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VIETNAM BUSINESS REVIEW

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FINANCE

Vietnam is region's largest gold market: WGC

Vietnam is the largest gold market in Southeast Asia, according to a recent study of the World Gold Council (WGC).

The WGC also announced the country among the top 10 markets in the world, saying consumer demand for gold in Vietnam reached 39.8 tonnes in 2020, higher than the demand of 37.6 tonnes in Indonesia and 9.4 tonnes in Singapore.

The study of 2,000 local investors in March last year also said gold is the top asset class for 68% of Vietnamese investors while the outlook for the precious metal was positive, adding 81% of people who bought gold considered buying more. The average rate for buying more gold is 45% globally.

According to the WGC, demand for gold in Viet Nam is still very high as Vietnamese people believe gold helps fight inflation and currency fluctuations, helping investors feel secure in the long run. At the same time, new demand for gold also arises by buying gold on digital platforms or through available channels such as a bank.

In the study, 76% of respondents were in favour of opening a gold investment account at a bank to support and formalise the gold market.

"Research shows demand for gold in Viet Nam is strong and there is support to develop new investment products such as buying gold through digital platforms or opening a gold investment account," Andrew Naylor, director in charge of ASEAN at the World Gold Council, said.

Ending yesterday, SJC gold price was bought at VND55.2 million (US\$2,379) and sold at VND55.6 million (\$2,396) per tael. Compared with gold prices listed on the global site of Kitco at \$1,785 per ounce (\$2,142 per tael), each tael of gold in Vietnam was \$254 higher than the world price. — VNS

FPT invests in Base.vn

Vietnamese leading technology company FPT Corporation officially announced its strategic investment in Base.vn on Tuesday, a popular Vietnamese corporate governance platform.



The value of the investment is not revealed but FPT said that it would own the majority stake.

The deal will see the two sides promote the perfect digital transformation ecosystem for 800,000 Vietnamese enterprises.

Founded in 2016 and officially launched in 2017, after more than four years of development, Base.vn

has become a reputable business management platform and is trusted by 5,000 customers spanning many scales and fields.

Built with openness, Base.vn integrates FPT solutions and will immediately bring more than 100 digital transformation solutions onto the Base.vn platform. Base.vn products also inherit the latest core technologies from FPT Corporation such as FPT.AI, Blockchain, Cloud, and digital signature to provide more effective solutions.

With its branch network in 26 countries, FPT will also help Base.vn compete fairly in the global market.

The powerful synergy between an open and smart technology platform, where all the applications for Base.vn businesses were available, and the vast experience, core technology capabilities and strong workforce of FPT would create a new impetus to promote the digital transformation of 800,000 Vietnamese enterprises, contributing to the digital economy for a mighty Vietnam, Khoa added. — VNS

Japan's Sumitomo Mitsui Finance Group acquires 49% stake in FE Credit

VPBank on Wednesday signed an agreement to sell a 49% stake in FE Credit to Japan's Sumitomo Mitsui Finance Group (SMFG) in a transaction that values the non-bank lender at US\$2.8 billion. SMBC Consumer Finance Company (SMBCCF), a subsidiary of SMFG, bought the stake.

Through this transaction, FE Credit is expected to receive support in capital resources, management capacity and experience in the consumer finance sector in Asia from SMBC Group, especially SMBCCF - a leading consumer finance company in the Japanese market. At the same time, this transaction will add a large amount of capital to VPBank, contributing to enhancing the bank's financial potential to capture new investment opportunities in the market.

For SMBC Group, the investment in FE Credit is part of the group's mid-term strategy to expand its business base in Asia. SMBC Group expected that this investment would create synergy in both sharing and acquiring business know-how of its partners.

FE Credit is currently the leading consumer finance company in Vietnam with approximately 50% market share, 20,000 service referrals nationwide, and over 13,000 employees. During the development process, FE Credit has consistently carried out the mission of "meeting the need to access official credit capital of all classes of the population in order to improve the quality of life". With small loans, FE Credit is especially focused on serving middle and low income earners - a segment which has not yet been served by banks - to help reverse their dependence on "black credit". FE Credit has served nearly 11 million Vietnamese people through its unsecured loan products and services so far.

SMBC is one of the three largest financial and banking groups in Japan, with total assets of over \$2.1 trillion as of December 31, 2020. The group operates globally in retail banking, corporate banking, and investment banking, with a presence in more than 40 countries. SMBCCF is the leading consumer finance company in the Japanese market with more than 900 branches nationwide. In the Asia region, SMBCCF has established subsidiaries in Taiwan, Hong Kong, Thailand, and China. — VNS

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E-COMMERCE

Vietnam's digital economy to hit \$52 billion by 2025

Vietnam's digital economy will likely reach US\$52 billion in value by 2025, according to the e-Conomy SEA 2020 report by Google, Temasek and Bain & Company.

With gross merchandise value (GMV) of its internet economy accounting for more than 5% of the country's GDP in 2020, Vietnam is emerging as the most digital of all economies in the region, the report said.

Last year, the Vietnamese internet economy hit double-digit growth at 16% year-on-year, the highest in Southeast Asia.

The report noted all sectors except travel continued to grow in 2020, of which transport and food, and online media grew 50% and 18% compared to 2019. Only online travel dropped 28% in terms of GMV but is expected to grow 25% by 2025.

"This year's seismic consumer and ecosystem shifts have advanced the internet sector in unimaginable ways, putting it in a stronger position than ever," the report said.

Nguyen Quang Dong, Director of the Institute for Policy Research and Communication Development, said the digital service industry is recording the fastest growth and is suitable with Vietnam's strengths with a young population who love technology and social networks.

Digital technology and the digital economy will be key drivers helping Vietnam increase workplace productivity, escape the "middle-income trap", and realise the objective of becoming a middle developed economy by 2040, the official said.

Vietnam's internet infrastructure and digital payment services remain limited, however, while the country still lacks a legal framework for digital assets, he said, stressing that the legal model of the 20th century no longer suits the digital economy.

Dong also underlined the need to promote international co-operation, especially in building new regulations and enforcing them through legal frameworks for the region.

A study by the Institute for Global Leadership under the US-based Tufts University revealed that Vietnam ranks 48th out of the 60 countries and territories globally in terms of rapidly switching to a digital economy and 22nd in digitisation development.

Over the last five years, with the boom of smartphones, the internet, and social networks, digital technology and digital transformation have developed rapidly in Vietnam, shaping a fledgling, dynamic digital economy with great potential.

Vietnam's digital economy is made up of four main groups: e-commerce, online tourism, digital communications, and logistics technology.

The country, together with Indonesia, leads in digital economy growth in Southeast Asia.

The two pacesetters are both posting growth in excess of 40% a year.

Vietnam's internet economy is also booming, reaching \$12 billion in 2020 and recording a 38% annual growth rate since 2015.

Another study by Australia's Data 61 forecasts Vietnam's GDP may add an additional \$162 billion in 20 years if the country's digital transformation is successful.

Experts have said that Vietnam possesses strengths in human resources and Government support, so the country could create a dynamic wave to strengthen the development of its digital economy.

The Party and State have outlined plans to build policies and programmes to join Industry 4.0, focusing on applying and developing science and technology, promoting innovation, and improving the quality of human resources.

Then-Prime Minister Nguyen Xuan Phuc on December 30, 2020, issued the National Strategy on the Industry 4.0 by 2030, to fulfil the goals set in a Politburo resolution which outlines policies guiding Vietnam's active involvement in Industry 4.0.

The strategy's objectives are to take full advantage of opportunities presented by Industry 4.0 and fundamentally master and broadly apply advanced technologies in different social and economic fields.

Under the strategy, Vietnam will aim to enter top 40 performers in the Global Innovation Index (GII), the top 30 in the International Telecommunication Union (ITU)'s Global Cybersecurity Index (GCI), and the top 50 in the United Nations' e-Government Development Index (EGDI) by 2030.

The country also aims to raise the proportion of the digital economy in national GDP to 30% and boost productivity by 7.5% annually on average. Other targets are to achieve universal access to fibre-optic internet and 5G services, completion of digital government development, and the establishment of smart cities in key economic zones nationwide, and connection with regional and global networks of smart cities. — VNS

Competing with Chinese goods on online shopping platforms: pressure to perform

Under pressure from foreign goods on e-commerce sites, Vietnamese businesses should take advantage of their internal strengths to compete.

Ms. Uyen from Ho Chi Minh City is an example of a customer who has sought items from overseas online sites. She has recently turned to buying dresses and lipsticks from Chinese sellers on Shopee, an online shopping platform. Uyen said that fashion products from China are cheap, with diverse models, and the shipping cost is cheap.

"A dress in China is priced for around VND100,000, while Vietnamese products of the same kind are sold from VND200,000-VND300,000. A lipstick in China is priced a few ten-thousands dong. Products are very

diverse in designs. Shipping fees from China to Vietnam are only about VND17,000, and down to just VND7,000 or even VND2,000 if the bonus code is used. Delivery fees from Hanoi to Saigon are sometimes up to VND40,000," Uyen explained.

Many Vietnamese customers are buying goods from China via e-commerce sites like Shopee, Lazada, and Tiki. Fashion products, cosmetics, phone accessories, home decorations, stationery, gardening tools and others, with diverse designs from foreign sellers, are ready to serve domestic needs.

Global landing of Chinese goods

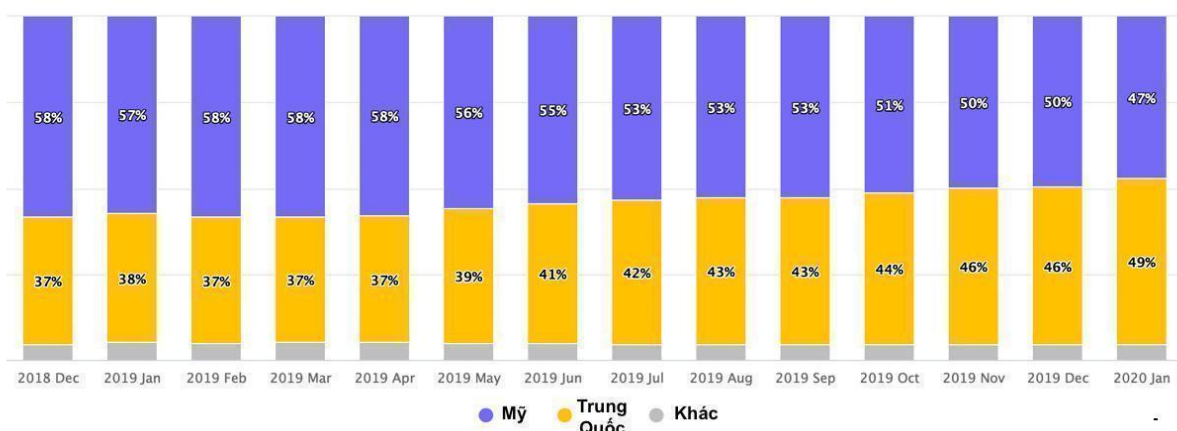
A source from Lazada told VietNamNet that there are tens of thousands of foreign sellers on the site, but he did not reveal the specific number. Meanwhile, an e-commerce site - Sendo - said they have about 500,000 sellers.

Alibaba and Tencent have large stakes in Lazada and Shopee. Tiki also takes capital from JD.com. Therefore, the fact that goods from China are available on these floors is easy to understand. Through Lazada and Shopee, Chinese goods are available throughout Southeast Asia.

In fact, Vietnam is among the countries that is behind others in cross-border e-commerce.

Ms. Quah Mei Lee (Frost & Sullivan) said that cross-border e-commerce in Southeast Asia is small, and is expected to account for about 10% of the world market by 2025. But it is a market with huge potential. Vietnam, Indonesia and the Philippines are listed in the very challenging market group, while Singapore, Thailand and Malaysia are the main development markets.

Even on Amazon, Marketplace Pulse's statistics show that among the top sellers, China has surpassed the US. Specifically, in January 2020, the number of Chinese stalls accounted for 49% compared with 47% from the US. Two years earlier, China accounted for only 37% compared with 58% from the US. This statistic is about the top 10,000 sellers with sales of \$1 million or more on Amazon.



The proportion of Chinese sellers in the top 1,000 businesses on Alibaba has increased sharply. (Source: Marketplace Pulse)

Among the top 100,000 sellers, China accounted for 58%, the US 36%. However, of the top 1 million sellers, China accounted for only 37% and the US 50%, and the rest were sellers from other countries.

In India, a country with a movement to boycott Chinese goods, the Ministry of Commerce and Finance decided to ask Amazon, Flipkart and many other e-commerce platforms to attach country of origin to goods sold on these sites. Since August 1, 2020, these online shopping sites have gradually added the country of origin for goods.

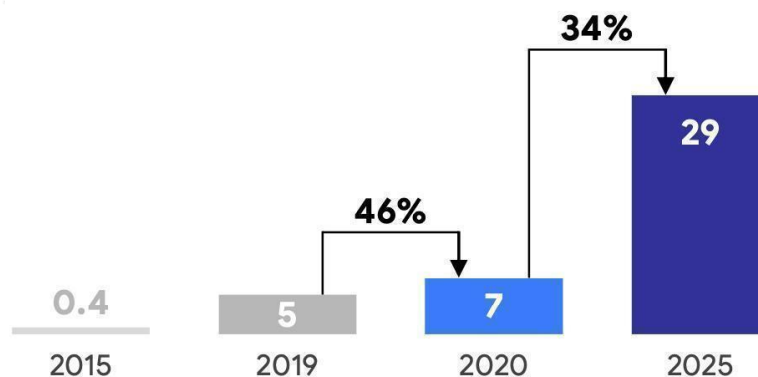
Cross-border e-commerce here to stay

E-commerce has become a lever to help Chinese goods circulate globally. Thanks to these platforms, Vietnamese goods also have the opportunity to expand their markets to the world.

Mr. Tran Thanh Hai, Deputy Director of Import and Export Department (Ministry of Industry and Trade), said that cross-border e-commerce is a trend that now exists on a global scale. Vietnamese businesses need to seize the opportunity to exploit the scale of exports worth up to \$200 billion.

Currently, the number of Vietnamese businesses joining global e-commerce platforms is increasing. According to statistics, there are about 1,000 businesses on Alibaba and about 200 on Amazon. In particular, the number of Vietnamese sellers with sales exceeding \$1 million on Amazon increased by three times in 2020.

Ms. Dang Tuyet Dung, Director of Visa in Vietnam and Laos, told VietNamNet that after the outbreak of Covid-19, payments made on domestic and cross-border e-commerce sites increased many times compared to the previous time. Vietnamese put money into services of Google and Facebook, and bought goods on Amazon.



The scale of e-commerce in Vietnam is expected to reach \$29 billion by 2025. (Source: Google)

Under the impact of Covid-19, Vietnam’s e-commerce grew at a rate of 35% last year. Cross-border e-commerce in Vietnam is among the fastest-growing in Asia Pacific.

However, Mr. Tran Thanh Hai recommended that, in addition to opportunities brought about by global integration, Vietnamese businesses also face international competition.

Ms. Dang Tuyet Dung said that when participating in global business, local businesses need to know the way platforms operate, the payment methods, and international payment assistance.

“Another important thing is prestige. Enterprises, whether doing business domestically or internationally, need to ensure the quality of goods and services in order to compete,” Dung said.

This is also the approach of many businesses when facing competition from cheap goods from China. For example, in the US, businesses are advised to increase product quality, use the label Made in USA as a brand, and at the same time ensure the quality of goods by certification granted by prestigious agencies of the country such as USDA, EPA and CPSC.

Another advantage of domestic goods is also the ability to deliver quickly. Cross-border goods usually take a week or more to reach customers. Domestic firms are therefore advised to speed up delivery in order to compete with foreign goods.

Vietnam is considered a country with great potential to develop cross-border e-commerce thanks to its advantages in the manufacturing industry, and an abundant supply of labor, with many young talents and a large online community.

However, to develop this field, Dr. Vu Duy Nguyen, from the Faculty of Tax and Customs at the Academy of Finance, proposed that the Ministry of Industry and Trade replicate the model to support connections between domestic businesses and major e-commerce platforms in the world such as Alibaba, Amazon and Ebay.

Cross-border e-commerce opens up opportunities for Vietnamese products to be sold globally, but, along with it, is the entry of international goods into the domestic market. This is an opportunity for Vietnamese businesses to look back and adapt to the new business environment.

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ENERGY

Vietnam could lead region in renewable energy development: German news

Vietnam will soon lead Southeast Asia in renewable energy development, Germany's Energiezukunft news outlet highlighted in a recent article, describing the country's energy transition as very impressive.

Vietnam is experiencing a solar boom, with 11.6GW of power of this kind added to the national grid last year, according to the International Renewable Energy Agency.

Only 105MW of solar electricity was installed in the country in 2018, and the figure rose to 5GW only a year later, and even to 16.5GW in 2020, the article said, adding this is a considerable increase compared to other nations at the same time.

As demand for energy in the Southeast Asian country is forecast to shoot up dramatically, big players in the field have invested heavily in solar energy plants. Last summer, a 45MW plant was put into operation in the central province of Ninh Thuận by Sharp Energy Solutions Corporation, contributing some 76MWh per year. The firm is carrying out another five 245MW plants in the country.

The successful solar energy story in Vietnam was sparked by a special market mechanism, which drew much interest from investors. Due to purchasing power at fixed prices, investors sell the renewable energy they create to the grid at a fixed price – one that would more than cover the cost of investing in renewable energy facilities.

Vietnam could carry out more bidding mechanisms for solar projects, in which all renewable energy projects not subject to the fixed price mechanism are able to join.

The Vietnamese Government is planning to double the power capacity in the next 10 years. Accordingly, 29% of the nation's electricity will come from renewable energy source by 2030, and 18% from hydropower.

The capacity of renewable energy is envisioned at 45GW, much higher than the previous plan of 27GW – the level which is achievable within 2021 or next year at the latest.

Although the energy transition is taking place rapidly, coal-generated electricity accounts for 28% of the nation's total power. However, renewable energy is set to take the lion's share by 2045. — VNS

Samsung Vietnam wants to buy renewable energy directly from producers

Samsung Vietnam has asked the government for a renewable energy pilot project that will enable the company to buy electricity directly from producers, instead of through the monopoly distributor Vietnam Electricity.

At a meeting with Vietnamese Minister of Industry and Trade Nguyen Hong Dien last week, Choi Joo Ho, CEO of Samsung Vietnam, suggested that the ministry support the company to join the direct power purchase agreement (DPPA).

Nguyen Anh Tuan, director of the Electricity Regulatory Department, said the Ministry of Industry and Trade welcomes all companies meeting the requirements to participate in the DPPA. Besides Samsung, three or four other big companies also want to join the program.



Samsung's smartphone factory in Vietnam

According to the ministry's DPPA draft, manufacturing companies with minimum 22 kV power lines will negotiate and buy electricity directly from power plants. They must be committed to using renewable energy and buying at least 80% of the agreed amount of power in accordance with the contract in the first three years.

Solar and wind farms with a capacity of at least 30 MV are eligible to join the agreement. They will have to begin commercial operation within nine months of joining the program. Besides, they

must have documents proving financial support from credit institutions.

With a total capacity of some 1,000 MW, the DPPA pilot program is set to start this year and run until 2023.

Samsung is the single-biggest source of exports from Vietnam. Production in Vietnam accounts for half of the smartphones shipped globally by the South Korean electronics giant.

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RETAIL

Retail sales, service revenue hit 73.5 billion USD in four months

The total retail sales and service revenue surged 10.02 percent year-on-year to 1.695 quadrillion VND (over 73.5 billion USD) in the first four months of 2021, according to the Ministry of Industry and Trade (MoIT).

Hanoi - The total retail sales and service revenue surged 10.02 percent year-on-year to 1.695 quadrillion VND (over 73.5 billion USD) in the first four months of 2021, according to the Ministry of Industry and Trade (MoIT).

Retail sales of goods in the January-April period were estimated at over 1,352.7 trillion VND, up 9.8 percent against the same period last year.

Increases were seen in the sales of textiles (up 11.8 percent), food and foodstuff (up 11.5 percent), vehicles (up 11.1 percent), and cultural and education products (up 9.5 percent).

Revenues from accommodation and catering services in the four-month period was estimated at 164.5 trillion VND, up 10.1 percent year-on-year.

Central Retail launches its largest shopping mall in Thai Nguyen

Central Retail in Vietnam on Thursday launched its GO! Mall & GO! Hypermarket on Viet Bac Street in Tan Lap District, Thai Nguyen City.



On a total area of 36,000m² and with an investment of VND540 billion (US\$23.2 million), this is the largest and most modern shopping mall of Central Retail in Vietnam. It is expected that GO! Thai Nguyen would attract around 300 business associates to provide a wide range of products from essential goods, fast-moving consumer goods to innovative and entertainment services for people in the province.

Trinh Viet Hung, Deputy Secretary of the Provincial Party Committee and Chairman of the provincial People’s Committee, welcomed the investment of Central Group in Thai Nguyen Province. He urged local businesses to take advantage of this opportunity to promote local products to the people in the province and in the nearby localities.

Thai Nguyen Province is a key industrial and economic centre in the North. The well-established infrastructure and the strategic geographical location enables the province to enhance the locals’ living standard and boost GDP annual growth.— VNS

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LOGISTICS

Vietjet bounces back in first quarter

Vietjet Aviation Joint Stock Company has released its financial results for the first quarter of 2021 with positive indications of recovery.

According to the company's press release on May 4, the quarterly revenue and post-tax profit of Vietjet's parent company totaled 2,845 billion VND (approx. 23.3 million USD) and 110 billion VND (4.77 million USD) respectively. Its consolidated revenue and consolidated post-tax profit for Q1/2021 were 4,048 billion VND (175.7 million USD) and 123 billion VND (5.3 million USD), respectively. Vietjet gained such profit from investments in finance and projects and develop new aviation services to offset the stagnant air transport business.

Vietjet has also transferred all of its owned treasury shares in the first quarter to strengthen its balance sheet and cash flow in support of the air transport sector.

The airline still maintained its efficient cost control through innovative and creative programmes and measures to cut back on expenditures while optimising fleet operations with a 52 percent of cost reduction and a year-on-year decrease of 39 percent of costs for ancillary sale and administration.

Vietjet has transported nearly 3.6 million of passengers on more than 21,000 flights over the first three months of the year. Its On-time Performance (OTP) rate has stayed at the global high of over 90 percent.

Vietjet was one of the first airlines to have fully resumed the domestic flight network and even opened more new routes to meet the increasing travelling demand post-Tet holiday and in the summer. Such routes have helped localities to kick-start their economic recovery.

The airline has also introduced several promotions including the zero Vietnam dong tickets, voucher offerings worth of 100,000 VND and 50,000 VND or a free 20kg check-in luggage.

Apart from passenger transport, Vietjet has come up with different measures to increase the ancillary revenue which now accounts for nearly 50 percent of the airline's total revenue.

Its cargo services have also turned more diverse in terms of product range which was developed closely based on the sentiment of the logistics market in order to meet the mounting cargo delivery demand. In Q1/2021, Swift247 Joint Stock Company, which has 67 percent of shares owned by Vietjet, has launched a new online air cargo services named SWIFT Mega to deliver heavy freight on Vietjet's extensive flight network. In total, Vietjet has transported 18,000 tonnes of freight in the first quarter of 2021.

The airline has won the "Belly carrier of the year" and the "Low-cost carrier of the year" awards by cargo magazine Payload Asia in late January this year.

Paying an extra attention to the safety and health of the passengers and the flight crew, Vietjet has been strictly following the COVID-19 prevention measures of the World Health Organization (WHO), th

International Air Transport Association (IATA), aviation authorities and health agencies to help passengers and flight crew stay safe. Vietjet was hailed as one of top 10 safest and best low-cost airlines in the world in 2020 by AirlineRatings. It also received the highest safety ranking of 7 stars regarding COVID-19 prevention measures implemented by airlines.

In the coming months, Vietjet is focusing on digital transformation to maximize its capabilities and operating effectiveness. It is also pushing ahead negotiations with services suppliers for appropriate discounts while proactively looking for alternative sources of revenue like air cargo and extended aviation services. The airline plans to carry out financial investments and projects to ensure its business strategy is done in an effective and sustainable manner.

Vietjet has installed the second flight simulator (SIM) at Vietjet Aviation Academy (VJAA) which is expected to start operating in May, 2021. It will fundamentally increase the VJAA's training capabilities, making it one of the most modern and advanced training facilities in the region for aviation manpower in Vietnam and the world.

Vietjet is expected to kick off a series of technical and physical infrastructure projects plus an investment in a technology park. The airline is stepping up preparations to welcome top aviation experts and activities, aiming to make Vietjet one of the top airlines in the world./.

World Logistics Passport expands in Vietnam

The World Logistics Passport (WLP), a unique loyalty programme established to increase trading opportunities between emerging markets, is expanding in Vietnam.

The Vietnam Logistics Business Association (VLA), a leading trade body, has registered as a partner and signing a framework agreement. Vietnam's status as a WLP Hub builds on the signing of a Multimodal Trade Cooperation Agreement between Dubai's Ports, Customs and Free Zone Corporation (PCFC) and the VLA in 2019, a statement said.

Vietnam is the fifth country in Asia to commit to the WLP, after Thailand, Indonesia, Kazakhstan and India. More than 10 countries are now part of the major policy initiative – with global trading Mega-Hubs including Brazil, India, and South Africa, amongst others. Major multinational corporations including UPS, Pfizer, Sony, Johnson & Johnson, and LG have also signed up.

The VLA connects domestic and foreign freight forwarders, transport, and logistics service providers – contributing to the cultivation of industry and enterprise in Vietnam, as well as the country's overall economic performance. As one of the most dynamic emerging economies in East Asia, Vietnam's GDP per capita increased by 2.7 times between 2002 and 2018, lifting more than 45 million people out of poverty, according to World Bank figures.

Latest estimations show the economy is set to grow 6.6 percent in 2021, despite the ongoing COVID-19 pandemic. The VLA was selected by Vietnam's Prime Minister, Phạm Minh Chính, to implement a series of objectives to grow the country's logistics industry under its Action Plan for Enhancing

Competitiveness and Development of Logistics Services – including bringing the industry's contribution to GDP up to 10%.

Signed by Le Duy Hiep, Chair of the VLA, the framework agreement follows the leading trade body's registration as a partner and endorses the WLP's mission to strengthen and grow trade between regions and countries. Le Duy Hiep said: "Trade is critical to our country's continued economic prosperity in the impact of the Covid-19 Pandemic. The successful implementation of this Agreement will surely enhance the relationship between our two countries and contribute to developing the trade between Vietnam and the rest of the world.

Mike Bhaskaran, CEO, WLP, said: "In 2021, we've seen the WLP go from strength to strength – validating a concept conceived at the World Economic Forum in Davos in 2020. As we approach our inaugural WLP Global Summit later this year, which will chart the way forward for the future of freight and logistics, I'm proud we're expanding in Vietnam and welcoming the VLA on board.

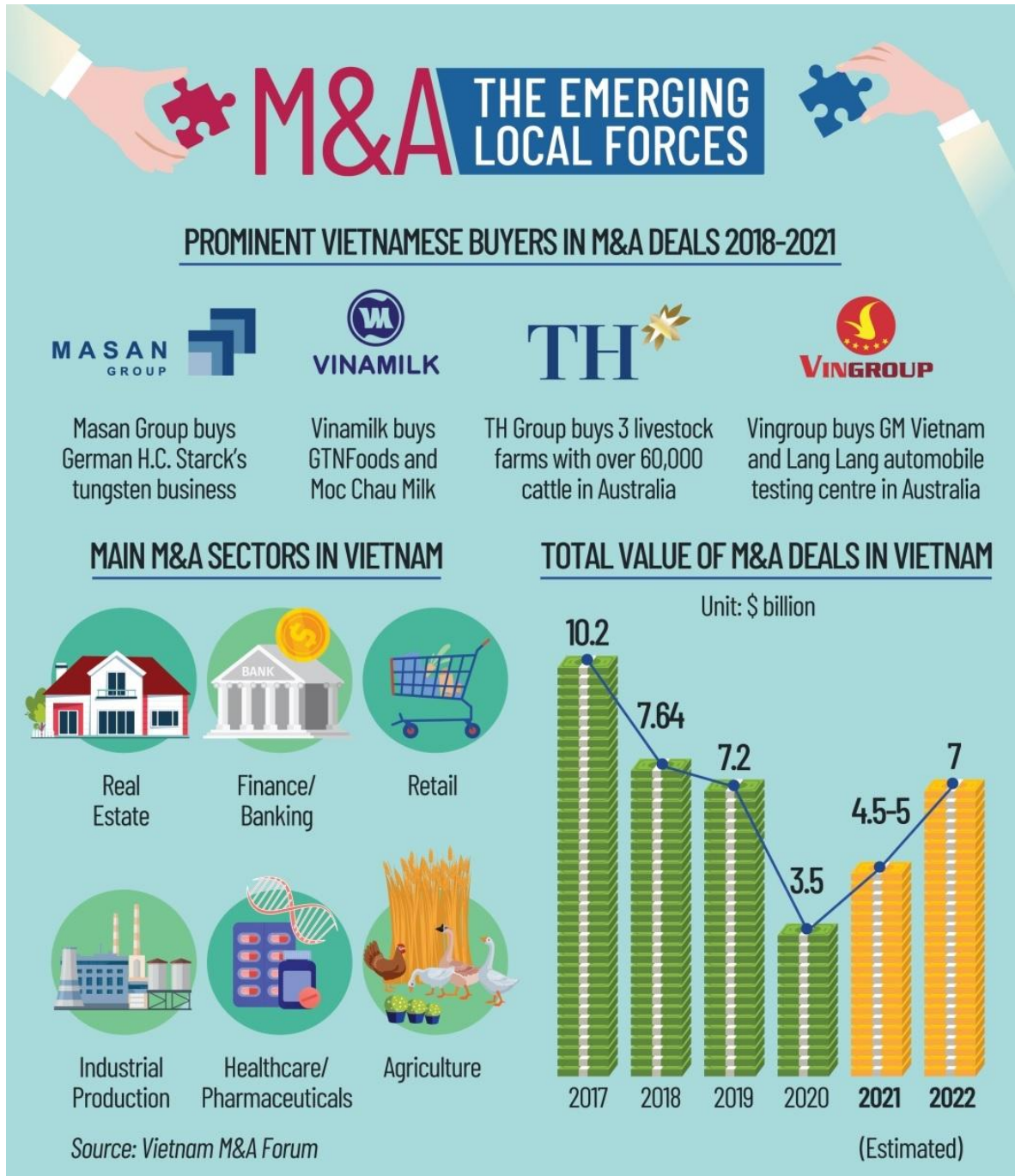
The WLP creates opportunities for businesses across Africa, Asia, Central and South America to improve existing trading routes, and develop new ones, through the world's first logistics loyalty programme for freight forwarders and traders. It overcomes non-tariff trade barriers by fast-tracking cargo movement, reducing administrative costs, advancing cargo information and facilitating movement between ports and air. — **TradeArabia News Service**

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INVESTMENT

Vietnamese buyers cross the ocean for M&A transactions

A recent significant jump in Vietnam's investment abroad, raising direct funds, and mergers and acquisitions are slated to help local companies quench the thirst for high-quality capital, improving their international status, and expanding their customer bases.



Vietnam's overseas companies have been gaining momentum in moving international capital, investing across a broad spectrum of sectors ranging from natural resources and manufacturing to telecommunications and many others.

Fresh data from the Ministry of Planning and Investment (MPI) reveals that in the first four months of 2021, Vietnam's total newly- and additionally-granted overseas investment capital reached \$545.9 million, up nearly eight-fold on-year.

Some 18 projects were granted new investment registration certificates, with the total registered capital of \$142.8 million, an increase of 2.7 times on-year. Furthermore, there were nine projects with adjusted investment capital of \$403.2 million, up 25.5 times on-year.

The country's largest dairy producer Vinamilk was in February granted a certificate of offshore investment by the MPI to establish a joint venture in the Philippines with the initial fund of \$6 million.

Vinamilk and its partner will hold 50% of the joint venture which will import and distribute the group's dairy products in the Philippines market.

The company has reported stellar financials in recent times thanks to the upbeat performance of its overseas subsidiaries. Angkormilk enjoyed a 20-per-cent increase in 2020, while its joint venture with Kido Food, VibeV, is capitalising on Vinamilk's export network of 30 countries and territories.

Leading the way

In another case, Military Bank (MB), one of Vietnam's major lenders, is leveraging its tremendous potential and financial might to increase its foothold in the Southeast Asian market, especially Cambodia, where last month it converted its branch into a wholly-owned bank.

In addition, MB plans to transfer 36-49% of its subsidiary's charter capital to a foreign strategic partner. The bank believes that its customers will benefit as they are well-served by a professional multinational financial group with a wide range of services, especially in money transfer, investment activities, and supporting cross-border business transactions.

"We firmly believe that the establishment of MB's subsidiary in Cambodia will significantly increase the bank's footprint there, as well as enhance our financial capacity," said CEO Luu Trung Thai.

"The banking arm will lay a concrete foundation for us to explore vast potential of the Cambodian market, especially in the insurance and securities sectors. Along with IT infrastructure and digital banking services, MB is ramping up efforts to become the leading digital bank in Cambodia by 2025 and be among the top lenders in the micro finance sector of this country," Thai added.

When it comes to telecommunications in Laos, people often think of Unitel – a Star Telecom brand, which is a joint venture between Viettel Group and a Lao company. Unitel now garners more than 3.3 million subscribers, and accounts for 56% of the telecoms market share in Laos.

Viettel Global JSC – the overseas subsidiary of Viettel – has just announced its 2020 consolidated results with net revenue from operating activities of approximately VND19 trillion (\$826 million) and pre-tax profit of approximately VND1.201 trillion (\$52.2 million).

Viettel’s major growth driver is its solid business in foreign markets, including significant contributions from Mytel in Myanmar and Natcom in Haiti.

Viettel Global is one of the most exemplary cases of Vietnamese business overseas, with its affiliates dominating their respective markets. Last year, the company earned VND9.14 trillion (\$397.4 million) in revenue from Southeast Asia and VND3.2 trillion (\$139.13 million) from Latin America, separately.

In February, Asian media was in a stir over the rumoured takeover deal between Vingroup and LG Electronics, the fourth-biggest “chaebol” in South Korea. Vingroup has emerged as the most potential bidder to acquire LG Electronics’ smartphone production line as an important milestone for the Vietnamese group to penetrate the United States. However, LG Electronics’ discussions to sell its mobile phone factories to Vingroup fell through as the Vietnamese leading private conglomerate’s bid did not match expectations.

Satisfying the rules

On the same note, last month, VinFast - the automobile arm of Vingroup - and Bamboo Airways revealed fundraising activity plans that involved possible listing on the New York Stock Exchange.

According to Bloomberg, VinFast could be valued at around \$50 billion after a successful initial public offering (IPO), while Bamboo Airways aims to raise up to \$200 million in an overseas IPO in the third quarter of this year. The FLC Group airline subsidiary expects to secure market capitalisation of up to \$4 billion.

On the other hand, challenges still colour the landscape, because not all Vietnamese corporations can satisfy the strict regulations of international stock exchanges.

Kent Wong, partner and head of Capital Markets at VCI Legal, shared some of the issues which could pose challenges for a Vietnamese company hoping to attain an IPO overseas. “Overseas exchanges require a high level of transparency, corporate governance, and strong internal controls, and most Vietnamese companies are not ready for this,” Wong told VIR.

Furthermore, the lack of resources to ensure regulatory compliance with rules and regulations after listing on the overseas stock exchange is also a major issue hampering the IPO process. “Compliance with the overseas exchange rules would mean the disclosure of information which materially affects the company’s share price, and including internal company information, such as the appointment of officers, acquisition of assets, winding up or judicial proceedings,” he added.

According to the Ministry of Planning and Investment, in the first four months of 2021, Vietnamese companies have shown their interest in outward investment in 10 sectors.

Science and high technology took the lead with eight new projects and two adjusted ventures, with the total newly- and additionally-registered investment capital of \$270.8 million, accounting for 19.6% of the total investment. Wholesale and retail ranked second, with the total investment capital of \$147.8 million and making up 27.1%. Following were agro-forestry-fisheries; administrative activities; and support services.

There were 15 countries and territories receiving investment from Vietnam. The United States was the leading nation, with two new investment and two capital adjustment projects, with the total registered investment capital of \$302.3 million, accounting for 55.4% of the total investment. Cambodia came second with the investment capital of \$89.1 million, making up 16.3% of the total. Followed were France, Canada, Germany, and the Netherlands, with the total investment capital reaching \$32 million.

As of April 20, Vietnam had over 1,400 valid offshore investment projects with the total investment capital of \$21.8 billion. Mining projects made up for 36% of the total, while agro-forestry-fisheries accounted for 15.4%. Laos, Cambodia, and Russia were the most popular investment destinations from Vietnam, with 23.1%, 13%, and 12.7% respectively.

Vietnam emerges as top alternative for global supply chain shift

The number of US-based companies seeing Vietnam as a top sourcing market has doubled over the past four years as a result of the global investment relocation trend from China.

Hong Kong-based QIMA specialised in providing supply chain compliance solutions has just released a survey of over 700 companies across the globe. Of this, the number of US-based respondents selecting the Southeast Asian country as the leading sourcing location has doubled against four years ago, to 43% in early 2021.

Similarly, 25% of EU companies also listed Vietnam as one of the three leading sourcing markets in this year's first quarter, down 15% on-year but up 11% against the same period of 2019.

Of all establishments switching to suppliers in new geographic regions last year to avoid COVID-19 impacts, nearly one-third revealed that the 100-million population country is one of their best options. For US-based business, the rate was even higher, at 40%.

QIMA also forecast the trend to continue this year. Of the companies asked for finding new suppliers over the next 12 months, 38% of US-based establishments and 28% of those from the EU stated that they are planning to relocate some sourcing to Vietnam or buy more from current suppliers there. On the other hand, only 6% of US-based brands and 11% of those from the EU were looking for suppliers in China.

Also, US-based respondents showed some signs of dissatisfaction with Chinese sourcing. While one-third of them are planning to purchase more from Chinese suppliers in 2021, almost as many reported plans to completely stop buying from the market.

Nevertheless, words and actions often differ. Pointedly, in the survey, 73% of companies said they had plans to look for new suppliers in 2020 but only 38% were able to follow through on those schemes. For

brands headquartered in the US, 93% declared to diversify supply chains in early 2020 but only 49% carried out these plans.

Investment into startups up 34% in first quarter

While the number of deals decreased in the first quarter of the year, capital pouring into startups in Vietnam increased significantly.

The first-quarter report of South Korean venture fund Nextrans showed that investment in startups jumped by 34% on-year to \$100 million, with foreign investors being dominant.

However, the number of deals fell 20% to 16. This decrease is quite small compared to the 20 deals in 2020 and 30 deals in 2019. Despite the reduction, the total deal value has increased remarkably by 34% on-year, excluding unannounced deals.

Foreign investors outperformed their local counterparts with nine deals, the report said. The total investment by local actors was under \$10 million, while it was \$100 million for foreign investors.

Seed funding and Series A investment, the first two stages, remained dominant, accounting for 70% of deals, much higher than in 2020 and 2019.

Fintech once again led with four of the 16 deals, followed by logistics, hospitality, real estate, education, and healthcare.

Vietnam is expected to grow at the fastest rate in Southeast Asia in terms of digital financial services revenue in the next five years, reaching \$3.8 billion by 2025, the report said.

The most notable deals in the first quarter were an investment of \$2.6 million from a group of investors led by Singaporean venture capital firm Jungle Ventures in electric motorbike brand Dat Bike, and a \$1 million investment by investment fund AppWorks in healthcare service booking platform Docosan.

There are around 180 venture funds in Vietnam, including VSV Capital – Vietnam Silicon Valley, Mekong Capital, 500 Startups Vietnam, Vietnam Investment Group, IDG Ventures Vietnam, and Nextrans while others from South Korea and Japan are also looking for opportunities to invest.

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