Highlight

From manufacturing to retail: Japanese investors' appetite in Vietnam sees shift

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What's in it today?

FINANCE

Shares hit fresh peak on strong buying force

Shares hit a fresh peak on Monday as strong buying force bolstered market sentiment.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) closed the first session of the week at 1,260.58 points, up 1.77% or 21.87 points.

The market breadth was positive as 297 stocks gained while 126 stocks decreased during the session. The market's liquidity stayed high with over 817.1 million shares traded on the southern bourse, worth VND19.8 trillion (US$861.3 million).

Foreign investors net sold VND743.05 billion on HOSE, including Vinamilk (VNM) (VND262.8 billion), Vinhomes (VHM) (VND145 billion) and Military Bank (MBB) (VND85.5 billion). Foreigners were net sellers on the HNX with the value of VND13.43 billion.

The VN30-Index gained 2.3%, or 29.35 points, to finish Monday's trade at 1,306.22 points. Twenty-five of the 30 biggest stocks in the VN30 basket increased while only four declined.

Masan Group (MSN) and Phat Dat Real Estate (PDR) both led this group as they hit the ceiling prices. Hoa Phat Group (HPG) and Khang Dien House (KDH) both gained by more than 5%.

Sacombank (STB), Vinhomes (VHM), Phu Nhuan Jewelry (PNJ) were gainers of over 3%. Bao Viet Holdings (BVH), Techcombank (TCB), Mobile World Group (MWG), Bank for Investment and Development of Vietnam (BID), HDBank (HDB), SSI Securities Inc (SSI), FPT Corporation (FPT), Vietcombank (VCB) and Tien Phong Bank (TPB) were among the advancers with 2% increases.

Thanh Thanh Cong – Bien Hoa JSC (SBT) was the biggest loser with more than 1% loss. Vinamilk (VNM), PVPower (POW) and Petrolimex (PLX) were the other losers of VN-30 group.

On the Hanoi Stock Exchange, the HNX-Index gained by 0.90% to close Monday at 295.75 points.

Nearly 158 million shares were traded on the northern exchange, worth VND2.8 trillion. — VNS

Pandemic is changing landscape of consumer credit: experts

The COVID-19 pandemic is signficantly changing the landscape of the consumer credit market as consumers tend to tighten their budget and pay more attention to healthcare, environment and lifestyle as well as switching to online shopping.

According to Can Van Luc, a member of the National Financial and Monetary Advisory Council, financial companies will reshape their business strategies after the pandemic, depending on changes in consumers’ habits and behaviour.

Specifically, consumers tend to tighten their budget and pay more attention to healthcare, environment and healthy lifestyles. Digital technologies, e-commerce and online shopping are becoming popular in the operation of enterprises and consumption of residents.

A board shows a consumer lending product of FE Credit. The consumer finance market has large potential in VN.

"Consumer lending is gradually shifting from traditional methods to using technologies like consumer data, online marketing, online verification through big data, artificial intelligence and direct disbursement to customers' accounts and electronic wallets," he said.

A survey by FiinGroup found that the pandemic caused a decline of 25% of the world's consumer market in 2020, pushing up bad debts by 100% and profits down by nearly 200%.

Market research company Ipsos found that about 80% of surveyed Vietnamese said that their incomes were negatively affected by the COVID-19 pandemic, with 41% seeing a drop of more than 20%. The pandemic also urged consumers to limit using cash and switch to electronic wallets and online payments.

The COVID-19 pandemic is also changing the landscape of the consumer finance market which urges financial companies to move towards consumer trends of cashless payment.

Nguyen Thanh Phuc, deputy director geneeral of FE Credit, said that as the pandemic was under control in Vietnam, the borrowing demand was predicted to increase. However, the ability to repay was assessed to be lower due to the impact of the pandemic on incomes.

Phuc expected Vietnam's consumer finance market would post stronger growth than other countries in the region with a population of nearly 100 million, 60% of whom had low and medium incomes.

Luc said that the consumer finance market had large development potential with economic growth anticipated at 6.5-7% per year in 2021-30 period and income growth at around 6% per year by 2020.

The outstanding consumer credit was estimated to total VND1.8 quadrillion at the end of 2020, accounting for around 20% of the total outstanding loans in the economy and 2.5 times higher than 2012. — VNS

Fintechs to partner with telecom carriers to offer Mobile Money

The pilot program on providing the Mobile Money service is expected to increase non-cash transactions, especially in remote areas. To improve users' experience, fintechs should work with network operators, experts say.

In early March, the Prime Minister approved the pilot program on providing Mobile Money service (making payment for small-value goods and services with telecom accounts). Viettel, VNPT (Vietnam

Post and Telecommunications) and MobiFone, the three biggest network operators, are preparing to apply for Mobile Money licenses.

The pilot program on providing the Mobile Money service is expected to increase non-cash transactions, especially in remote areas. To improve users' experience, fintechs should work with network operators

Commenting about the impact of Mobile Money, Doan Bao Huy from RMIT University said the fintech market situation won't see big changes, because e-wallets, Mobile Banking and Mobile Money are market segments that target different groups of customers.

The purpose of Mobile Money is popularizing non-cash payment, especially in rural and remote areas where banking services cannot reach. Moreover, Mobile Money does not have relations to finance and banking operations, because Mobile Money providers are not allowed to lend money, mobilize capital or pay interest on money.

The difference among the types of services can also be seen in the transaction limits stipulated by the Government. While e-wallets target clients in large cities and have a maximum transaction limit of VND100 million a month, Mobile Money provides non-cash payment service to clients in remote areas and has a limit of VND10 million.

Huy said that fintechs and banks still have opportunities to increase the use of services. A survey by Cimigo in 2019 showed that even in cities, only 30% use Mobile Banking and 29% use e-wallets for payment.

Meanwhile, the latest survey of the firm conducted in 2020 showed that the fastest population growth is seen in people up to to 12 years old in rural areas, and 50 years old and up in cities.

Telecom carrier, fintech cooperation

While emphasizing the great advantages of large telcos in providing Mobile Money, he said that fintechs, especially developers of well-known apps such as MoMo and ZaloPay, can work with mobile network operators to improve users' experiences.

The two sides can take advantage of each other's customers and business experience to increase revenue and expand operations.

Fintechs have experience in providing intermediary payment services, and can help network operators design convenient and friendly features for Mobile Money.

Users' spending behaviors in e-payment will help mobile network operators design more attractive services to Mobile Money users. Fintechs will also have new data for exploitation.

Once Mobile Money users realize the convenience of cashless payment and want to improve their experience with other services, they will be motivated to create bank accounts and access multifunctional services, including e-wallets. And this will benefit fintechs.

Huy cited Viettel Pay as an example, The e-wallet is a super-app with 10 million customers. The experience from Viettel Pay deployment will help Viettel popularize Mobile Money to clients.

Non-cash payments to rise

Both Huy and Pham Nguyen Anh Huy, also from RMIT University, believe that Mobile Money will increase the number of cashless payment transactions, especially in remote areas.

If Mobile Money is attractive with its low service fee and convenient transactions, even people who have bank accounts and live in urban areas will use Mobile Money as well.

The launch of the Mobile Money program under the Prime Minister's decision also promotes non-cash payment and the use of financial services. This will take full advantage of the infrastructure and database of the telecom network, reduce costs, expand non-cash payment on mobile devices, and bring benefits to users.

Citigroup to exit consumer banking in Vietnam

America's Citigroup will exit 13 international consumer banking markets, including Vietnam, to shift its focus to four wealth centers.

The move is part of the bank's strategic decision to direct investments and resources to businesses with the greatest scale and growth potential, it stated, adding its main markets will include Singapore, Hong Kong, the United Arab Emirates and London.

Apart from Vietnam, 12 other markets to be affected are Australia, Bahrain, China, India, Indonesia, South Korea, Malaysia, the Philippines, Poland, Russia, Taiwan and Thailand.

"While the other 13 markets have excellent businesses, we don't have the scale we need to compete. We believe our capital, investment dollars and other resources are better deployed against higher returning opportunities in wealth management and our institutional businesses in Asia."

The bank has not specified when it would leave Vietnam. Citigroup in 1994 became the first U.S. financial institution licensed to open a branch in Hanoi. It opened its second branch in Ho Chi Minh City in 1998.

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E-COMMERCE

Experts: E-commerce to grow solidly in 2021

Vietnam's e-commerce market will maintain its solid growth trajectory this year, analysts said at a ceremony announcing Vietnam's E-Business Index within the framework of the Vietnam Online Business Forum on April 20.

Speaking at the event, a representative from the Vietnam E-Commerce Association (VECOM) said enterprises have become more dynamic and gradually adapted to e-commerce. The growing number of online consumers has resulted in growth in retail, ride-hailing, food delivery, online payments, training, and marketing.

Nguyen Binh Minh, member of the VECOM executive committee, said e-commerce is growing primarily in Hanoi and Ho Chi Minh City, and consumers are spending more on luxury and high-value goods or saving to buy necessities.

Trinh Khac Toan from Amazon Global Selling Vietnam said e-commerce is developing strongly, with growth of 22% recorded over the last five years, which is expected to exceed 20% in 2021 alone.

Experts said the E-business Index in 2021 was based on three criteria: human resources and infrastructure in information technology, e-commerce transactions between businesses and consumers, and between among businesses.

Notably, HCM City still led the index with 67.6 points, ahead of Hanoi with 55.7 points and Da Nang 19.

The southern province of Dong Nai rose to fifth place, behind Binh Duong, with 11.14 points. The northern port city of Hai Phong moved down to sixth place from third.

During the 2016-2020 period, the e-commerce gap between Hanoi and Ho Chi Minh City and other localities remained virtually unchanged.

Experts forecast that online businesses will grow 29% during the 2021-2025 period, and Vietnam's digital economy is expected to reach 52 billion USD by 2025.

Figures from VECOM show that Vietnam's e-commerce market increased 16% last year to over 14 billion USD. Of this, online retail grew 46%, ride-hailing and food delivery 34%, and online marketing and games 18%. Online tourism, meanwhile, fell 28%./. VNA

Shopee's rise sends rivals scrambling in Southeast Asian internet battle

In front of an open-air Jakarta restaurant, delivery drivers clad in the orange colours of Southeast Asia tech group Sea Ltd wait for orders next to the green-jacketed riders of market leaders Gojek and Grab, in what has become the latest battleground for tech supremacy in Southeast Asia.

The humble noodles eatery signed up for Sea's nascent ShopeeFood service a month ago, but "immediately, there were orders everyday," said manager M.A Rasyid.

Riding on the success of a cash-generating gaming business, U.S.-listed Sea has invested heavily in its Shopee e-commerce brand and successfully taken on Alibaba's Lazada and other rivals in recent years. Its share price has risen five-fold over the past year, giving Singapore-based Sea a market value of $111 billion.

Now it is muscling into food delivery and financial services in Indonesia, the world's fourth-most-populous country, posing a new threat to regional rivals including ride-hailing and delivery unicorns Grab and GoJek.

At stake is a slice of the more than 400 million internet users in Southeast Asia's digital economy, which is estimated to triple to $309 billion by 2025, according to a study by Google, Temasek and Bain & Company.

Tech behemoths, including Tencent, a major investor in Sea, Alibaba, Google and Softbank Group Corp, are big backers of regional champions.

Sources say Sea's aggressive expansion is one driver of merger discussions between Gojek and e-commerce platform Tokopedia. The Indonesian firms aim to create an $18 billion powerhouse to fight off Sea and regional giant Grab.

Meanwhile, Grab and others, including travel app Traveloka and Indonesian e-commerce unicorn Bukalapak, are rushing for public listings, hoping to ride the coattails of Sea's stock rally while defending their turf, according to Reuters interviews with over a dozen people.

"Sea is like Thanos, massive and powerful, and able to take down half of the world, or in this case half the startups," Willson Cuaca, co-founder of East Ventures and an early backer of Tokopedia, joked as he compared Sea to the powerful villain in the Marvel film series.

"Like the Avengers, companies need to band together if they want to ensure their survival and to win the war."

Sea's stock rally reflects a scarcity of options for investors seeking exposure to the booming Southeast Asia internet sector. It went public in 2017 and has raised some $7 billion in share and debt sales, with early investor Tencent now holding a stake of about 20%.

That investor appetite, combined with a need to raise cash to match Sea's muscle, is forcing rivals to seek listings as quickly as they can, bankers and executives familiar with the matter say.

Sources say the Gojek-Tokopedia merger, which is likely to be finalised within weeks, will be followed by a Jakarta listing in the second half of 2021, then a mega IPO in the United States targeted for 2022.

Grab and Traveloka, for their part, aim to accelerate the process by merging with special purpose acquisition companies, sources said. Bukalapak is planning the same, after a 2021 Jakarta IPO.

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ENERGY

Trung Nam Group completes largest wind farm in Vietnam

Trung Nam Group inaugurated the last phase of its wind farm yesterday in the central province of Ninh Thuan's Thuan Bac district, making the 152 MW farm the largest in Vietnam.

The finished wind farm worth VND4 trillion (US$172.4 million) would produce 423 million kWh of electricity per year. Combined with the solar power plant of 204 MW, which was expected to produce 577 million kWh electricity per year in the same province, the group ran the largest renewable energy of solar and wind power complex in the country and Southeast Asia, said Trung Nam Group.

The 152 MW wind farm that Trung Nam Group finished yesterday in Ninh Thuận' Province is the largest in Vietnam.

Nguyen Tam Tien, general director of the Trung Nam Group said: "The event marks an important turning point for the group in its sustainable energy development orientation."

Tien said Trung Nam's 900 ha renewable energy complex was directly connected to the national grid system through Thap Cham 220 kV transformer station. The total annual output of the complex was expected to reach between 950 million kWh and 1 billion kWh of electricity per year.

Tien said: "Different from developing solar power projects, developing wind power projects is more complicated due to large investment costs, more time for transport and installation of equipment, especially in the more difficult context of the COVID-19 pandemic."

He said with the experience of a leading energy group, Trung Nam Group has overcome those challenges and completed the third phase of the project.

In the construction, the group collaborated with world leading qualified and professional partners such as Enercon and Sany.

In detail, the project's turbines supplied by Enercon company from Germany could operate with low wind speeds of 2 -2.5m per second and the ability to catch the wind with an average speed of 7.1 m per second. They are the turbines with the largest capacity in the country so far.

Trung Nam said using the advanced equipment, they could reduce the land occupied to only 0.14 ha per MW, lower than the average land use rate of 0.35 ha per MW for other wind farms, significantly contributing to the efficient use of national resources in Vietnam.

Along with the wind farm, so far, the group has put into operation two solar power projects in Ninh Thuận Province and Trà Vinh Province with a total capacity of over 360MW. Last year, Trung Nam Group became the first private investor in Viet Nam to build and run the transformer station, a 220 / 500KV transmission line and a 450 MW solar power plant successfully.

According to Trung Nam's leader, the group was actively implementing plans to bring 900 onshore, offshore and offshore wind pillars to projects in localities such as Dak Lak, Gia Lai, Tra Vinh and Ninh Thuan. Implementing other energy projects in Viet Nam, it targeted to bring 10GW to the national grid by 2027. — VNS

Conditions in place for offshore development

Reducing the cost of capital for offshore wind power projects in Vietnam will be the main driver for lowering electricity costs and encouraging investment in such projects, argue several international energy experts, with the right government policies needed to be implemented quickly to follow through with the country’s energy development schedule.

Refrigeration Electrical Engineering Corporation (REE) is planning to work with foreign investors to pilot an offshore wind power project with a total capacity of about 2,000-3,000MW, according to chairman Nguyen Thanh Mai at the company’s annual general shareholders’ meeting on March 30.

Electricity being in short supply and the future increase in selling price while coal and oil power sources pollute the environment were cited as the core factors by Mai to convince REE’s shareholders to invest in the company’s new project. She hopes to get a “good price when investment costs fall to about 10 US cents per kilowatt-hour and offshore wind prices will be at 11 US cents per kWh.”

Capacity higher than target

The combination of strong winds, shallow water, and skilled workers is an ideal condition for Vietnam to develop offshore wind power. According to data from the Energy Conservation Research and Development Center (ENERTEAM) under the Department of Science and Technology of Ho Chi Minh City, 11 provinces have developed separate plans for wind power, including Thai Binh, Quang Tri, Ninh Thuan, Binh Thuan, and Dak Lak.

Tran Quang Cu, an expert of ENERTEAM, found that the total planned installed wind power capacity of these 11 provinces was “much higher than the national target”, about 2,600MW by 2020 compared to 800MW; and about 15,700MW by 2030 compared to 6,000MW for the whole country.

Cu realised that when funding wind power in this country, many investors encounter various problems related to the appraisal process, project approval time, and access to preferential credit capital from the state or official development assistance, while high investment rates would also lead to a long payback period.

Currently, 91 wind power projects with a total installed capacity of about 7,000MW have been added to the national wind power plan, and 250 projects, accounting for around 45,000MW, are waiting to be added to the plan.

Power purchase agreements (PPAs), according to Cu, are still a barrier to the development of wind power. As of June last year, about 31 projects have had PPAs with Electricity of Vietnam (EVN) with a total capacity of 1,662MW expected to be put into operation in the 2020-2021 period. If on time, by the end of 2021, the total installed capacity of wind power could amount to around 2,200MW, reaching 36 per cent of the planned target by 2025.

Under the current PPA, EVN is exempt from payment obligations, even when it is unable to receive electricity to the grid due to a transmission or distribution network failure of EVN. But Cu said that up to now, there is no "penalty mechanism in Vietnam if EVN does not receive electricity even if the state-owned company does not cooperate to implement it".

Ideal conditions

Cooperative research from Vietnam, Ireland, and Japan has used statistical models to show that the annual average wind speed at 100m height can reach around 9-10m per second in many of Vietnam's coastal areas.

The study also showed that energy density is equally large in some areas of the south-central coast and the Gulf of Tonkin and reaches capacities of over 50GWh per square kilometre per year. Only in the waters around Phu Quy or Bach Long Vi islands, the potential for the installed capacity could be around 38GW each, with the technical potential within a range of 185km from the shore on the territorial sea reaching 500-600GW or more.

According to the International Energy Agency, Vietnam could become one of the major offshore wind power centres in Southeast Asia. Data from the Ministry of Industry and Trade as of last September showed that the country had a total of 67 promising nearshore power projects, with a capacity of nearly 10GW and 14 offshore wind power projects with a capacity of nearly 30GW, which means that the total number of upcoming projects will be around 40GW.

The development of intertidal and nearshore wind power in Vietnam has been driven by government policies, including feed-in tariffs. However, at the moment, there is no official definition or specific policy for offshore wind power projects in Vietnam.

Up to now, no offshore wind farm has been established in Vietnam. The country is in the early stages of offshore development, and projects focus on coastal and intertidal or nearshore areas that are easier to invest in and come with shorter development periods. Developers are calling on the government to secure the industry, which will allow them to invest. The government can do this by setting offshore wind power goals as well as a dedicated offshore wind policy.

Given the existing conditions, Vietnam can benefit from a complete supply chain in Asia including wind power developing markets such as Taiwan, Japan, China, and South Korea – which is an important factor to reduce investment costs.

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RETAIL

Lotte Group to shut down restaurant business Lotteria in Vietnam?

Fast-food restaurant chain Lotteria – a subsidiary of the Republic of Korea's Lotte Group – could close its Vietnamese franchise due to tepid performance.

The famous South Korean hamburger chain Lotteria of Lotte Group may shut down its business in Vietnam, after its closure in Indonesia.

Lotte Group's restaurant business unit (Lotte GRS) has been shutting down its Lotteria restaurant chain in Indonesia in 2020. Furthermore, the Republic of Korea (RoK) giant also implied that it would close down Lotte Group's food material supplier in Vietnam, which was established in early 2020 to expand Lotte GRS' business in neighbouring Southeast Asian countries.

According to Lotte GRS and Lotte Holdings, Lotteria hamburger chains overseas are being shut down due to the COVID-19 pandemic. Lotte GRS' overseas office in Indonesia is currently undergoing liquidation.

Lotteria franchises in Vietnam have all stopped operations and its headquarters in Seoul is reviewing the possibility of closing down the business within 2021, according to Koreatimes.

As of 2020, Lotte GRS boasted two overseas franchises, which was Lotteria Indonesia and Lotteria Vietnam. After Lotte Holdings was established in 2017, it took control of the overseas restaurant business.

Lotteria Indonesia, which operates more than 20 stores there, is in the process of closing down due to its losses.

Specifically, Lotteria Vietnam did not make any profit for Lotte GRS last year. Lotteria Vietnam's book value stood at KRW26.8 billion (more than $24 million) as of early last year, but declined to KRW15.6 billion (nearly $14 million) after losses. Its net loss surpassed KRW10 billion ($8.97 million) in one year.

Vietnam is considered as one of the most critical markets of Lotte Group since its very first entrance to the country in 1990.

According to Korea Times, Lotte GRS planned to expand its business to neighbouring countries using Vietnam as a regional base by building a raw material company. In July last year, Lotte Food – an affiliate of Lotte GRS – also invested in a new Vietnamese corporation. However, the adverse impact of the COVID-19 pandemic has delayed further progress.

"Lotteria Vietnam and others have met the requirements for closure starting this year," said the company representative.

From manufacturing to retail: Japanese investors' appetite in Vietnam sees shift

Japanese companies are eyeing the retail sector in Vietnam, hoping to take advantage of a growing middle class and rising incomes.

Uniqlo staff welcome customers at the first outlet in Hanoi

Food company Meiji recently announced the establishment of Vietnam operations with a charter capital of JPY200 million ($1.8 million) to import and sell infant formula, according to the Saigon Times.

Vietnam has around 1.5 million births a year, 70 percent more than Japan, and the number is projected to grow, it said.

Conglomerate Sojitz Corporation has tied up with Vietnam Livestock Corporation, a subsidiary of dairy giant Vinamilk, to import, process and sell beef in Vietnam.

Vietnamese consume nearly 500,000 tons of beef a year, half of Japan's, and the figure is set to rise with a growing population and increasing incomes, it said.

In November retail chain Muji opened its first outlet in Ho Chi Minh City's District 1.

Pharmacy chain Matsumoto Kiyoshi opened its first outlet in HCMC in October and plans to have 10 in the next three to five years.

Fashion brand Miki House opened its first store in Ho Chi Minh City last year and is preparing to open one in Hanoi.

Existing retail brands are expanding.

Aeon opened a mall in Hai Phong City in December, its sixth in the country, and plans to have 20 by 2025.

In March fashion brand Uniqlo opened its seventh outlet in the country in HCMC.

Hirai Shinji, chief representative of the Japan Trade Promotion Organization in HCMC, said in recent years there has been increasing Japanese investment in non-manufacturing sectors in Vietnam.

For decades Japan has been a major investor in Vietnam, and was second only to South Korea as of last year with total investment exceeding $60 billion, and global names like Honda, Toyota, Panasonic, and Canon have factories in the country, he said.

But investors' focus seems to have changed in recent years, with the growing income of Vietnamese becoming an attraction, and many Japanese companies seeking to serve the expanding middle class in Hanoi, HCMC and other places, he said.

The country's rapid economic growth and success in containing the Covid-19 pandemic are also major factors in attracting Japanese investment, he said.

"In 2021 we will see many Japanese manufacturing and service companies coming to Vietnam and existing ones expanding. They will not only build factories in HCMC and surrounding localities but also seek opportunities in the Mekong Delta."

Vietnam's retail market was growing in double digits before the pandemic, and expanded at 6.8 percent last year to $172 billion.

Not surprisingly, Osamu Ikezoe, CEO of Uniqlo Vietnam, told the media that business has been beyond expectations.

The company would stick to its strategy of opening large outlets in prime locations in Vietnam in the coming years, he added.

Shinji said improvements are needed to infrastructure and supply chains to attract more Japanese investment.

For instance, companies in the Mekong Delta have to transport their goods to HCMC to export due to a lack of infrastructure in their region, he pointed out.

The supply chain needs to improve since Japanese companies in Vietnam are only able to source 37 percent of the items they need locally compared to 68 percent in China and 60 percent in Thailand, he quoted JETRO surveys as saying.

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LOGISTICS

Vietnamese, US firms join hands to develop aviation infrastructure

More than 80 state-owned and private enterprises from Vietnam and the US discussed cooperative opportunities at a recent virtual conference as both sides are making preparations for the launch of direct flights between the two countries.

Leading US firms such as Autodesk, Boeing, Collins, Aerospace, Haskell, Honeywell, Mitre, Rapiscan, JBT Aerotech, Turner Construction and Tyco Security, among others, shared experience and solutions in airport development, as well as highlighted opportunities to boost the Vietnam-US collaboration in this field.

At the event, the US Federal Aviation Administration, the US Transportation Security Administration, the US Department of Commerce and the US Trade Development Agency said they would work closely with the Vietnamese sides to develop a safe and effective air transportation system.

The US agencies are working to provide technical and financial support for the Vietnamese side.

Meanwhile, representatives from the Civil Aviation Authority of Vietnam (CAAV) and Airport Corporation of Vietnam (ACV) shared information on Vietnam's aviation infrastructure development plans.

Earlier, Bamboo Airways was licensed by the US Department of Transportation to carry passengers and cargo between Vietnam and the US. It will use wide-body Boeing 787-9 Dreamliner to fly directly from Hanoi/HCM City to international airports in the US.

Experts evaluated the market potential between the two countries is at about 700,000 passengers per year, while only 30,000 – 60,000 passengers per year are needed to open the direct flight.

In term of legal aspects, in 2003, Vietnam and the US signed an aviation agreement that allows carriers of the two countries to operate direct flights with a frequency of one flight per day or fly over to a transition country before departing from the US.

In 2010, the CAAV reviewed and reassessed the agreement, concluding there are no restrictions or obstacles on passengers, flight frequency to apply for permission to open flights connecting Vietnam and the US.

And after 10 years of efforts, in early 2019, the CAAV obtained the US CAT-1 certificate. This is a prerequisite for Vietnamese airlines to apply for permits to fly to the US and to codeshare with US airlines. The FAA will continue to evaluate the capacity of each Vietnamese carrier. – VNA

Suez Canal incident: Vietnam's perspective

On March 23, 2021, on the way from Tanjung Pelepas Port (Malaysia) to Rotterdam Port (the Netherlands), the Ever Given, a container ship, ran aground when moving along the Suez Canal.

Although it was freed on March 29, 2021, the consequences are dire. The blockage of the canal has been cleared now. What are its implications for Vietnam?

The Suez Canal was blocked for days, so many ships were stuck, causing delays in delivery and disrupting the global supply chain, which was already in trouble.

Impacts on Vietnam

With a capacity of over 20,000TEU and a length of 400m, the Ever Given is one of the world's biggest container ships and was fully loaded when it was lodged. The impacts of the incident extended far beyond the goods it contained.

Although the route passing through the Suez Canal is the shortest to link Asia and Europe, the incident has affected not only trade between Asia and Europe but also that between Asia and Northern America. The Cosco Shipping

Peony, a 13,500-TEU container ship that transports cargo from North America to Vietnam, planned to enter Cai Mep - Thi Vai Port (CM - TV) on April 6 but was stuck in the Suez Canal and had to shift the expected arrival date to April 12. As of March 29, almost 180 other ships shared the same fate with the Cosco Shipping Peony and had to wait to enter the Indian Ocean. Some of them are also bound for Vietnam.

Exports from Vietnam to both Europe and North America have been hampered, too. The Arnold Maersk, an 8,000-TEU container ship, had to head towards the Cape of Good Hope to avoid the Suez Canal. The route was more than 6,000km longer and cost US$400,000 more and the delivery period was extended by at least a week.

The time taken for containers to wait for the obstruction to be cleared and then to pass through the canal not only breeds delays but also triggers unintended consequences. After the Suez Canal has been cleared, major ports in Europe and Asia may be under strains since many ships enter them within a short period. Feeder ships must also wait for mother ships at transshipment ports, so smaller ports in Asia will be in trouble, too. In April 2021, ports in Vietnam may face this problem.

Besides, container ships from Europe and North America to Asia not only carry cargo but also have empty containers, so that they can be loaded with export products. The severe shortage of empty containers in Asian countries, including Vietnam, will be worsened by the incident.

An undesirable consequence is that shipping charges may soar and other fees will rise, too.

Many maritime experts say that as of April 5, shipping charges for main routes such as Asia - Europe and Asia - North America were yet to rise, but those for routes linking Asia to South Africa, Western Africa and South America climbed up. Given Vietnam's export profile, this will not leave significant impacts yet.

Other implications

There are other implications that Vietnam's authorities and enterprises should pay attention to.

First, the incident pertains to giant container ships. The Ever Given is among the world's biggest, and while controversy still simmers over their benefits and drawbacks, over 600 container ships of more than 10,000TEU are in operation and almost 200 are being built. When these ships meet with accidents along routes of strategic international importance, the impacts will be severe, with the incident in the Suez Canal as a case in point.

Since Vietnam operated deepwater container ports at CM - TV (2009) and Lach Huyen (2018), these giant container ships have entered the country at a greater frequency and incidents, while less serious than that in the Suez Canal, have arisen.

In May 2011, the container ship Grete Maersk ran aground at CM - TV and took three days to rescue. In June 2018, the container ship ZIM New York was also stuck at CM - TV and took one day to free. In June 2019, the Nagoya Express got into an accident after leaving Lach Huyen port.

Collision with the cranes (US$5 million) caused the latter to be out of order and the export of Vietnamese goods to be delayed. While there were no serious chain effects, a question remains—what will happen if container ships of 14,000-18,000TEU, far greater than the 5,000-9,000TEU capacity of the above container ships, run aground?

There has been feedback from port and shipping firms that CM - TV and Lach Huyen routes do not meet design standards, but solutions (which involve dredging) have not been efficiently implemented.

Consequently, ships docking at CM - TV and Lach Huyen are not only loaded below their capacity but also confronted with risks. This issue was brought up when former Prime Minister Nguyen Xuan Phuc, now State President, visited Ba Ria - Vung Tau on March 20. It is hoped that the Suez Canal fiasco will compel related agencies to promptly address this problem to minimize risks in Vietnam's shipping industry.

The supply chains of Vietnamese firms will be hampered to some extent by the Suez Canal incident. Materials may arrive late and some export orders may not be fulfilled as scheduled. While such an incident is unexpected, similar ones may occur, spelling trouble for supply chains.

Fragile supply chains have plagued many firms since Covid-19 spread. Many enterprises have pondered how to adjust their production models. Just-in-time models, which rely on accurate forecasting and reliable transport services, are gradually replaced by just-in-case models, under which firms must maintain inventories in case delivery incidents arise. Soren Skou, CEO of A.P. Moller-Maersk, one of the leading and most renowned container lines, has also suggested enterprises embrace this shift.

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INVESTMENT

Key export sectors the target of M&As by foreign investors

Several of Vietnam's key export sectors, such as textile-garment, leather-footwear, and electronics have become magnets for merger and acquisition (M&As) activities, posing a risk of leading enterprises in those sectors being purchased by foreign investors.

An advantage of Vietnam's textile-garment industry is low labour costs, and it was also identified as one of six sectors on a list of supporting industry products prioritised for development.

The country has become the "footwear factory" of the world, while the domestic market boasts a population of more than 96 million.

Vietnam is also establishing itself as the world's electronic manufacturing hub, with FDI continuing to flow into the sector over recent years.

Tran Phuong Lan, an official from the Vietnam Competition and Consumer Authority at the Ministry of Industry and Trade (MoIT), said that apart from existing development potential, opportunities created by bilateral and multilateral free trade agreements (FTAs) have also fuelled those industries' development.

For example, she noted, under the EU-Vietnam FTA (EVFTA) that took effect on August 1, 2020, 42.5% of import tariffs on textile-garment products were immediately eliminated, while those on leather-footwear items will be gradually cut to 0%. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which came into force on December 30, 2018, abolished tariffs on Vietnam's textile-garment products exported to other member countries.

A recent study of COVID-19's impact on certain main industries in Vietnam noted that there have been signs of M&As surging in the textile-garment, footwear, and electronics sectors over the last three years.

In 2018, Japan's Itochu Corporation spent US$47 million on purchasing nearly 10% of shares in the Vietnam National Textile and Garment Group (Vinatex), raising its stake to almost 15% and becoming the second-largest shareholder, after MoIT.

Notable M&A deals last year included the one between the Taekwang MTC Vietnam Co Ltd and the Jin Heoung Vina JSC in the leather-footwear industry, and the one between the Zenith Electronics LLC and Luxoft USA Inc in the electronics industry.

Investors from the Republic of Korea, who have continually conducted large-scale M&A deals in Vietnam, also tend to select sectors with potential, like textile-garment, leather-footwear, and electronics.

Economic experts cited the experience of other countries as showing that to ensure effective M&A activities and protect the interests of all sides involved, it is necessary to perfect related legal regulations, especially those on information transparency, and set up a regular consultative mechanism between the MoIT and the Ministry of Planning and Investment to develop an M&A database for key industries like textile-garment, leather-footwear, and electronics.

Vietnamese enterprises should proactively diversify technical solutions to keep information transparent, identify their targets in M&A deals, and analyse partners to avoid risks during negotiations.

In particular, experts noted, in M&As involving foreign firms, businesses should have a good grasp of market information and carefully assess foreign investors regardless of the deal's value.

Nguyen Thi Tong, former Vice Chairwoman and former Secretary-General of the Vietnam Leather, Footwear and Handbag Association, recommended that as the leather-footwear and handbag sector is one of Vietnam's five key export industries, businesses should make proactive moves to boost their capacity and co-operation via M&As within their sector, to secure sustainable development. — VNS

Vietnam's first high-potency drugs zone opens in Bình Dương

Davipharm, a member of Adamed Group and manufacturer of generic drugs, has set up a high-potency drugs zone for the production of cytotoxic/cytostatic oral solids in Bình Dương, the first of its kind in Vietnam. These are oncological drugs in hard-shell capsules, tablets and coated tablets.

According to new regulations from the Ministry of Health and guidelines from the World Health Organization, European Medicines Agency and the Pharmaceutical Inspection Co-operation Scheme, the production of certain products containing hazardous ingredients must be done at separate facilities that meet certain criteria.

Davipharm' s high-potency drugs zone in Bình Dương Province. This is Vietnam's first HP drugs zone for the production of cytotoxic/cytostatic oral solids.

Speaking at a ceremony held to announce the news in HCM City on April 16, Michal Wieczorek, Davipharm's CEO, said the HP drug zone will provide high-quality oncological drugs to Vietnamese patients.

"Currently 8 out of 10 people in Vietnam die from non-communicable diseases (NCDs), including cancers. This is also why Davipharm decided to be the first domestic drug manufacturer to become a partner of the Ministry of Health in the prevention, early detection and treatment of NCDs in Vietnam."

Davipharm's portfolio includes 28 high-potency drugs, including for the treatment of leukaemia, breast, pancreatic, colorectal, stomach, cervix, prostate, and lung cancers, and glioblastoma.

The company has an annual capacity of 500 million units of HP drugs and 1.8 billion units of other drugs.

In 2017 Adamed Pharma, a Polish pharmaceutical and biotechnology company acquired controlling stakes in Davipharm, one of the fastest-growing drug companies in Vietnam.

Vietnam's first HP Zone for the production of oncological drugs in solid form is an important milestone in terms of investing in high quality. — VNS

Vietnam to become hotspot for high-tech investment

With expectation to develop into a leading digital economy in Southeast Asia over the next decade, Vietnam is also witnessing a strong inflow of high-tech investment swelling performance in the region.

Since last year when Vietnam acted as ASEAN chair, the country has set out a goal of boosting and cementing digitalisation among ASEAN member states. Vietnam has also been bettering its policies and regulations in a bid to woo further investment into its IT industry.

This target is suitable to the 2019-2025 ASEAN Digital Integration Framework Action Plan which was passed in September 2019 by ASEAN economic ministers in Thailand.

At present, digital transformation and digital-based economic development are considered efficient tools to help further cement the ASEAN Community's intra co-operation.

According to a report titled "Digital platforms and services: A development opportunity for ASEAN" released by The Economist Intelligence Unit and commissioned by the Asia Internet Coalition (AIC), it is estimated that the Southeast Asian region could witness another US$1 trillion added to its aggregate GDP by 2025 if the digital economy can thrive.

Countries in the region are boosting the development of digital economy strategies in order to reap full benefits of the internet economy, which is largely dependent on people being able to use digital platforms and services, such as e-commerce and cross-border data flows, the report said.

According to the Ministry of Industry and Trade's Department of E-commerce and Digital Economy, currently, one of the firm foundations for developing the digital economy in Vietnam is the boom of e-commerce. Success in e-commerce development will help Vietnam to soon reach its goals and successfully develop its own digital economy.

Vietnam is now home to more than 24,250 websites with e-commerce applications. The country also has as many as 143.3 million mobile phone subscribers, 62 million social network users and 62 million internet users, while 72 per cent of the nation's population of nearly 100 million are smartphone users.

According to the Central Institute for Economic Management, the Fourth Industrial Revolution will likely raise Vietnam's GDP by US$28.5 to US$62.1 billion, equivalent to a rise of 7-16% from now to 2030.

Attractive location for investment

In this trend, Vietnam has established itself as one of the most attractive investment markets in Southeast Asia. In particular, the ICT industry and its digital economy stand out as the most promising. The Ministry of Information and Communications (MIC) has envisioned that the country will become a leading digital country and economy in Southeast Asia by 2030 and will allow testing of new technologies in the digital economy.

Vietnam is being eyed as a profitable land for global technology firms that want to introduce their solutions in many industries.

Japan's ICT giant Fujitsu has been deploying its new business strategy in Vietnam. Since 1999, when it came to the nation, Fujitsu had been providing products to Japanese businesses here only. Nevertheless, the company has gradually expanded its partner network to non-Japanese enterprises, the government, ministries, and agencies who boast growing demand.

Since 2017, Fujitsu has also been focused on providing not only hardware for storage equipment, servers, desktops, laptops, and tablets, but also application software in healthy industry, business management, and IT solutions in environment and security.

Many other Japanese IT firms have also visited to Vietnam to explore opportunities, such as NEC, NTT Data, and IIJ. Many wish to either market products or set up representative offices in the country.

Meanwhile, M-Security Technology Pte Ltd, a subsidiary of multi-national company M.Tech Singapore, is distributing many security products for US-backed IT Blue Coat Group in Vietnam. M-Security Technology is also engaging in a number of large bidding packages in cybersecurity in Vietnam.

In addition, many foreign IT companies such as Singapore's Parasoft, US' Hewlett-Packard Enterprise, US' Intel Security and Israel's CheckMarx are also looking for more partners in the country.

Jeff Paine, managing director of the Asia Internet Coalition (AIC), said, "Today, we are seeing a shift higher up the technology value chain towards software development and digital application-based services. These foreign investments are critical to Vietnam, especially for transfer of knowledge and international best practices, which will support the development of a local ICT industry that is globally competitive," Paine said.

Regional innovation drive

While ASEAN member states are joining hands to enhance innovation in order to covert the bloc into a digital one, the whole region is an attractive destination for global companies and investors.

According to The Economist Intelligence Unit, Southeast Asia is increasingly producing its own set of innovative internet companies that aspire to enter new markets. There are initiatives throughout the region's economies that support this trend, including the development of special economic zones seeking to draw investment and encourage information exchanges, and government efforts to promote digitalisation and the internet economy.

MSC Malaysia, for example, is a special economic zone near Kuala Lumpur that targets both international investment and the development of local businesses. So far over 3,000 companies have taken root in the zone.

In Vietnam, FPT is an example of a local firm going global rapidly, including expansion into Europe, North America, Japan, and nearby ASEAN member states. FPT now operates in 45 countries and employs more than 23,000 people.

Meanwhile in Singapore, the government has been using many initiatives to foster the digital economy. In addition to smart city development plans, Singapore has been implementing many types of projects such as improving e-government service delivery to citizens, along with open government data-sharing with the private sector and standardised e-payments.

“The ASEAN region holds great promise, from advanced technologies to large markets. At the same time governments across the region are increasingly interested in digital economy strategies that can benefit both socio-economic development and local and global private-sector companies to provide a win-win situation,” stated the Economist Intelligence Unit report.

Vietnam’s policy

Last year, the Politburo promulgated Conclusion No.77-KL/TW on overcoming the impacts of COVID-19 for national economic recovery and development. The conclusion underscored the need for Vietnam to develop a digital government, a digital economy, and a digital society with renovations and the application of science and technology.

“Resources are gathered to develop a number of shared technological platforms and national key database systems,” stated the conclusion. “It is necessary to boost the formulation of policy frameworks and complete legal frameworks for new business models and for digital transformation.”

In addition, the Vietnamese government also passed a national programme on digital transformation until 2025, with a vision to 2030.

Together with the Politburo’s Resolution No.52-NQ/TW released on September 27, 2019, on some guidelines and policies to actively partake in the Fourth Industrial Revolution, and Conclusion 77, this programme is considered a major addition to Vietnam showing its strong determination to become a digital economy, in which new products, services, solutions, and business models are accepted in tandem with the country’s gradual completion of legal frameworks.

Within its digital economy development programme, the government aims to develop four kinds of digital firms, including major trade and service groups to shift to digital technology investment and core technology; IT companies concentrating on research and development, and production; digital start-ups focused on creating new products; and enterprises with innovation in digital technology.

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