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FINANCE

Vietnam to allow banks to use foreign e-wallets for int'l payments

The State Bank of Vietnam is drafting a circular regarding cashless payments which might allow domestic commercial banks and domestic intermediary payment companies to co-operate with foreign intermediary payment companies to provide international payment services.

Under current regulations, domestic banks are only allowed to cooperate with foreign banks and international card organisations for international payments.

There are no regulations for international payments made via foreign e-wallets as well as about international payments that don't go through payment accounts.

This loophole in the era of Industry 4.0 has seen a rapid boom of international payment methods.

In recent years there has been huge demand for payments via foreign e-wallets such as Wechat Pay and Alipay from Chinese tourists in Vietnam. Vietnam attracts a large number of Chinese tourists every year.

Some banks and intermediary payment companies have asked the central bank to allow them to co-operate with foreign intermediary payment companies to serve international demand while exploiting the large potential of this segment.

Nguyen Hung, General Director of TPBank, said domestic banks could not cooperate with foreign e-wallets like Wechat Pay and Alipay at the moment due to the lack of a legal framework. "We are getting ready to start but must wait for the green light from the central bank," Hung was quoted by Dau Tu (Investment) online newspaper as saying.

According to Pham Tien Dung, director of the central bank's Payment Department, the Industry 4.0 revolution had created a number of new international payment models. Previously, international payments were mainly conducted via bank accounts and credit cards, but now e-wallets were emerging, he added

Along with technological advances, cross-border payments are becoming much easier. Cross-border intermediary payment platforms are booming around the world, attracting not only fintech companies but also big corporations such as Amazon, Apple and Google.

Experts predicted there would be a wave of co-operation between banks and domestic fintech companies with foreign e-wallets after the central bank gave the green light, which would also provide support for the tourism and e-commerce industries.

E-wallets are developing rapidly in Vietnam. AppotaPay received a licence from the State Bank of Vietnam in October, making it the 39th intermediary payment company in Vietnam.

The COVID-19 pandemic was also pushing the development of cashless payments among the country's 97 million population, about 70% of whom have access to the internet and 45% use smartphones.

Statistics from the central bank showed that as of the end of the first quarter, there were about 13 million activated e-wallet accounts in Vietnam with a total outstanding balance of 1.36 trillion VND (58.62 million USD).

More than 225 million transactions were conducted, worth 77.7 trillion VND, via e-wallets in the first quarter.

Public debt: one fourth of state budget collections used to pay debt

The public debt to GDP ratio has been controlled well and has decreased in recent years. But the public debt repayment to budget revenue ratio has steadily increased because of many due debts.

Debt repayment obligatio

The government estimates that the public debt will be about 56.8% of GDP by the end of 2020; the government's debt will be 50.8%; the government's direct debt repayment obligation to state budget revenue ratio will be 24.1%; and the national foreign debt, 47.9% of GDP.

As such, the indexes of debts to GDP will be within the safety line this year.

However, the situation may be different in 2021, though the ratio of public debt to GDP will still be acceptable.

In 2021, the government plans to borrow VND579 trillion for central budget balancing, including VND318 trillion to make up for central budget overexpenditures, and VND260 trillion to pay principal.

The government's direct payment obligation is VND368.276 trillion, including VND323.093 trillion for domestic payments and VND45.183 trillion for foreign debt payments, which account for 27.4% of the state budget revenue.

The figure exceeds the threshold of 25% allowed by the National Assembly for the 2016-2020. This is explained by the fact that a large number of domestic government bonds will be due in 2021 (VND187.001 trillion, or 13.9% of the state budget revenue).

The government admitted that the government's direct debt payment obligations to state budget collections ratio is increasing rapidly and may exceed the 25% threshold in some years in the next development period, because the debts to be paid will be unequal in the time to come, and the amounts will be very high in certain years.

The pressure to balance liquidity and arrange state budget resources to pay due debts (mostly government bonds) will be high if there is ineffective restraining of the loan requirements to offset the central budget, or if proactive debt management (such as swapping, buying back debts before maturity, etc…) does not occur.

The National Assembly's Finance and Budget Committee has told the government that the direct debt repayment obligation, hitting the ceiling level of 25%, is a 'red flag' which affects the nation's financial safety.

The government has been requested to build up public debt safety norms to ensure macroeconomic stability. There should be sufficient and accurate report on the borrowing and debt payment plan in 2021-2025, in accordance with the Law on Public Debt Management.

Quarter of state budget collection for debt payment

The government predicts that the public debt would be 46.1% of revalued GDP by the end of 2021 (58.6% of GDP which has not been revalued), while the government's debt 41.9% (53.2%). The government's direct debt payment obligation to budget revenue ratio could be up to 27.4% and it is necessary to apply measures to control the indicator.

The figures show that if calculating public debts based on revalued GDP, the ratio of public debt to GDP and government debt to GDP would be much lower. However, the government's direct debt payment to state budget revenue ratio will not decrease, but may even increase.

Pham The Anh, chief economist at the Vietnam Institute for Economic and Policy Research (VEPR), explained at the ceremony to release the report on the Q3 macroeconomy that the ratio of public debt to GDP may be misleading, because GDP cannot be calculated exactly.

He said the instrument to measure public debt must be the ratio of public debt to state budget collections. Meanwhile, the ratio is on the increase, because the budget collections have not increased considerably.

Can Van Luc, a respected economist, agreed that the debt payment obligation is increasing as government bonds are maturing.

Luc emphasised the efficiency of the use of public debts. Japan has a high ratio of public debt to GDP of 240%, but it still has a good credit rating because it uses capital effectively.

Luc proposed to gradually reduce public debt to 40% of GDP.

Nguyen Tri Hieu, a finance expert, said that it is not safe to consider the ratio of public debt to GDP alone. When GDP increases, the ratio of public debt to GDP will decrease and vice versa.

Therefore, in addition to the ratio of public debt to GDP, he suggested setting a fixed figure for public debt, the way the US does.

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E-COMMERCE

Handling fake goods on e-commerce platforms

About 30,000 e-commerce stores were taken down in the first nine months of this year due to trade fraud, counterfeit and contraband goods, and the scale of the problem is looking daunting.

Le Duc Anh, director of the Centre for Information and Digital Technology under the Ministry of Industry and Trade, said that consumers had changed their traditional shopping habits and switched to online more over the past five years, especially after the outbreak of the COVID-19 pandemic.

However, the fact that stores were selling counterfeit and contraband goods had caused consumer confidence to fall on e-commerce platforms.

This is clearly shown by the numbers of cases authorities have detected and punished. Specifically, e-commerce inspectors, together with market management forces, had checked over 2,400 cases and handled over 2,200 e-commerce violations, while issuing fines of nearly VND17 billion (US$730,500).

The Vietnam E-commerce and Digital Economy Agency co-operated with the Vietnam Competition and Consumer Protection Authority and the Department of Cyber Security and High-tech Crime Prevention under the Ministry of Public Security to investigate suspected violators and fined them VND173 million in the first nine months of this year.

The Ministry of Industry and Trade said that it had asked e-commerce platforms to review and remove nearly 223,600 online stores and more than one million products this year, handling over 30,000 stores with nearly 48,000 product violations.

In addition, the Vietnam E-commerce and Digital Economy Agency has sent warnings to users about online fraud.

Counterfeit goods are threatening people's livelihoods, as well as affecting the reputation of genuine businesses.

Experts said they had received hundreds of complaints from consumers about commercial fraud on e-commerce platforms. They mainly involved people paying for their goods but not receiving them, poor quality products and services, and stolen personal information.

Information theft, financial fraud and disturbing advertisements were the sad reality of e-commerce in Vietnam today, said experts.

Economist Vo Tri Thanh said that handling violations was very difficult as inspecting and tracking "virtual enterprises" was not so simple.

Meanwhile, sanctioning stopped at administrative punishments, but the profits some firms were making were very high, so violations remained rampant.

The Ministry of Industry and Trade said that in order to handle the problem of counterfeit goods, tighten trading on e-commerce platforms and enhance consumer trust, it had been studying and preparing a draft amendment for Decree 52. The draft would introduce stricter regulations for mandatory information for companies that operated on e-commerce platforms, increased responsibility for shop owners, and regulations for social networks on which e-commerce transactions took place, along with stiffer penalties.

For consumers to truly trust online channels, experts said stores needed to restore confidence and improve the quality of goods and accompanying services such as delivery and dispute resolution. — VNS

More than 350,000 brands and sellers to join Lazada's 11.11 Shopping Festival

Lazada, the region's leading eCommerce platform, kicks off this year's 11.11 Shopping Festival with more than 350,000 brands and sellers across Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam joining its Biggest One-Day Sale. Thousands of new brands will also participate in Lazada's highly anticipated shopping event for the first time this year.

Celebrating the eighth edition of its annual big show, Lazada is reinvigorating its 11.11 Shopping Festival with attractive promotions, exclusive deals, rewards, and exciting Shoppertainment content to bring non-stop happiness to 80 million consumers who have embraced eCommerce as part of their daily purchasing routine this year. The event will also play an important role in helping to revive many businesses following the disruptions caused by the pandemic.

In the last six months, Lazada has seen a sharp increase in new brands including Isetan, Under Armour, Swatch and Castrol join LazMall to give their retail mix a digital overhaul, and more businesses from the F&B, hospitality, recreation and personal service sectors adopting an omnichannel approach.

Consumers can also look forward to a wider assortment this 11.11, with leading international brands including Lancome, Marks & Spencer, Miniso, Swatch, and TopShop participating in Lazada's 11.11 for the first time this year. Over 70 brands including 3M, Adidas, Kiehl's, Lego, Pampers, Philips, Polo Ralph Lauren and Xiaomi have also partnered with Lazada to create a visually fun brand showcase, featuring signature and loved products from their exclusive 11.11 catalogue this year.

Adding to this year's 11.11 celebrations, consumers will also be able to enjoy a little stardust from Lazada's first regional brand ambassador, popular Korean superstar Lee Min Ho. He has joined the

Lazada family to spread happiness with his encouraging personality and put a smile on fans' faces as they shop for their favourite brands and products.

Local brands take centerstage, powered by Lazada's technology and logistics infrastructure

From Prism+ in Singapore, Signature Markets in Malaysia to Wardah in Indonesia, homegrown local brands take centerstage as Lazada promotes the development and sustainability of young brands, some who have only made the online switch this year, to take on their first 11.11 shopping festival with Lazada.

In support of over 150,000 local brands and sellers in our markets, Lazada extended stimulus packages offering cash funds to subsidise start-up costs, and helped small-and-medium enterprises (SMEs) optimize cash flow by partnering with financial institutions. Being able to leverage Lazada's technology and logistics infrastructure boosted the operational capabilities of local businesses from agri-farmers in Malaysia and the Philippines, to artisanal craftsmen in Thailand and Vietnam, and helped them diversify their revenue source.

Lazada's logistics network covers six countries across Southeast Asia and is ready to handle peak-time order volumes. This network, which includes over 15 warehouse facilities, over 400 sortation centres and hubs and is supported by 45 logistics partners, is ready for volumes from domestic and cross-border sales of over 30 times the norm this 11.11 season. In addition, Lazada is expecting its logistics fleet to see a 25% increase in mileage fulfilling orders this 11.11, compared to last year.

Consumers enjoy vouchers, promotions and deals through new Shoppertainment features

Besides an improved browsing and product discovery experience, shoppers can anticipate benefits including over 200 million deals with maximised value and free shipping where available. With over 700 million vouchers offering discounts of 10% off or more, there will be at least eight vouchers available for each of Lazada's active consumers.

Fans of LazGames can also play Happy Bounce, Lazada's newest game, where shoppers can navigate a cute "Kitten" avatar through different levels by swiping left and right to collect Lazada coins and vouchers. Almost USD2 million worth of rewards from over 5,000 brands and sellers are up for redemption. Shoppers can also earn extra points to access more deals by inviting friends to join the game. Coins earned through LazGames can now be converted to vouchers to make purchases on the platform.

Lazada's signature 11.11 Super Show - country-hosted concerts featuring local celebrities and performers - will also take the stage on the eve of 11 November. Consumers will also have the opportunity to win exclusive vouchers through various interactive segments, such as Balloon Rain, Voucher Rain and Shake It!, which will be localised in each market.

Vietnam's e-commerce optimistic amid the pandemic

The Vietnam E-Commerce Association (VECOM) predicts that the growth rate of Vietnam's e-commerce market in 2020 will maintain over 30%, and that this market size will exceed 15 billion USD, despite the Covid-19 pandemic.

According to the E-Business Index Report prepared by VECOM, in 2019, the growth rate of the Vietnamese e-commerce market reached over 32%. For the period 2016-2019, the average growth rate was about 30%. The scale of e-commerce retail of consumer goods and services in 2019 reached about 11.5 billion USD. VECOM predicted that 2020's growth rate will maintain over 30% and the size of this market will exceed 15 billion USD.

From the beginning of February to the end of April 2020, due to the impact of the Covid-19 epidemic, many economic activities as well as domestic and international trade were interrupted. However, according to VECOM, e-commerce sector may still experience positive development because of two factors.

First of all, the pandemic has changed consumer behaviors. Vietnamese people have remained optimistic and quickly switched from traditional shopping to cyber shopping. In addition, e-commerce businesses were able to maintain their human resources during the peak time (three months) of the pandemic. Most will increase staffing in the second half of the year. They also see new opportunities from the larger shopping community which relies more on online shopping.

The trend that takes place in Vietnam is similar to that in the region. Visa said that in Asia-Pacific, 41% of consumers have made more than 5 transactions on e-commerce platforms in the past 3 months.

Le Hoang Long, Head of Retail Research at Nielsen Vietnam, said recent surveys conducted by Nielsen showed that the demand for shopping on e-commerce platforms has increased markedly since the outbreak of the pandemic.

Meanwhile, shopping online patterns have changed as the number of orders for food and essential goods increased while for fashion and non-food products decreased. Therefore, e-commerce businesses need to make a lot of changes to fit with their customer demands. Accordingly, 53% of consumers said that they bought products online because of promotions while 30% informed that they made purchases to replenish and increase their stock.

Currently, the majority of online shoppers are young people, aged from 18 to 29, working as office workers, of which 63% are women. 88% of them use mobile devices and 81% still pay by the method of COD (cash on delivery).

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ENERGY

On-going Vietnam Solar E-Expo 2020 attracts numerous attendees

The on-going Vietnam Solar E-Expo 2020, an online solar exhibition, lasting until November 11, is drawing numerous industry players.

Participants joined the Vietnam Solar E-Expo 2020 via online platform. It is the only virtual event platform optimised for connecting Vietnam's solar sector.

Interested people can register and join the event via the linkhttps://vietnam-solar-e-expo.eventxtra.com/landing. It is the only virtual event platform optimised for connecting Việt Nam's solar sector.

The expo is held to enrich the exhibition experience and business opportunities for all solar industry players.

Vietnam Solar E-Expo 2020 provides exhibitors with opportunities of brand promotion, product presentation and one-on-one communication with potential business partners.

During the first week of the event, more than 1,300 people registered to join and visited the virtual booths.

Within the framework of the 30-day event, a 'Live Day' was open during October 27-28, allowing all visitors to connect and communicate with exhibitors one to one through chatbox, audio or video calls.

APAC Solar Energy Digital Event 2020, hosted alongside Vietnam Solar E-Expo 2020, was held online on September 17-18, focusing on burgeoning solar development in Asia Pacific.

It attracted 30 industry experts and 800 photovoltaic companies who shared and analysed in-depth on the solar energy industry in Southeast Asia. More than 40 per cent of the participants were project developers, investors and independent power producers (IPPs). Two-thirds of attendees were local businesses from the Asia Pacific region.

Rooftop solar power – hot commodity in southern provinces

According to Vietnam Electricity (EVN), the current capacity of rooftop solar power in the southern region accounts for over 60% of the group's total solar power capacity and has exceeded the target set out by the Southern Power Corporation (EVNSPC) for 2020.

Dual benefits

The economic fluctuations caused by the Covid-19 epidemic have had a direct impact on global energy demand, however, renewable energy is the only source of energy that can sustain positive growth.

Since the beginning of 2020, the EVNSPC has installed panels for 15,579 customers with total capacity of 572 million kWp, surpassing the yearly goal by 63%. In September alone, the firm signed contracts to install two-way electric meters with 3,231 customers with a total capacity of 157 million kWp.

In September, 55.3 million kWh of rooftop power was provided to the national power grid, raising the total figure for the first nine months of this year to 250.7 million kWh. During this period, the EVNSPC paid over VND360 billion for rooftop power suppliers for 171.6 million kWh of electricity.

Many EVNSPC member companies have surpassed the assigned plans, including those in the provinces of Binh Phuoc (255%), Lam Dong (132%), Binh Duong (186%), Long An (118%), Dong Thap (118%), An Giang (117%) and Ca Mau (101%).

Nguyen Van Ly, Deputy General Director of EVNSPC said that as of the end of September, the whole EVNSPC system received 3,426 MWp of solar power, including 54 projects connected with the national power grid with total capacity of 2,674 MWp, an increase of 90 MWp over August. Meanwhile, 26,192 customers installed rooftop power systems with a capacity of 752 MWp.

Great investment potential

To promote the development of renewable energy, the Prime Minister recently agreed to supplement the planning of solar and wind power.

The southern region has natural advantages with relatively high solar radiation intensity. Solar power in the area from the southern coastal province of Ninh Thuan to Vietnam's southern tip, for example, is distributed relatively evenly throughout the year, and can be used 90% of the year. In all, Vietnam has an average of 1,600-2,700 hours of sunlight each year and an average radiation of 4-5 kWp per day.

Apart from households, EVNSPC is also targeting rooftop installation in offices, schools, hospitals, restaurants, hotels and factories in the time ahead.

The company has installed free two-way electric meters, signed contracts to buy residual electricity from solar systems and generate it on the national grid; and allows free implementation of procedures related to grid connection.

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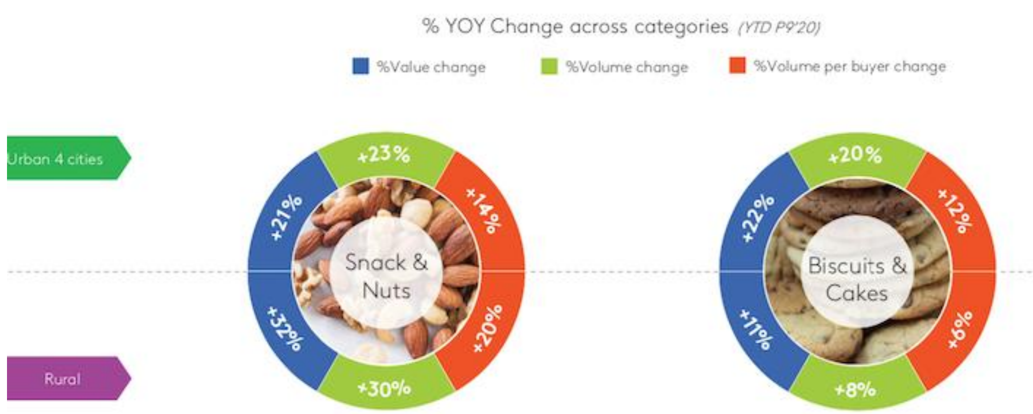
RETAIL

Vietnam's packaged food enjoys double-digit growth post Covid-19: Kantar

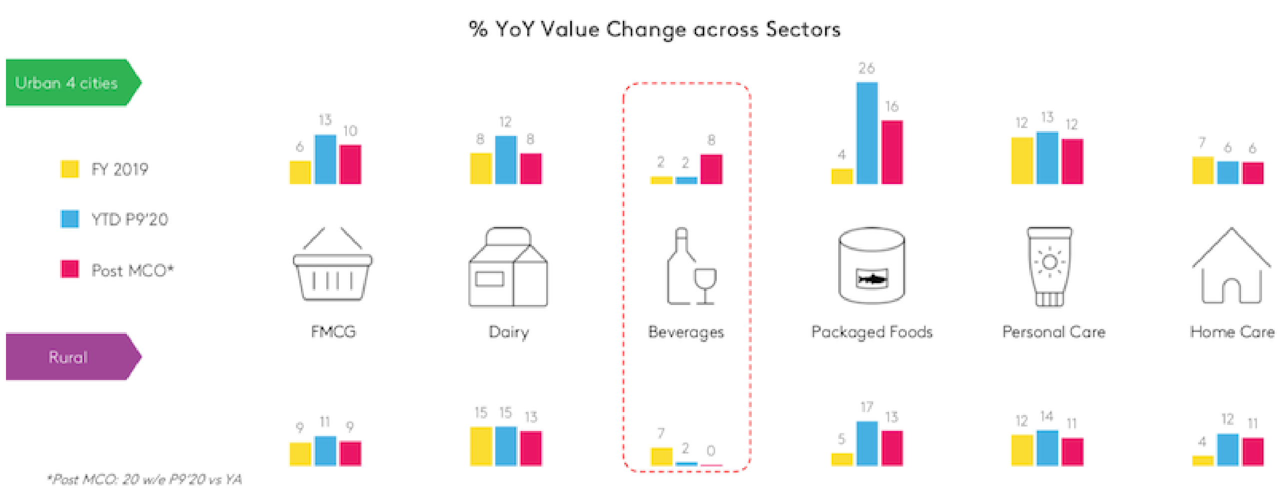
Vietnam's fast-moving consumer goods (FCMG) market growth returns to its pre-Covid-19 level in the short term.

Amid the Covid-19 pandemic, the packaged food sector is leading FMCG market growth, expanding 26% in the past three quarters, and is expected to grow 16% in post-Covid-19, promising great opportunities by capturing new in-home occasions, according to the latest report by Kantar Worldpanel Division.

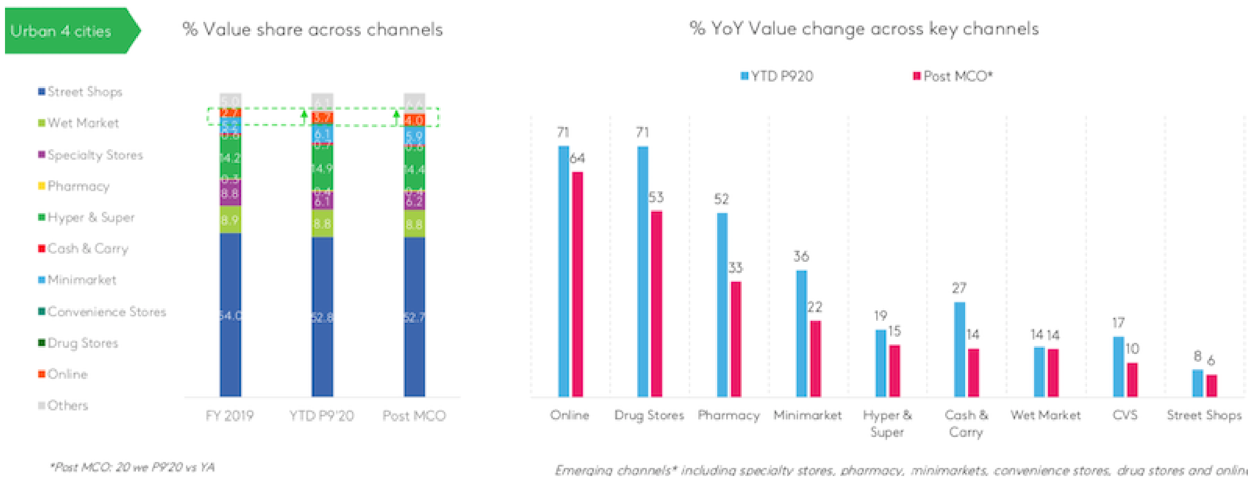


Based on Worldpanel data, within packaged food sector, snacking products still remains double-digital growth in terms of value and volume in the first nine months of 2020 in both Vietnam's urban and rural areas.

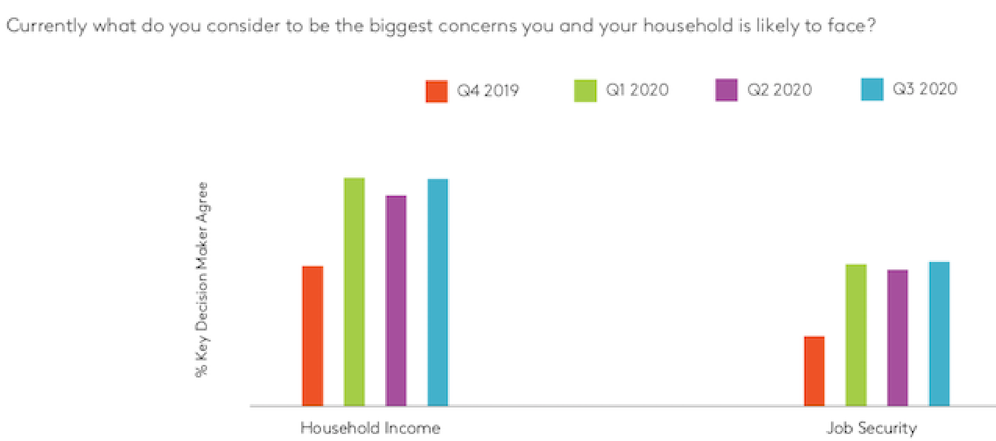
Among hot categories, personal care recorded 13% growth in the period. Beverage market has recovered with 8% growth in post-Covid-19 in four cities (including Hanoi, Danang, Can Tho and Ho Chi Minh City), while still struggled to bounce back in rural areas in post lockdown periods.



In the short term, not much impact has been seen from the second wave of Covid-19 starting in central Vietnam areas at the end of July. The market growth is getting back to its pre-Covid level, the report noted, and there could be a continued slowdown in the last quarter of 2020 as consumers might delay purchases, especially in central rural areas where consumer spending would be further affected by the flood and typhoons.



Notably, Kantar showed retail growth is cooling across all channels. With its value growth of 65%, online channel continues to gain share and is the fastest growing format post the social-distancing period. Following are drug stores (53%), pharmacy (33%), minimarket (22%), hyper & super (15%), cash & carry (14%) and wet market (14%).



The report also highlighted that due to the global pandemic, the desire to live more sustainably might affect Vietnamese purchase behaviors post Covid-19. About 57% Vietnamese surveyed shoppers said that they stopped buying some products/ services because of their impact on the environment or society. Meanwhile, the world figure is 41%. Hanoitimes

AEON Vietnam to open department store and supermarket in Hai Phong on December

AEON Vietnam announced the AEON - Hai Phong Le Chan General Merchandise Store and Supermarket will officially open its doors for customers of Hai Phong City on December 14.

The Hai Phong Le Chan General Merchandise Store and Supermarket will be the company's first AEON Mall department store and supermarket in Hai Phong City, bringing the company's total to 6 in Vietnam, including 2 in Hanoi, 2 in HCM City and 1 in Binh Duong Province.

Speaking at a press conference yesterday, AEON Vietnam General Director Nishitohge Yasuo said the company planned to expand more specialised stores outside shopping centres to diversify products and services and bring AEON closer to customers.

"Due to the COVID-19 pandemic, we will promote digital transformation, expand e-commerce platform, promote cashless shopping services, and continue to ensure food hygiene and safety and deliver comfort and convenience for customers. AEON Vietnam will make endless efforts to turn the AEON – Hai Phong Le Chan into one of the most favourable destinations for customers in Hai Phong and neighbouring provinces," said Yasuo.

The 18,800 sq.m department store is expected to bring new shopping experiences to local customers.

The AEON – Hai Phong Le Chan will be the largest-scale supermarket in the port city, 1,400 sq.m food buffet Delica, 800 sq.m fresh food area, providing all 40,000 products from local 2,000 suppliers to meet all the essential needs of customers in everyday life.

Hai Phong people will be the first customers in Southeast Asia to experience innerCasual (IC) products - AEON's own brand. AEON Vietnam will also put into operation two more specialised stores, including the Glam Beautique beauty and health store and AEON Bicycle.

The new store will provide 3,000 jobs, contributing to promoting socio-economic development and State budget collection for Hai Phong. — VNS

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LOGISTICS

Does Vietnam need more airports? The debate continues

The Government Office has asked the Ministry of Transport to consider a proposal by Ninh Thuan Province to use a military airport also for commercial purposes.

Thanh Son Airport, also called Phan Rang Air Base and eight kilometers north-west of Phan Rang-Thap Cham City, now uses one only of its two runways, which can accommodate narrow-body aircraft like the Airbus A321.

Besides, the 20sq.km airport can meet flight safety standards and is capable of handling flights to and from Hanoi, HCM City and Da Nang.

Ninh Thuan authorities pointed out that the province has in recent years become a renewable energy hotspot and is likely to receive 2.5 million visitors a year, including many foreign experts working on power plants.

Many other provinces in the country have made similar demands in recent years to use military airports for civilian purposes or build new airports.

In September Ha Tinh had asked that the national airport network plan for 2021-30 should include one to be in the northern province.

Another northern province, Lao Cai, asked to build a US$246 million airport near Sapa Town, one of the most popular tourist destinations in Vietnam.

Hanoi is readying an application for a second international airport.

According to the Airports Corporation of Vietnam (ACV), the country now has 22 airports, nine of them international.

Its density of one airport every 16,000km is comparable with that of other countries in the region.

According to the Prime Minister's Decision No 326/QĐ-TTg issued in February 2019, by 2030 there will be 28 airports, including 13 international.

The northern region will have 10 airports, five international (Noi Bai, Van Don, Cat Bi, Tho Xuan, and Vinh) and domestic (Lai Chau, Dien Bien, Sa Pa, Na San, and Dong Hoi) each.

The central region will have seven, three international (Phu Bai, Da Nang, and Cam Ranh) and four domestic (Quang Tri, Pleiku, Phu Cat, and Tuy Hoa) each.

There will be 10 airports in the southern region, four of them international (Tan Son Nhat, Can Tho, Phu Quoc, Long Thanh) and the other six domestic (Buon Ma Thuot, Lien Khuong, Phan Thiet, Con Dao, Rach Gia, and Ca Mau).

By 2030 there will be 280 million passengers and 6.8 million tonnes of cargo transported by air annually against a designed capacity of 308 million passengers and 7.5 million tonnes of cargo.

An aviation training systemto be set up is expected to meet the country's training needs. Establishing and developing an aviation technology application, development and research center is also a part of the decision.

By 2030 aircraft parts and aviation equipment are expected to be designed and fabricated in the country.

But the question is whether Vietnam needs so many airports.

And, opinion is divided on this.

For …

The provinces asking for new airports or conversion of military facilities have said this would help overhaul the country's aviation infrastructure, which is rather poor and acts as a drag on socio-economic development, especially tourism.

Some 80 per cent of foreign tourists come to Vietnam by air but air connectivity to many localities is still very poor, causing visitors to waste time on travel.

The lack of airports, especially the big ones, has caused an overloading of existing ones in recent years.

In 2018, for instance, they served 105 million passengers whereas their combined designed capacity was only 75 million.

One of the biggest airports, HCM City's Tan Son Nhat, had to handle 36 million passengers last year while its capacity is 25 million. It has been suffering from a severe overload for years now.

Development of more airports at localities that are important destinations is imperative for their development and that of the country, they said.

Dr Bui Doan Ne, general secretary of the Vietnam Aviation Association, agreed with the provinces saying that with its 100 million population Vietnam has very great travel demand and it is increasing quickly, especially with the country deeply integrating into the global economy.

The existing airport network is possibly not enough, and planning for its expansion should be done early to help the aviation industry develop methodically, he said.

The development of airports would have a beneficial knock-on effect on other economic sectors too, he said.

Against …

Many aviation experts disagree with the provinces' plans to build new airports.

They warned the country would have too many airports if their proposals are approved and only six out of the 22 operational airports were profitable until last year. Airport construction is an expensive business, something that many of the provinces could not afford yet, they pointed out.

The only profitable airports as of last year were Noi Bai in Hanoi, Tan Son Nhat in HCM City, Da Nang, Cam Ranh in Khanh Hoa Province, Lien Khuong in Lam Dong Province, and Phu Bai in Thua Thien-Hue Province.

Dr Nguyen Thien Tong, former head of the HCMC Polytechnic University's aviation technology faculty, said the provinces do not see the big picture and only think about local needs.

He pointed to the example of Quang Tri Airport.

It is proposed to be built in Gio Linh District, just 93km from Dong Hoi Airport in neighbouring Quang Binh Province and 88km from Phu Bai, meaning it is not strictly needed, he said.

Hanoi should not build another airport for at least 30 years, he said.

Others agreed, suggesting provinces should focus on building small airports with short airways for small aircraft with less than 20 seats to serve special needs such as medical airlift, defence and security and tourism.

Dinh Viet Thang, director of the Civil Aviation Authority of Vietnam (CAAV), said in an interview to Tuổi Trẻ (Youth) newspaper that detail airport planning of provinces must be made in accordance to the national airport network planning approved by the Prime Minister in Decision No 236.

The CAAV is drafting an airport master plan for 2021-30 with a vision to 2050 which would ensure that airports are allocated logically and meet the air transport demand of localities and the nation overall, he said. VNS

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INVESTMENT

Vietnam continues to attract more capital from South Korea, Japan

Vietnam's impressive successes and growing position in the world are helping the country become an destination for Japanese and Korean investors.

Japanese Prime Minister Suga Yoshihide visited Vietnam on October 18-20. It was Suga's first overseas trip since he took office as Japanese Prime Minister. After Vietnam, Suga is paying a visit to Indonesia, which is the most populous country in ASEAN.

Nikkei commented that Suga's visit to Vietnam will promote global investment agreements. This is seen as a positive sign at a time when, according to VinaCapital, central banks over the globe have been and will be issuing new money with total value of up to $6 trillion.

The movement of this huge cash flow could give a push to some economies if they can grab the opportunity.

According to the World Bank (WB), Vietnam now has unprecedented advantages after successfully fighting Covid-19. It is the only economy in ASEAN's top 5 maintaining positive GDP growth in the context of the pandemic.

A recent study by VinaCapital shows that foreign investment capital is one of the important factors to help Vietnam recover soon and regain its growth after Covid-19.

Capital from Japan, one of the important capital sources, is predicted to continue to flow strongly into Vietnam. Japan is the fourth largest trade partner of Vietnam, after China, the US and South Korea, and the second largest foreign direct investor in 2019, just after South Korea.

Both Vietnam and Japan are members of CPTPP. Vietnam also has an important FTA with the EU (EVFTA).

Japan recently applied a policy on diversifying the global supply chain, which is expected to help the country avoid disruptions of the supply chain in the future.

According to Reuters, half of the enterprises joining the government's support program to diversify the supply chain in Southeast Asia are targeting Vietnam. The number of Japanese enterprises expanding their business scale and making investments in Vietnam has been increasingly rapidly.

Japanese capital is now pouring into Vietnam not only through FDI, but also through foreign indirect investment (FII). Japanese corporations target buying into Vietnamese enterprises leading in their business fields.

JX Nippon Oil & Energy belonging to ENEOS Corporation last September wrapped up a deal by buying 13 million shares of Petrolimex, the biggest petroleum distributor in Vietnam with 60% of market share. With the deal, the Japanese shareholder's ownership ratio has increased to 9%.

In 2016, JX Nippon Oil & Energy spent VND4 trillion to acquire 8% of Petrolimex shares.

In March 2020, OCB, a Vietnamese commercial bank, issued 86.68 million shares (100% of shares registered for sale) to Japanese Aozora Bank.

Earlier this year, Sumitomo Life spent VND4 trillion to buy another 41 million shares of Bao Viet, the biggest Vietnamese insurer, raising its ownership ratio to 22.09%. The transaction was implemented within a record short time of six months.

Prior to that, Sumitomo and two institutions spent $37 million to acquire 10% of shares in Gemadept (GMD), Vietnam's leading logistics firm.

Nikkei Asia reported that Japanese enterprises are pouring capital into Vietnam's leading enterprises in anticipation of great business opportunities. Sumitomo, for example, sees high demand for logistics services as Vietnam plays an increasingly important role in the global production chain.

Vietnam is a market full of potential with demand for container transportation increasing by 7%, and 14 million containers of goods carried every year. The figure is expected to increase to 23 million containers by 2025.

In August 2019, Kyocera decided to set up a photocopy and printing machine factory in Vietnam with products targeting Vietnam and US markets.

Prior to that, at the Vietnam investment promotion conference in Tokyo in early July 2019 with the presence of Vietnamese Prime Minister Nguyen Xuan Phuc, Japanese investors poured $8 billion into a series of business fields in Vietnam soon after the country signed an FTA with the EU.

Tran Dinh Thien, former director of the Vietnam Economics Institute, said at a recent workshop on the 2020 economy that the attractiveness of Vietnam lies in the openness of the economy and many FTAs with important partners.

Vietnam is among the economies with the largest openness in the world, with import and export turnover/GDP at 200%.

Dong Nai Province leads in support industry investment

More than a decade ago, Dong Nai Province adopted regulations on attracting foreign direct investment (FDI) selectively, with top priority given to capital for support industries in order to increase product localization rate. This orientation places Dong Nai's supporting industry as one of the biggest in Vietnam.

Leading global corporations

The southeastern province's support industries include textile fibers, fabrics, tools and spare parts, electronic components, equipment for machinery and input materials for the footwear industry. In promoting investment programs with partners from Japan, the Republic of Korea (RoK), the US, Germany and Chinese Taipei, the province has for years given priority to its support industries. This policy has drawn international corporations to the province, such as Bosch, Hyosung, Fujitsu, Schaeffler, Vision Group, Kenda, and Mabuchi Motor.

The province's goal is to provide input products to gradually increase the localization rate of products made by these corporations and other enterprises, enabling them to enjoy tariff preferences provided by the free trade agreements that Vietnam has signed.

The province has made significant inroads in this regard with nearly 50% of FDI capital poured into support industries. Top investors in this field are businesses from the RoK, Japan, and Chinese Taipei.

Park Hyun Bae, Chair of the Korean Business Association in Dong Nai, said for the past five years, there has been a strong wave of RoK businesses investing in Dong Nai's industrial sector, many of those in supporting industry enterprises, which supply input materials to large corporations. The RoK is now the top foreign investor in the province with total investments of more than US$6.2 billion.

Local raw material

Dong Nai is gradually becoming the "capital" of the country's supporting industry. In addition to new FDI investment, many businesses in this field have expanded production, such as Meggitt, Fujitsu, Kenda, Bosch & Hyosung, with their investment capital growing 1.5-3 times compared with the original capital.

The head of the Dong Nai Industrial Zones Authority Cao Tien Sy says the local supporting industry has become a major supplier of raw materials for the country and for exports, attracting additional FDI investors who can now easily find raw materials locally rather than having to import them.

Local leaders also affirm that over the past five years, Dong Nai's supporting industry has made impressive progress, but they are urging the development of support policies to link businesses at the regional level. They refer for example to specific policy for the Southern Key Economic Zone in order to link and share value among businesses in the region, thereby developing the supporting industry on a much larger scale.

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