Highlight

Vietnam emerged among world's largest market for wind power development

VIETNAM BUSINESS REVIEW

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What's in it today?

FINANCE

Market's uptrend may weaken after five consecutive gaining weeks

Although Vietnam's stock market has experienced five consecutive weeks of gains with record-high liquidity, analysts said investors' caution and the uptrend would weaken as the VN-Index approaches the resistance level of 1,030 points.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) was up 0.17% to close Friday at 1,021.49 points.

The index gained 1.12% last week.

An average of 574.6 million shares were traded on the southern exchange during each session last week, worth VND11.6 trillion (US$499.7 million).

Analysts from SSI Securities Corporation (SSI) said the market's upturn momentum was weakening with the VN-Index approaching the resistance level of 1,030 points.

"The inflow of capital from large-cap stocks to mid-cap stocks may be a warning sign of increasing risk. However, in the short term, it is likely that the VN-Index will continue going up, targeting the zone of 1,030 - 1,040 points," SSI said.

According to MB Securities Co (MBS), selling pressure mainly focused on blue-chips but domestic cash flow absorbed this selling volume well.

"MBS believes the market is likely to fluctuate when the VN-Index approaches 1,030 points," MBS said.

Saigon-Hanoi Securities Joint Stock Company (SHS) said the market had a fifth consecutive gaining week with a slight increase in trading volume compared to the previous week, which showed some caution.

"The VN-Index closed last week in a strong resistance zone of 1,020-1,030 points, which were the peak of October 2018 and of November 2019, thus profit-taking pressure will become stronger this week, which means a correction may happen soon," SHS said.

Foreign investors net sold 19.3 million shares, equivalent to a net selling value of VND36.8 billion on the whole market last week. Notably on HoSE, foreign investors net sold VND75 billion, down 71% from the previous week.

Construction materials stocks rose the most last week, mainly thanks to Hoa Phat Group (HPG), increasing 1.9%, and Nam Kim Group (NKG) jumping 7%.

It was followed by the community utility group, typically PetroVietnam Gas JSC (GAS), rising by 2.4% and PVPower (POW), increasing by 12.7%.

Consumer goods ranked third with Masan Group (MSN) growing 2.7%, Sabeco (SAB) 5.5% and Hanoi Beer Alcohol And Beverage Joint Stock Corporation (BHN) up 4.4%.

Securities stocks also increased strongly with SSI Securities Incorporation (SSI) gaining 3.6%, VNDirect Securities Co (VND) rising 2.7%, Viet Capital Incorporation (VCI) growing 2.2% and Saigon-Hanoi Securities Co (SHS) up 2.1%.

SHS forecasts that this week, the VN-Index may correct again with profit-taking pressure appearing in the resistance zone of 1,020-1,030 points.

SHS recommends investors with a high proportion of stocks lock in profits at the resistance zone of 1,020-1,030 points. Investors with a high proportion of cash can watch for adjustments around the 990-1,000 point range to bottom fish.

According to Tran Xuan Bach, a stock analyst at Bao Viet Securities Co, the VN-Index is heading toward the strong resistance zone 1,028-1,035 points.

On the Ha Noi Stock Exchange, the HNX-Index rose 0.33% to close Friday at 152.48 points.

The northern index had gained 2.91% last week.

Some 71.9 million shares were traded on the northern exchange last week, worth VND1 trillion.

According to data from the Securities Depository Center (VSD), domestic individual investors opened a record 41,080 trading accounts in November, up 4,734 compared to October. Since early this year, individual investors have opened a total of 329,452 accounts, 75.4% higher than the number of accounts opened in 2019.

The number of accounts opened by domestic institutional investors rose from October, reaching 123, the highest since December 2017. So far this year, domestic institutional investors have opened nearly 964 accounts, higher than that of 2019 of 821 accounts.

Generally, the number of new accounts opened by domestic investors in November reached 41,203 accounts, up 13% compared to October. So far this year, domestic investors have opened more than 2.67 million trading accounts. — VNS

Interest rate for home loans forecast to stay low in 2021

Since the outbreak of the COVID-19 pandemic in January, the State Bank of Viet Nam (SBV) has slashed rates three times.

Interest rates for home loans are expected to be kept at a low level next year to stimulate demand for real estate, which coupled with macro-economic recovery and an increase in supply is hoped to promote the housing market's development, according to a report from the securities company VNDirect.

Since the outbreak of the COVID-19 pandemic in January, the State Bank of Viet Nam (SBV) has slashed rates three times, in March, May and October to aid economic recovery, which helped ease the pressure of provision cost for banks and interest expenses for customers and enabled lenders to introduce stimulus packages for home purchases.

According to Tran Khanh Hien, deputy head of Investment Analysis at VNDirect, the rate for home loans was reduced by about 1.8%age points to 9.5 per cent, the lowest rate in the past decade.

VNDirect also predicted a robust recovery of the housing market next year fuelled by the country's macro-economic recovery.

The global production shift expected to drive investment flow into Viet Nam will benefit the real estate market, especially industrial property. The Government's efforts to hasten public investment disbursement with a focus on infrastructure development have also aided the real estate market.

The report also forecast that new supply would skyrocket due to the expectation that the amendments to Law on Construction and the Law on Investment 2020 which take effect from the beginning of next year will tackle legal bottlenecks.

With a number of projects set to resume construction in 2021, VNDirect forecast new supply in HCM City would increase by 10-15 per cent to reach 17,000 apartments.

In Ha Noi, the supply was predicted to increase by 50-60 per cent in 2021 to reach 23,000 apartments, mainly from mega-projects like Vinhomes Smart City, Vinhomes Ocean park, Sunshine Empire and Gamda City.

Regarding housing prices, VNDirect said that the trend was to rise, driven by improved demand and low-interest home loans.

Still, there would be no market bubble in the short term, VNDirect stressed. The market was now different from 2009-10 when inventories were high and prices were inflated, leading to the market collapse in 2013.

Now, the market has limited supply and high demand while the cash flow continues to be pumped in the market.

Viet Nam's real estate market had a cycle of seven years and the market could enter a strong growth period in 2021 if legal bottlenecks were tackled properly, VNDirect said.

The M&A activities are predicted to be robust next year as a number of small developers have fallen into difficulties due to the legal bottlenecks and impacts of the COVID-19 pandemic, creating opportunities for those with financial capacity. — VNS

E-wallet providers fighting for survival in Vietnam

The growth of e-wallets may be good news for Vietnam's cash economy, but fierce competition among e-wallet providers may result in a 'survival of the fittest' situation. Top finance experts from RMIT University share their views with Vietnam News.

What's the competition currently in the e-wallet market?

Pham Nguyen Anh Huy: We are witnessing fierce competition among e-wallet providers. Although the market is rather crowded with more than 30 providers (as of 15 October 2020), big names such as MoMo, Moca and ZaloPay are dominating. MoMo is one of the oldest players with a huge customer base, which recently topped 20 million, while Moca and ZaloPay are taking advantage of their ecosystems. Stiff competition leaves only a small space for newcomers, who may have to resort to competing via discounts and spend lots of money in the process.

Doan Bao Huy: At the moment, each e-wallet is trying to offer some sort of exclusive products and services. Momo is active in payment services for grocery and convenience stores. ZaloPay, which is built on top of Vietnam's most popular messenger app Zalo, offers lucrative cashback deals for mobile top-ups. Meanwhile, Moca's reach has grown upon the two basic services on Grab's platform – ride-hailing and food delivery. However, many built-in functions are similar across different e-wallets. This means people can use multiple wallets for the same product or service as long as they get the best deal out of it, so e-wallets need to work very hard to gain the loyalty of customers.

From left to right: Dr Pham Nguyen Anh Huy, Dr Nguyen Thanh Binh and Dr Doan Bao Huy

What are the biggest long-term challenges for e-wallets to be profitable?

Nguyen Thanh Binh: To come out on top in the war of financial attrition, e-wallets need to balance the growth of their user base and the implementation of a sustainable business model. They need to develop more value-adding ecosystems that can attract and make users willing to pay for the services they provide. Given the current strong competition of e-wallets offering cashless payments, it may be difficult for e-wallets to increase payment transaction fees while expanding their user base. Instead of focusing on charging fees to become profitable, e-wallets could morph into fintech companies and provide a wide range of financial services, such as lending, wealth management and insurance, similar to what Alipay and Ant Group have been doing in China.

Pham Nguyen Anh Huy: One of the biggest problems with e-wallet providers is that they fail to show clear advantages over traditional banks in the long run. Most services offered by e-wallets such as fast money transfers or utilities and e-commerce payment are now included in mobile apps offered by traditional banks. Bank apps might have to catch up with e-wallets on a number of other services, but this can be easily solved via mergers and acquisitions. I think e-wallets need to go back to the original idea of replacing a traditional wallet: a wallet is not only used for payments and holding different bank cards but also to store other things such as loyalty cards, membership cards and business cards.

What does the future hold for e-wallets in light of recent regulatory changes?

Doan Bao Huy: The State Bank's Circular 23/2019/TT-NHNN, which took effect from January this year, requires that the monthly e-wallet transaction value per customer and service provider not exceed VND100 million. This seems reasonable as the average daily transaction is around VNĐ230,000 to VNĐ274,000, according to market research firm Cimigo. However, with the linkage between e-commerce platforms and e-wallets (such as between Tiki and Momo or Zalopay, Shopee and Airpay, and Lazada and eMonkey), the current regulation can hinder e-wallet users from paying for home appliances and electronics products priced at dozens of millions of đồng, hence eliminating associated transaction fees earned by these e-wallet providers.

In addition, the Vietnamese government has recently given the green light to a mobile money pilot project. Mobile money generally performs the same function as e-wallets, but it does not need to link to a bank account like the latter. This new announcement allows the top three biggest mobile networks - VNPT, Viettel and Mobifone - to step into the e-payment industry and reach the unbanked population. Together with their advantages in capital, infrastructure and customer awareness, their presence will certainly increase the competition in the industry.

Nguyen Thanh Binh: In June 2020, the State Bank of Vietnam released a draft decree on the regulatory sandbox for fintech activities. This is opening the door for fintech companies, such as e-wallets, to experiment more with innovative financial products that benefit the Vietnamese financial market. — VNS

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E-COMMERCE

MoMo on the road of being super app

MoMo is setting sights on becoming a super app, with the first step being the recent launch of its newest feature Du lich – Di Lai (Go travelling).

With the new function, users can buy tickets for many means of travel, including flight and train since late November. In addition to payments, Du Lich – Di Lai also helps users to easily search and select suitable travel options by estimating the price a journey would take by different means.

Directly partnering up with Vietnam Airlines, Vietjet Air, Bamboo Airways, and Vietnam Railways, users can enjoy big promotions of the e-wallet.

Nguyen Ba Diep, co-founder of MoMo said, "With the hope of stimulating local tourism, we have been preparing Du lich – Di Lai since the second wave of COVID-19 was brought under control. We aim to improve customer experience with this new feature."

Leverage internet penetration to expand e-commerce market

THE booming e-commerce market in Malaysia has been aided by the increasing number of internet users and internet access. Hence, efforts to buttress the e-commerce market should be continued as one of the ways to sustain digital economy.

On average, Malaysians have been in the online community for 8.5 years since the implementation of the National Broadband Initiative in 2010. The population of internet users in Malaysia rose from 81.2% in 2018 to 84.2% in 2019.

Malaysia has outperformed its Asean peers except for Singapore with 88.2% of internet user population – Vietnam (70.4%), Philippines (60.1%), Thailand (56.8%) and Indonesia (39.8%).

Even in 2016, research by the World Bank had shown the people community in Malaysia had adopted technology in their daily lives quite well with an index score of 0.64 surpassing other Asean countries like Vietnam, Philippines and Indonesia, as well as Asian economies namely China and India.

According to the latest statistics released by the Department of Statistics (DOSM), households' internet access went up from 87% in 2018 to 90.1% in 2019.

Access to computers decreased slightly from 71.7% to 71.3% while access to mobile phones remained high at 98.2% with more access to smartphones – from 89% to 91%.

Based on financial year 2020 second quarter (2Q'20) statistics released by the Malaysian Communication and Multimedia Commission (MCMC), fixed-broadband penetration rate had risen from 33.8% in 1Q'20 to 34.5% in 2Q20 while mobile-broadband penetration rate fell from 118.5% to 116.7%, but still considered high.

Among the internet users, the majority utilise internet access to participate in social networks (97.1%), to download images, movies, videos or music; playing or downloading games (84.7%), to find information about goods and services (83.5%), telephoning over the internet (77.4%) and for applications or software downloads (77.1%).

The broader internet access could hence explain the greater usage to find information about good and services, and participation in social networks, and these activities could have ascended even more since the pandemic.

In other words, these had helped support the expansion of the e-commerce market in Malaysia alongside the ease of bank transfers, as well as card and digital payments which explains increasing gross value added of e-commerce to the economy over the years between 2010 and 2019 – from RM37.7 billion to RM127 billion.

In June, the Malaysia Digital Economy Corporation (MDEC) had already projected e-commerce contribution to rise to as high as RM170 billion for this year.

Monthly statistics from Bank Negara Malaysia up until October this year also show that internet banking and mobile banking penetration rate are on increasing trends.

Reported by a daily, a study conducted by MasterCard revealed Malaysia ranks top in e-wallet usage within Southeast Asia, surpassing other countries like Philippines, Thailand and Singapore.

Moreover, confidence within the consumer community may have been due to the negligible e-commerce fraud cases (0.02% in 2018), falling slightly from 0.03% in 2017, according to digital payment provider iPay88.

These developments should provide positive signals to stakeholders involved to continue developing the e-commerce market further. It should be considered as a crucial alternative or option for local entrepreneurs who suffer from weak sales due to the extension of movement control order and lingering Covid-19 infections.

The government has indeed shown commitment to do so through the Covid-19 stimulus packages as well as Budget 2021, addressing both supply and demand.

In Budget 2021, RM150 million worth of allocation has been set aside for training programmes, sales assistance and digital equipment for 100,000 local entrepreneurs to join the e-commerce market under the e-Commerce SME and Micro SME Campaign, which was introduced in Penjana.

On the consumer side, another RM150 million was also allocated to extend the Shop Malaysia Online introduced in Penjana to continue propping up online spending. According to Statista, online traffic in thousand clicks as of 2Q'20 revealed that the top e-commerce sites in the country are Shopee and Lazada.

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LOGISTICS

Seaways, railways have been forgotten: logistic firms

Vietnam has a long coastline but its maritime transport has not developed well. Railway transport has also been 'forgotten'.

Dang Minh Phuong, chair of MP Logistics, said the logistics industry grows by 14-16% per annum, but the growth rate may become even higher thanks to a series of FTAs Vietnam has signed.

He said that logistics costs remain high. One of the reasons is that Vietnamese enterprises tend to do everything themselves. Meanwhile, foreign invested enterprises (FIEs) use outsourced services, and pay low costs.

"They share infrastructure items and workforce of logistics firms, which allows them to reduce the production and business costs. Vietnamese enterprises do everything. They even buy and run trucks themselves. This pushes costs up," Phuong said.

She went on to comment that Vietnamese enterprises do not have the habit of using maritime transport, but mostly use road transport, though Vietnam has a long coastline. The connection of transport infrastructure between waterways, roads and railways is limited.

Stefanie Stallmeister from the World Bank cited a survey as showing that many Vietnam's enterprises have fees and charges higher than the average levels in East Asia and Pacific.

80% of polled businesses said there was a high or very high rate of road transport, while 40% said Vietnam has high or very high seaport and airport fees. Road transport costs are very important in Vietnam, where most cargo is transported by land between the north and the south.

Vietnam also ranks low in port efficiency, ranking 83rd out of 141 countries in the efficiency of seaport services, and 103rd in efficiency of air transport services and road transport quality in the 2019 Global Competitiveness Index.

According to the Minister of Industry and Trade, Tran Tuan Anh, Vietnam has over 30,000 enterprises in the fields of transport, warehousing, postage, freight and forwarding and logistics market.

Most of them are road, railways and pipeline transport enterprises (59.02%). More than 33% of enterprises operate in the fields of warehousing and transport support, 5.27% in waterways transport, 0.02% airways, and 2.34% postal and courier businesses.

Despite progress recently, many logistics firms are still facing difficulties because of overlapping regulations and unreasonable administrative procedures and specialized inspections.

Meanwhile, explaining the high service costs, Anh cited the limited business scale, capital, and IT application as well as the low qualification of the workforce. In addition, the problems in logistics infrastructure connections, road transport costs and seaport service surcharges imposed by foreign shipping firms, are other reasons.

Vietnam's logistics industry aims for a 15-20% growth rate per annum, which would account for 8-10% of GDP.

Vietnam rationalizes tax regime for ride-hailing companies, to treat them as transporters

Vietnam has imposed a 10-percent value-added tax for each trip by a ride-hailing company vehicle as it seeks to create a level playing field for traditional taxi firms.

According to a new decree, with effect from December 5, the tax will have to be paid on the full fare unlike earlier when companies paid the 10% rate only on their share of the fare after paying off the driver.

Thus, as Grab drivers get to keep 80% of the fare, the company only pays 10% tax on its 20% income. The driver pays 3% VAT on his 80%.

The new tax rate is thus more than double the old one of around 4.4%, and according to Grab's calculation, drivers' income would have been reduced by around 7.3%.

It has hiked its fares by 5-6% to reduce drivers' loss of income to around 1%, a spokesperson said.

Vietnamese officials have long been pondering whether ride-hailing companies are technology service providers or transport companies, but the new decree makes it clear they are the latter.

Ta Thi Phuong Lan, deputy head of the department of tax administration for small and medium enterprises and individuals, said VAT rates for companies like Grab and Gojek have hitherto been too low and tax authorities need to raise it to the correct level.

Luong Huy Ha, CEO of legal consulting firm Lawkey Vietnam, said the 10% rate is appropriate for ride-hailing firms since they operate like transport companies.

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RETAIL

Korea's Emart to phase out of Vietnam

South Korea's largest supermarket chain operator Emart Inc. is pulling out of Vietnam, its second major Asian market after China, in the face of regulatory hurdles.

According to reports by *Pulse News*, The retailer opened its first outlet in Vietnam's Go Vap district in 2015 and procured a site at Ho Chi Minh City for a second opening last year. The project has been delayed due to licensing setbacks, disrupting plans to open 5-6 more outposts.

Emart's foray into Vietnam has not been easy as the country prioritises joint ventures with foreign businesses to set up outlets. Emart started operations in the country in 2014 after setting up a wholly-owned Vietnamese entity.

A retail industry source said a hypermarket needs at least 10 outlets to have a bargaining power with vendors and maintain logistics efficiency. Emart may have concluded that it was better to fold business rather than holding up, the source added.

The retailer has been rolling back investments in the country. In its 2019 semiannual report, it had vowed to invest KRW460 billion ($424.3 million) in its Vietnamese entity through 2022. But it had slashed that amount to KRW247.8 billion in the third-quarter report.

An Emart representative, however, denied the company was exiting but was studying other options such as strategic alliance or business partnership.

Will foreigners dominate Vietnam's petroleum distribution system?

Some experts have raised concerns that foreign investors with powerful financial capability may swallow up the domestic petroleum distribution system. If this happened, Vietnam's energy security would be in danger, they say.

The Government Office has sent a dispatch to MOIT conveying the instruction of the Prime Minister Trinh Dinh Dung related to a decree to amend and supplement articles of Decree 83 dated September 2014 on petrol and oil trading.

Under the draft decree, Vietnamese petrol and oil traders with production activities would be allowed to transfer their shares to foreign investors, but the amount of shares to be transferred would not be higher than 35%.

Many experts and businesspeople have voiced their concern about the issue.

This is also contrary to MOIT’s Circular 34/2013 in 2013 which sets a roadmap for goods trading and directly related goods trading activities of foreign invested enterprises (FIEs) in Vietnam.

If foreign investors held 35% of shares of petroleum distribution companies, they would just need to collect another 16% of shares by some means or another to obtain the right to control the enterprises.

Petrol and oil are strategic products. If the petroleum distribution market is controlled by foreigners, Vietnam would fail to regulate the domestic prices if the world market fluctuates in an adverse way. It would also be difficult to distribute petrol and oil in remote and border areas.

A debate has emerged about whether it is the right time to allow foreign investors to hold 35% of shares of Vietnamese distribution companies.

Nguyen Loc An, deputy director of MOIT’s Domestic Market Department, sent a document to the Prime Minister, making suggestions to the draft decree.

Citing regulations and international commitments, An said Vietnam has not committed to opening its petroleum distribution market.

Under current Vietnamese laws, FIEs don’t have the right to export, import, and distribute petroleum products.

The regulations are designed to ensure energy security and to prevent the domestic petrol distribution system from being controlled by foreigners, and to ensure that petroleum products will be supplied in all situations.

An pointed out that if Vietnam allows FIEs to join the petroleum distribution market, this would not be in line with international commitments, the National Assembly’s Resolution No 71/2006, the Investment Law, the Law on Promulgation of Legal and Normative Documents, and the Law on Treaties.

An warned that even if foreign investors have no more than 35% of shares, they still can join forces with other shareholders to form groups of shareholders that have veto power.

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ENERGY

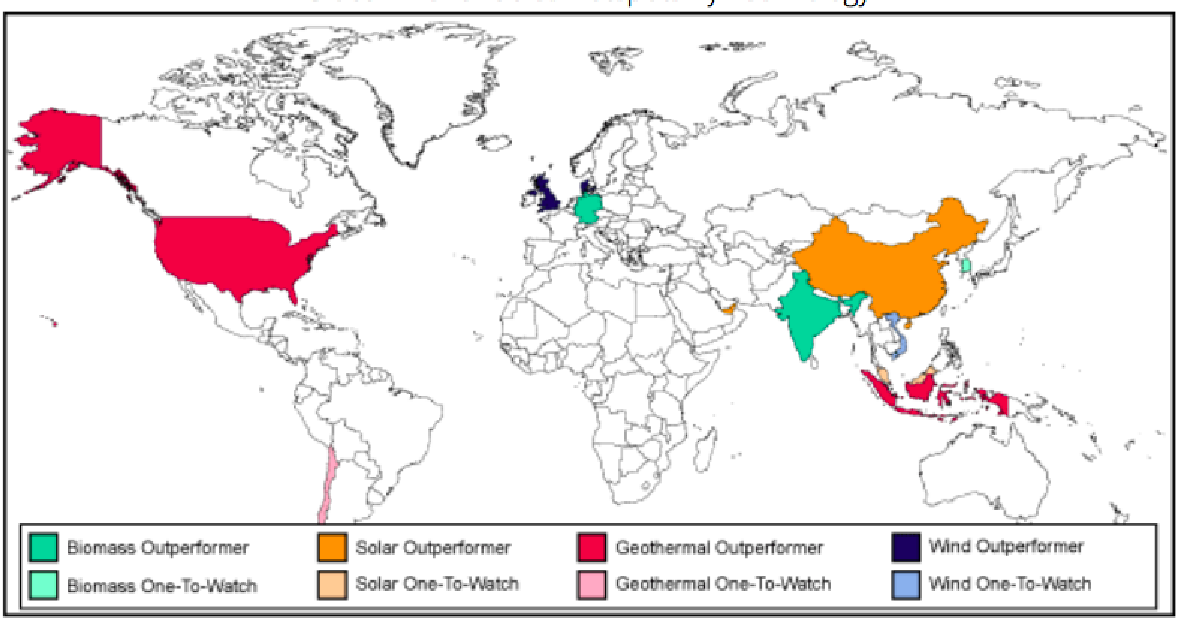
Vietnam emerged among world's largest market for wind power development

Across the first half of 2020, the government approved an additional 91 wind energy projects, onshore and offshore, with a total capacity of over 7GW.

As Vietnam looks to expand its renewables capacity, the country is emerging as one of the largest markets for wind power development worldwide, with approximately 7GW of net capacity increase by 2029, from an installed 750 MW in 2020, according to Fitch Solutions, a subsidiary of Fitch Group.

Renewables Outperformers And Markets To Watch

Global - Renewables Hotspots By Technology



Source: Fitch Solutions

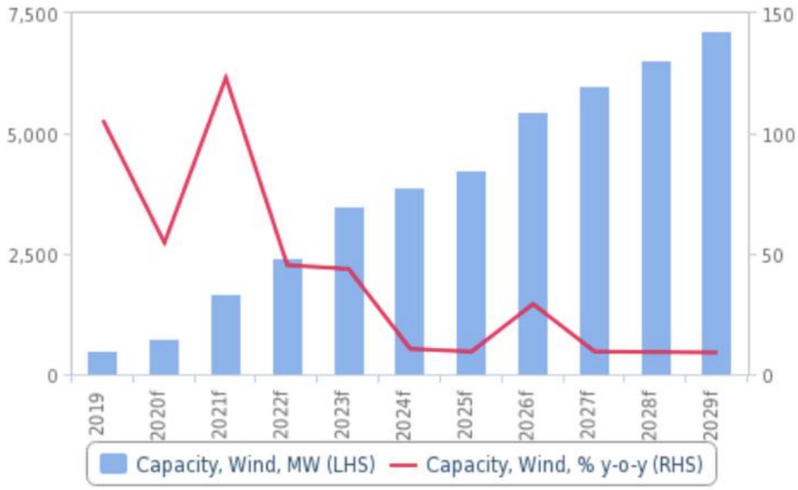
Vietnam is wind power market-to-watch.

The Vietnamese government recently has increased its attention on the wind sector, and proposed several policies to boost its development, with a strong focus for offshore wind, noted Fitch Solutions.

Due to the significant offshore potential in Vietnam, Fitch Solutions expected ongoing investment support to be found in the wind sub sector.

A study released by the Danish Energy Agency and the World Bank in September 2020 has noted that Vietnam has an estimated offshore wind potential of 160GW, due to favorable conditions of a long coastline and high wind speeds.

Prime Minister Nguyen Xuan Phuc in March 2020 issued a resolution for a five-year plan to 2025 to develop renewable energy sources 'off the coast', with specific mechanisms and policies to attract both foreign and local developers to invest in the sector.



Source: Fitch Solutions, EIA, GWEC. e/f = Fitch Solutions estimate/forecast.

Vietnam - Wind Power Capacity & % y-o-y Growth

In particular, Binh Thuan, Bac Lieu and Ca Mau were highlighted as prioritized provinces for offshore wind development. The government is also in process of amending seabed lease and licensing requirements for large-scale offshore wind farms, alongside the Ministry of Natural Resource and Environment of Vietnam (MONRE).

In a latest move, the PM has urged the Ministry of Industry and Trade (MOIT) to speed up its approval of wind power projects in June to be included in the upcoming Power Development Plant 8 (PDP8).

Across the first half of 2020, the government approved an additional 91 wind projects, onshore and offshore, to be developed, with a total capacity of over 7GW.

Most of these projects are located in the central and southern regions of the country. In fact, since October 2020, the MOIT has instructed all provinces and cities nationwide to stop approving wind project proposals temporarily due to an increasing threat of excess capacity.

Fitch Solutions noted over 2GW of wind developments currently under construction, and approximately another 14GW in the pipeline, while expecting that many wind developers will also seek to accelerate project delivery over the coming months to meet the commercial operation deadline of November 1, 2021, and benefit from the existing feed in tariffs (FiT) rates (USD0.085/kWh for onshore projects and USD0.098/kWh for offshore projects). Hanoitimes

BCG Energy and Leader Energy to work on renewables together

BCG Energy, a subsidiary of Bamboo Capital Group, and Leader Energy Pte Limited, an energy corporation headquartered in Singapore, signed an agreement on investment and co-development in renewable energy on Saturday.

The virtual signing ceremony was attended by the two companies' leaders and representatives from KPMG Singapore and KPMG Vietnam, who are BCG Energy's international fundraising consultants.

BCG Energy is seen as a pioneer developer in Vietnam renewable energy industry by building a portfolio of renewable energy assets and being able to raised funds from international investors.

In 2019, the company raised US$5 million convertible bonds from Hanwha Energy. Since then, BCG Energy has raised $43.6 million under convertible bond form from Leader Energy (Vietnam) to continue to invest in renewable energy.

Last year, BCG Energy started commercial operations of two solar farm energy projects BCG – CME Long An 1 & 2 (Long An Province) with a total capacity of 40.6MW and 100.5MW, respectively.

Currently, the company is constructing a 330MW Phù Mỹ solar farm (Bình Định Province); and a 49.3MW VNECO solar farm (Vĩnh Long Province) with expected commercial operation date before December 31, 2020.

Early next year, BCG Energy will start construction of a 50MW Krong Pa 2 solar farm (Gia Lai Province). It is also developing numerous rooftop solar projects with a total capacity of 50MW in various industrial parks in the south. For the wind energy sector, BCG Energy owns a 550MW portfolio in Cà Mau, Sóc Trăng and Trà Vinh provinces. BCG Energy aims to reach 2.3GW in total capacity of energy projects installed by 2025. — VNS

Vietnam teams with Japan and US for low-carbon electricity

Japan and the U.S. will help Vietnam switch to liquefied natural gas from other, less-clean types of fossil fuels, as part of their campaign to help emerging economies minimize carbon emissions.

LNG burns more cleanly than alternatives like coal, and Japan and the U.S. believe promoting the fuel is key to curbing emissions in Southeast Asia. The countries also hope that their push will help counter China's growing clout in the region, including in the energy sector.

In a joint statement from a trilateral forum on LNG held Thursday, Japan and the U.S. pledged to provide financial assistance to Vietnam for the construction of LNG-fired power plants and receiving terminals.

U.S. President Donald Trump's national security advisor, Robert O'Brien, was in Hanoi last month when General Electric and a Vietnamese energy company signed a memorandum of understanding to develop an LNG power plant. O'Brien said the companies will build a plant near Ho Chi Minh City that will provide a 3,600 megawatts of power.

Also last month, Japanese utility Tokyo Gas and trading house Marubeni signed a memorandum of understanding to build a LNG-fired power plant in Vietnam at an estimated total investment of $1.93 billion with the aim of bringing the facility online in 2026.

Under Japan-U.S. Strategic Energy Partnership, Tokyo and Washington have been helping nations develop energy-related infrastructure since 2017. They positioned Vietnam as a top priority for 2020.

Emerging and developing countries are big consumers of fossil fuel. Demand in Southeast Asia in particular will continue growing until 2040, when it will make up over 70% of the region's total energy demand, according to projections by the International Energy Agency.

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INVESTMENT

Investment intensifies for Japanese

After the first round of incentives offered to Japanese companies by their government in July, another batch of new investors has been confirmed to receive further financial assistance for their efforts to diversify supply chains and ramp up manufacturing activities in Vietnam.

Shinji Hirai, chief representative of the Japan External Trade Organisation's (JETRO) Ho Chi Minh City Office, said that the Japanese government is now providing subsidy for 30 companies to increase production in Southeast Asia, in the second round of a multi-billion dollar programme to diversify supply chains.

"Of the companies that secured Japanese government subsidies to expand production abroad to protect their supply chains, half of them initially decided to use that money in Vietnam. In the second round, the additional 15 manufacturers are mainly producing spare parts, medical devices, facial masks, and protective clothes, among others," Hirai said.

The Japanese government's supplementary budget earmarked ¥23.5 billion ($226 million) for businesses that wish to diversify their production in Southeast Asia. In the first round announced in July, 15 Japanese companies selected Vietnam.

This means that now 30 Japanese companies are stepping up their operation in Vietnam with the supplementary budget, which reflects the growing attractiveness of the Vietnamese market.

Fujifilm Corporation is among the latest companies benefiting from the incentives. The group will produce its antigen test kits for the diagnosis of COVID-19 infections in Vietnam. These antigen tests can be carried out quickly and produce results on the spot. Despite these advantages, antigen tests have lower sensitivity than PCR tests, and are thus required to improve efficiency.

Another Japanese company on the list is Panasonic Corporation. Panasonic is manufacturing diverse products in Vietnam ranging from television sets, air conditioners, and refrigerators to electrical home appliances. Therefore, it has a high demand for suppliers of components and accessories.

Meanwhile, Mabuchi Motor Co., Ltd. is also receiving incentives to secure firmer presence in Vietnam. Mabuchi established its factory in the southern province of Dong Nai in 1996, acting as a manufacturer of electronic components. In 2005, the company built another factory in the central city of Danang.

Other recipients are Nitto Denko Corporation producing materials for N95 masks, Mitsuei Chemical Co., Ltd. manufacturing disinfectants, hypochlorite bleach, and soap, and Taiyo Holdings Co., Ltd. producing liquid solder resist.

JETRO's Hirai said that to minimise the risk of disruptions to the supply chains of important goods in the event of further unanticipated crises, it is necessary for Japanese manufacturers to establish a sustainable and reliable supply system through diversification of production bases, especially in the Asian region.

Even before COVID-19, Vietnam was one of the most popular countries for Japanese companies intending to expand their business overseas as its market size and growth were two enticing factors.

After managing the first months through the global health crisis, the risk management capacity of the Vietnamese government has been highly evaluated by Japanese companies, with many of them saying that the expected positive growth rate of the country in 2020 is manifesting its success in both realising economic growth and preventing the spread of the virus.

According to the Vietnamese Ministry of Planning and Investment, as of November 20, Japanese investors registered more than $60.1 billion for 4,624 valid investment project throughout the country.

Many startups fail in 2020 despite big investments

The departure of a number of startups in 2020 indicate that 'impractical' ideas do not bring success.

Established in 2016, WeFit's core model was developing a fitness gymnasium sharing app.

Users bought membership cards (from one-month to 2-year) to use the services of the gyms and facilities of WeFit's partners at anytime and anywhere.

As for gyms, except for clients who bought membership cards, the company also received other clients to optimize their business.

After one year of establishment, by 2017, WeFit had 5,000 clients using services monthly, 600 partners in Hanoi and HCM City, and turnover of $700,000.

The initial results helped WeFit receive funds worth $155,000 from ESP Capital. In early 2019, WeFit announced it had successfully called for $1 million worth of capital from CyberAgent Capital, KBInvestment and other angle investors.

After a period of operation, problems arose.

WeFit then offered a lot of preferential service packages. In 2018, the app in some periods only collected VND2.6 million for an unlimited service package for three months in HCM City. Clients also got 3-4 free spa sessions.

Those who registered during the promotion period received a sports bag. Similar incentive programs were regularly run throughout the year.

WeFit owed money to its partners. Meanwhile, the loopholes in the management policies were exploited by WeFit's clients, which caused a big loss.

In early 2020, the newly appointed CEO Nguyen Hai Dang of WeFit admitted the presence of many 'virtual' bookings, i.e. many people sharing the same accounts.

The Covid-19 outbreak dealt a strong blow on the economy, which forced WeFit's partners to suspend operation. Because of this, there was no source of income and the capital was eventually exhausted.

On May 11, Onaclover, the technology firm and former owner of WeFit, which later changed its name to WeWow, sent an email to clients declaring bankruptcy.

In another case, the E-ride hailing market, a number of e-hailing apps, after noisy debuts, quietly left the market.

Startup assessment

Pham Duy Hieu, deputy chair of SVF, said it is necessary to analyze the capability of startups and their potential. The capability can be seen in the way they adjust their interactions with clients and change their resources.

Hieu said in the three months after Covid-19, he brought a 'culture of making adjustments' to his business. Those adjustments helped the business succeed.

Hieu said that the value of a business is not only in products, business licenses and workforce, but the 'flag' and ideals of the founders.

Nguyen Phi Van, chair of the Vietnam Angel Network, noted that when calling for capital, startups talk about national and local pride, and strong determination to develop businesses. However, for startups, the first things that should be mentioned are what their products are and where they are sold.

Entrepreneurs need to answer questions if their products are suited to market demands, and if the markets are large enough for investors to spend time and money on startups to help them develop.

As Covid-19 broke out, clients' demands and behaviors changed. So, a new question was raised about the suitability of their products.

If the products are no longer suitable, startups need to change their products, approaches and even business models to the new circumstances.

Le Diep Kieu Trang, the founder of Alabaster Fund, thinks that digital transformation offers fair opportunities to all businesses. She believes that after Covid-19 ends, the light at the end of tunnel will appear. And the world will not be the same as it was in the past. People will still connect with each other, but more frequently on online platforms.

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SEIKO IDEAS - 14^{th} Anniversary

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