving some of their production lines from China to Vietnam, while Japanese appliance-maker Panasonic will move its production of refrigerators and washing machines to Hanoi. Some 15 Japanese enterprises received support from the government to move factories to Vietnam, according to a Japan External Trade Organization report.

Vo Tri Thanh, director of the Institute for Brand and Competitiveness Strategy, said Vietnam must prepare the best conditions to welcome investors in accordance with Resolution 50/NQ-TW of the Politburo on orientations for perfecting institutions and policies and improving the quality and effectiveness of attracting FDI until 2030.

It details Vietnam's priorities in FDI attraction, which focus on projects that apply new, high and clean technologies, practice modern governance, have high added value, and connections with global production and supply chains. VEN

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