

# VIETNAM Business Forum

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**RESTRUCTURING REPAYMENT TIME,  
SOFTENING LOANS**

**ADOPTING VND280 TRILLION CREDIT  
PACKAGE TO SUPPORT BUSINESS**





*Tra Su cajuput forest - the most beautiful & famous in Vietnam and the longest Bamboo Bridge on the planet*



AN GIANG TOURIMEX JOINT STOCK COMPANY  
AN GIANG TOURIMEX

*Ecotourism Area*

# RUNG TRAM TRA SU

Add: Van Tra hamlet, Van Giao commune, Tinh Bien district, An Giang province  
Tel: +84 2966 522 299 - Website: [www.angiangtourimex.vn](http://www.angiangtourimex.vn)

Rung Tram Tra Su Ecotourism Area directly under An Giang Tourism Joint Stock Company, the forest is located in Van Giao commune, Tinh Bien district, An Giang province. Currently, Tra Su Cajuput Forest is one of the typical tourist attractions of An Giang province with an area of 850 hectares.

This is the most beautiful wetland forest in Vietnam with the large remaining natural habitats of the Mekong Delta; At the same time, it is also the common house of more than 150 species of plants, medicinal herbs and more than 140 species of wildlife, other rare animals.

Coming to Rung Tram Tra Su Ecotourism Area, visitors not only enjoy the fresh, poetic space of the forest, but also experience various types of interesting services, enjoy typical cuisine, diversified by the crystallization of 4 ethnic groups: Cham, Hoa, Kinh, and Khmer have lived here through centuries.

**AN GIANG TOURIMEX JOINT STOCK COMPANY IS A MEMBER OF SAO MAI GROUP**



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## VCCI Vice President Welcomes Senior Analyst from University of Western Australia

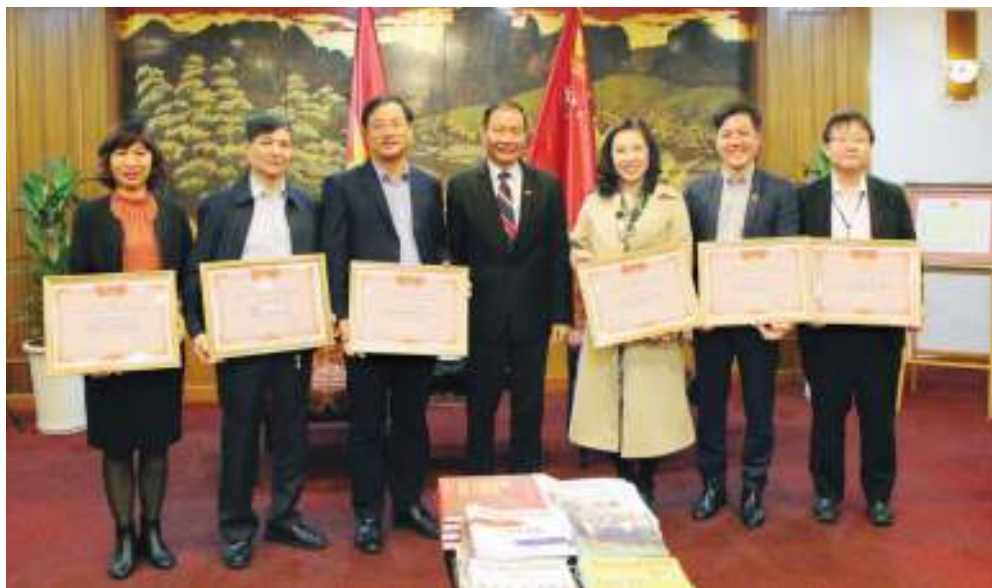
Recently, Dr. Doan Duy Khuong, Vice President of the Vietnam Chamber of Commerce and Industry (VCCI), welcomed the visit of Senior Analyst Kyle V. Springer, from the Perth USAsia Center at the University of Western Australia. The meeting aims to discuss cooperation opportunities between VCCI and the Perth USAsia Center.

At the meeting, VCCI Vice President Doan Duy Khuong cordially welcomed the working visit of Mr. Kyle V. Springer and hoped to promote the cooperative relationship between the University of Western Australia and VCCI, as well as to receive advice and ideas that help Vietnam successfully organize the ASEAN Year 2020.

Mr. Kyle V. Springer highly appreciated the dynamic development of Vietnam's economy with its young population. He stated that the working visit is to seek opportunities to strengthen the relationship between Australia and Vietnam.

2020 will be a vibrant year for VCCI as it will organize the ASEAN Business and Investment Summit (ASEAN BIS 2020), the ASEAN Business Awards 2020 and work to closely connect Vietnam's private business sector with organizations and other business sectors both in ASEAN and around the world, VCCI Vice President Doan Duy Khuong added.

As the Chairman of the ASEAN Business Advisory Council (ASEAN BAC) 2020, Dr. Khuong said that this year's theme of ASEAN BAC "Towards a prosperous and inclusive future of the East Asia region" will emphasize the impact of digitalization and connect the economic growth with social development sustainably and inclusively. The main focus of the ASEAN BAC is supporting micro-, small and medium-sized enterprises (MSMEs), the main economic growth drivers of ASEAN countries, to be ready for opportunities and challenges in the digital era along with rapid changes in the business environment, to grow stronger and more sustainable.



## VCCI Hails Business Associations for Contribution to Revised Labor Code 2019

On March 4, 2020 in Hanoi, VCCI Vice President Hoang Quang Phong awarded certificates of merit of VCCI President to seven units for their valuable contributions to the construction of the revised Labor Code 2019. The awardees included the Vietnam Electronic Industries Association (VEIA), the Vietnam Textile and Apparel Association (Vitas), the Vietnam Leather, Footwear and Handbag Association (Lefaso), the Food and Foodstuff Association of Ho Chi Minh City (FFA), the Vietnam Association of Seafood Exporters and Producers (VASEP), the Japan Chamber of Commerce and Industry (JCCI) and the American Chamber of Commerce in Vietnam (AmCham).

In the context of global international economic integration and the participation in new-generation free trade agreements (FTAs), the National Assembly's adoption of the Labor Code 2019 will create many opportunities but also pose challenges to businesses, especially in executing domestic labor policies and laws and labor standards as well. To make labor policies and laws practicable and highly enforceable, the President of the Vietnam Chamber of Commerce and Industry (VCCI) decided to set up a working group to engage enterprises to compile, inform and execute labor policies and laws and labor relations.

The composition of the working group includes VCCI, representatives of business associations, enterprises and experts in labor and labor relations.

The working group is tasked to give opinions to compiled laws; join forces to make legal documents to direct the enforcement of the Labor Code, the Law on Social Security, the Law on Trade Union, the Law on Vocational Education and other legal documents; inform and mobilize enterprises to well implement labor policies, laws and labor relations; and participate in other related activities.

Anh Mai

# Promoting Intra-Asean Trade

## Average growth rate of 5.4%

With 10 members and a population of over 650 million, ASEAN is claimed to be the most dynamic region in the world with an overall economic growth of 5.4%, while the global average is 4%.

In trade, ASEAN is also the fourth largest trading economy in the world in terms of trade in goods with a total value of more than US\$700 billion. Foreign direct investment (FDI) in ASEAN expands about 4.4%, much higher than that of other developing economies, making ASEAN the 3rd largest FDI recipient in the world.

Speaking at the high level Symposium on intra-ASEAN Trade and Investment named "Enhancing intra-ASEAN trade and investment for a cohesive and responsive ASEAN" held recently, Vietnamese Deputy Minister of Industry and Trade Tran Quoc Khanh said that the ASEAN economic community is one of the typical examples of regional benefits brought about by collective strength. The region's total trade value has increased from about US\$89 billion in 1996 to US\$520 billion in 2019. This is a spectacular growth of intra-regional trade. However, Mr. Tran Quoc Khanh emphasized, this growth is still not commensurate with the potential of the region.

"Thanks to the ASEAN Trade in Goods Agreement, 98% of import taxes have been reduced to 0 - 5%, but trade growth only reached 5.8% in 2019, lower than expected. The region's goal is to double growth by 2025, with a population of 650 million, ASEAN has become the sixth largest economy. Besides, the removal of tariff barriers will bring opportunities to promote intra-ASEAN trade," Deputy Minister Khanh shared.

Mr. Aladdin D. Rillo, Deputy Secretary General of ASEAN in charge of ASEAN Economic Community (ASEAN Secretariat) also said that intra-ASEAN trade has been on a downward trend in recent years and currently accounts for only 23%. Intra-regional trade needs to reach an average annual growth rate of 9.1% to meet the goal of doubling by 2025.

## Barriers need removing

Despite maintaining high rankings and good growth

Enhancing intra-ASEAN trade in a cohesive and responsive approach is one of the topics of interest in the working agenda of ASEAN 2020 chaired by Vietnam.

GIANG TU

momentum, ASEAN still faces many challenges. Within ASEAN, competition is still greater than cooperation between economies.

Former Deputy Minister of Foreign Affairs, Mr. Pham Quang Vinh said that ASEAN members can create a good cooperative platform. Meanwhile, in recent years, ASEAN countries have tended to cooperate outside the bloc instead of internally. In the face of challenges in promoting intra-regional trade, ASEAN needs to have trade diversity among its member countries; attaching importance to the complementarity between the intra-regional economy and the efficient exploitation of potential fields.

Deputy Minister of Industry and Trade Tran Quoc Khanh added two other major barriers to ASEAN trade and investment: non-tariff barriers and ASEAN businesses' capacity.

"Tariffs used to be the biggest barrier to trade in ASEAN, but now it's time for ASEAN to come up with documents to help businesses run smoothly. Most ASEAN companies are not big enough to reach out to the region. This is also a factor that makes the trade value and intra-ASEAN investment modest," Deputy Minister Tran Quoc Khanh emphasized.

According to Mr. Saysana Sayakone, ASEAN Senior Economic Official of Laos, if reducing policy barriers and non-tariff measures, intra-regional trade will be promoted because in fact, the ASEAN countries tend to reduce tariffs but increase non-tariff measures to protect domestic production, which will be a major challenge to promote intra-ASEAN trade. Meanwhile in ASEAN, most of the tariffs between member countries are zero, with particular emphasis on investment and services.

Chairman of the Vietnam National Committee for Pacific Economic Cooperation (VNCPEC) Vo Chi Thanh said that the first thing to do is focusing on services and logistics to meet the transition from the "original manufacturer" to "final consumers." At the same time, we should promote the digital economy, create a start-up ecosystem in ASEAN, focus on the foundation for small and medium enterprises in ASEAN such as financial access, etc. to help bolster the internal strength of ASEAN businesses. ■





# Over 30 Banks Join Switching Fee Reduction Program

In response to the switching fee reduction/exemption program launched by the State Bank of Vietnam (SBV), 15 more banks have joined the program to reduce/exempt interbank transfer fees.

According to data released by National Payment Corporation of Vietnam (NAPAS), the trading volume of 32 banks accounted for 98% of total transactions in the whole system. NAPAS's move to reduce service fees is a premise for the whole banking system to follow for the sake of people and businesses.

Among 15 new banks reducing service fees, five have exempted fees for customers conducting 24/7 inter-bank quick money transfers with a value of VND500,000 or less. MSB exempts its fees from March 2, 2020, BaoViet Bank from April 1, 2020, and VIB from March 14, 2020 to December 31, 2020.

(continued on P.17)

*In 2019, low-value transactions (VND500,000 or less) accounted for 21% of total transactions on the NAPAS system and 25% in February 2020 (during the COVID-19 outbreak).*

*Among 32 banks that are implementing fee reduction/exemption programs:*

*- 15 banks do not charge customers for 24/7 online interbank money transfers valued at VND500,000 or lower: Techcombank, MB, VietCapital Bank, VPBank, TPBank, OCB, PVcombank, SeABank, CIMB, UOB, MSB, Baoviet Bank, VIB, IVB and Nam A Bank.*

*- Seven banks are collecting VND2,000 per transaction: BIDV, Kienlongbank, Saigonbank, Coopbank, ACB, Oceanbank and Nam A Bank.*

*- 11 banks lower their fees by VND1,300 - 5,000 per transaction, equivalent to the rate cuts by Napas, depending on transaction channels and customers: Vietcombank, VietinBank, Agribank, Eximbank, Sacombank, Shinhan Bank, SHB, SCB, LienVietPostBank, IBK and IVB.*

*For further information about the program to reduce and exempt 24/7 interbank money transfer service fees, please visit the websites of relevant banks or contact the hotline of each bank.*



# Restructuring Repayment Time, Softening Loans

By March 2, 2020, as many as 23 credit institutions had reported to the SBV that there was an estimated VND926 trillion of outstanding loans caused by Covid-19 epidemic, accounting for about 14.27% of the total outstanding loans of the 23 institutions and about 11.3% of the system's total outstanding loans. Potentially affected sectors include agriculture, forestry and fisheries, import-export, accommodation, catering, food, beverages, transportation, textiles, footwear, electronics, refrigeration, oil and gas, tourism, education and so on.

QUYNH CHI

**A**t the meeting with credit institutions on banks' solutions to support those affected by Covid-19, Mr. Nguyen Quoc Hung, Head of Economic Sectors Credit Department of the State Bank of Vietnam (SBV), said that within three weeks of the meeting with the SBV, credit institutions urgently reviewed the situation of borrowers to actively develop programs and action scenarios to solve difficulties for borrowers. Credit institutions have supported more than 44,000 customers with an outstanding loan of about VND222 trillion, through measures such as rescheduling, exemption and reduction of interest on existing debts, reducing interest rates of new loans, fee exemptions, implementation credit products to share difficulties, support businesses and people to overcome losses. In particular, 20 commercial banks have aggressively implemented support solutions such as Agribank, Vietcombank,

VietinBank, BIDV, Sacombank, TPBank, VPBank, Nam A Bank, ACB, Techcombank, OCB, MB, SCB, Viet Capital, Kien Long, Eximbank, PVCombank, CoopBank, Shinhanbank and UOB.

In addition, nearly 30 commercial banks have joined hands with Napas to reduce or exempt transfer fees to share responsibility with the community and customers, helping to promote cashless payments.

The National Credit Information Center of Vietnam (CIC) has also reduced credit information service fees to help credit institutions reduce costs and lower interest rates, thereby indirectly improving access to credit.

Dr. Le Xuan Nghia, member of the National Financial and Monetary Policy Advisory Council, said that the above solution was both practical and proper. In fact, the current difficulty of businesses is not capital or interest, but the market. Interest rate support or credit support now does not make much sense, because businesses do not need to borrow. Monetary policy to support businesses by allowing debt restructuring is a very correct solution. We should not offer support credit packages on a large scale, otherwise it will be difficult to control.

In the current context, according to economic experts, in monetary policy, we don't need to adjust interest rates or credit hastily, but just support the right







subjects. The ultimate goal of current monetary policies must create macro stability, as well as create a premise and foundation to coordinate with other solutions.

SBV Deputy Governor Dao Minh Tu said that the SBV is working with relevant ministries and agencies to actively and urgently complete the legal system to create favorable conditions for both credit institutions and businesses in overcoming difficulties caused by the disease. In particular, the SBV is conducting procedures to promulgate guidelines for credit institutions to restructure loan repayment term, exempt or reduce loan interest rates, and maintain debt groups for customers affected by the epidemic.

According to the draft mechanism of supporting enterprises affected by Covid-19 to borrow capital, credit institutions and foreign bank branches can restructure loan repayment time, exempt and reduce interest rates for debts arising from credit extension activities in one of the following cases:

First, the outstanding undue debt, which the customer is assessed that he is unable to fully repay the principal and/or interest under the signed contract due to Covid-19.

Second, the debt has been transferred to overdue debt from January 23, 2020 to the date the Circular is signed due to the impact of Covid-19 epidemic. The total time for repayment rescheduling shall not exceed the time for initial credit extension under the signed contract.

Credit institutions, foreign banks' branches are allowed to keep the same debt group as classified according to the State Bank's regulations as of the latest time before January 23, 2020 for the outstanding debts of the prescribed debts. The above-mentioned time limit for repayment of

principal and/or interest is from January 23, 2020 to the next 90 days after the competent State agency announces the end of the Covid-19 epidemic, including outstanding loans which have been restructured, exempted or reduced loan interest for the period from January 23, 2020 to the effective date of this Circular and have transferred the debt group in accordance with the regulations of the SBV's previous regulations.

Therefore, under the above mechanism, the SBV has calculated the additional support period of 90 days after the end of the epidemic, creating a stepping stone for both banks and businesses. This period of time is explained by the State Bank to ensure its ability to recover customers' cash flow after the epidemic is over.

Regarding the receivable interest amount of the outstanding debt which is restructured the debt repayment term or exempted or reduced interest rate, keeping the standard debt group (group 1) as prescribed in this Circular, credit institutions and foreign banks branches are not required to account the income but follow the off-balance sheet to urge the collection. When collected, they shall be accounted as income.

Thus, according to the expected mechanism, for businesses, the debt repayment rescheduling and the debt group remain unchanged, creating favorable conditions for cash flow balancing, avoiding credit downgrading. For banks, this solution helps not record bad debt immediately, accordingly, there is no need to increase provision expenses. On the other hand, when customers have more conditions to repay the debt, the pressure of bad debt is also minimized. ■

# Adopting VND280 Trillion Credit Package to Support Business

The Vietnamese government will launch a VND250 trillion (US\$10.87 billion) credit package, a VND30 trillion (US\$1.3 billion) fiscal package and a series of other measures to assist businesses to overcome adverse impacts of the Covid-19 epidemic outbreak.

On March 6, Prime Minister Nguyen Xuan Phuc signed to enact Directive 11 with urgent solutions designed to assist companies to deal with hardships in production and business operations to accomplish their double task of fighting the plague and developing the economy and society.

Prime Minister Phuc assigned the State Bank of Vietnam (SBV) to instruct commercial banks to reduce the time needed to review borrowing requests, restructure loan repayment terms, consider lending interest exemption and reduction, maintain debt groups and lower service fees for customers entangled with the Covid-19 epidemic. First of all, commercial lenders will introduce a credit support package of VND250 trillion for this solution.

The SBV also needs to step up non-cash payments, exempt and reduce fees for electronic payment services delivered directly to users, and submit to the Prime Minister for a decision on pilot use of telecommunications accounts for small-valued mobile money services.

The Prime Minister also asked relevant bodies not to raise prices of essential goods in the first and second quarters.

The Ministry of Finance also needs to submit to the Government for introduction of a decree on extended tax payment and land rent for those affected by the Covid-19 epidemic and the progress will be reported to the Prime Minister in March. The Ministry of Finance was requested to urgently submit to the Government a policy on tax and fee exemption and reduction; propose tax and budgetary solutions to competent authorities. An estimated VND30 trillion will be used to tackle hardships against enterprises in manufacturing and business activities and ensure social security in the fight against the Covid-19 epidemic.

The Prime Minister assigned the Ministry of Transport to immediately direct and guide business entities to cut reduce logistics, air transport, road transport and rail transport costs.

One of very tough difficulties faced by businesses is input and output market shrinkages. Therefore, the Prime Minister assigned the Ministry of Industry and Trade to suggest solutions to diversify and ensure sufficient supply for domestic production; and boost exports to China and other markets.

The Ministry of Industry and Trade will seek measures to boost exports, diversify import and export markets and find new markets. At the same time, the ministry will inspect and strictly handle smuggling, trade fraud and cornering that leads to fake scarcity of goods. It will also actively deal with counterfeits in the market.

The Prime Minister also requested relevant bodies to accelerate investment disbursement to make sure that the fund for all public investment in 2019 and 2020 is guaranteed.

The Ministry of Transport and other ministries and agencies will propose competent authorities to change from public-private partnership investment to public investment for key projects such as My Thuan - Can Tho Expressway, some sessions on Eastern North - South Highway invested in 2017-2020, and the expansions of Tan Son Nhat and Noi Bai international airports.

"Those who cause late disbursement of public investment fund will be strictly punished," the Prime Minister's directive said. ■





# Who Leads Consumer Loans in Vietnam?

The consumer loan market in Vietnam is getting more attractive although the lending growth is slowing down. Which financial companies are leading this field?

In this market, the biggest players are FE Credit, Home Credit and HD Saison.

According to FiinGroup, in 2018, FE Credit, Home Credit and HD Saison held 47.3%, 16.9% and 10.1% of the market share, respectively. Their combined market share decreased slightly over 2017.

According to the State Bank of Vietnam (SBV) policy roadmap to tighten consumer loans, reduce the risk of bad debts in this business, standardize lending activities, restrict black credits and promote cashless economic development, 2019 witnessed a decline in consumer loans. The market shares of consumer finance companies shrank as a result.

However, with certain advantages in network investment, personnel and product and service policies, the three companies still have many opportunities.

In particular, cash loans or personal loans are considered an advantage of FE Credit, the key drive of high return on equity (ROE) of VPBank, its holding bank (24% in four latest years until the end of 2019). Currently, FE Credit is still increasing unsecured cash loans valued up to VND70 million, paid with

installments in 6-36 months. This can serve a wide range of customer demands. It offers products suitable for consumer needs such as buying motorbikes, buying insurance and opening credit cards.

Notably, in the coming plan, FE Credit will likely launch an initial public offering (IPO) after it was approved in principle to transform its legal status from VPBank Finance Co., Ltd (VPB FC) into VPBank Finance Joint Stock Company. If everything goes as expected, the launch of the IPO means raising a large amount of money to open up many opportunities with its new financial capacity and its new operating model, helping the company maintain its leading position in the market.

As an international financial group, Home Credit has been present in Vietnam since 2008. In more than 10 years of operation, the firm has built a network of more than 8,000 service points across 63 provinces and cities. With more than 8,500 employees nationwide, Home Credit has been

*(continued on P.12)*



# Pressures on Exporting



Although Vietnam's commodity import and export activity has been negatively affected by the Covid-19 epidemic, the value still rose by 2.4% year on year to over US\$74 billion in the first two months of 2020.

HUONG GIANG

**T**he growth of commodity import and export value in the first two months of this year was mainly boosted by Samsung's new exports. If the value of the last two months of 2019 was compared, it was a sharp drop. The trade value approximated US\$89 billion in November and December of 2019, an increase of US\$15 billion.

By market, the United States was Vietnam's largest export market in the first two months of 2020, with US\$9.8 billion, up 19.6% over the same period of last year, followed by China with US\$4.8 billion (up 3.7%), the European Union (EU) with US\$5 billion (down 7.7%), ASEAN with US\$3.5 billion (down 9.3%). Big exports included telephones and components; electronics, computers and components; machinery, equipment, tools and parts; and footwear.

ANZ Bank forecast that Vietnam would lose an estimated 0.44% of the gross domestic product (GDP) as its exports to China sank 20% in the first three months. Businesses are facing enormous hardships: Insufficient supply sources from China, inadequate labor force as a result of blockade and quarantine isolation or travel restrictions for workers and experts from China. These impacts are quite huge and negatively hurting Vietnam's exports, employment and consumption.

Some key manufacturing and exporting industries of Vietnam which depend heavily on input materials from China will be adversely hurt due to input shortages and supply chain disruptions amid limited inventories and alternative sources. Vietnam is integrating more deeply and many manufacturing industries have engaged in global supply chains, including telephone, electronics, computer, garment and textile, footwear, manufacturing, agricultural processing, iron and steel and retailing.

On the business side, Mr. Nguyen Duc Thanh, Director of Thanh Vinh Foods and Agricultural Products Import Export Co., Ltd based in Hanoi, said, "About 60% of our sales come from fresh agricultural products sold to China. However, for the time being, it is almost impossible to export to this market because of the coronavirus epidemic."

For example, for pangasius products, export shipments to China felt 50% in the first two months of 2020 due to transportation and warehousing disruptions and congestions. Chinese buyers for supermarkets and restaurants also reduced orders as people refrained from going shopping in supermarkets or eating in restaurants. This plague has inflicted a heavy blow on pangasius exporters, which are already in serious trouble. Earlier, in 2019, the pangasius export value sank 11% to US\$ 2 billion on oversupply.

However, the door is not completely closed to pangasius exporters. Fish processors in China are not working to supply fish to the world market, especially in the EU. This is also an immediate opportunity for pangasius businesses. In the U.S. market, inventories are running out. At the end of 2019, the United States officially recognized Vietnam's export inspection system equivalent to that of the United States. This is good news for Vietnamese pangasius exporters to the market, affirming Vietnam's capabilities to control pangasius quality and food safety in pangasius production and export chains.

Regarding solutions, Mr. Nguyen Tien Vuong, Deputy General Director of Hanoi Trade Corporation (Hapro), said that, in 2020, Hapro will continue expanding its market and developing new export items. Particular focus will be on key export markets such as Southeast Asia, West Asia, the Middle East, Africa and the European Union (EU).

The good news for Vietnamese exporters is 23 credit institutions exempt, reduce interest rates and reschedule outstanding loans worth VND222 trillion (US\$9.65 billion) for 44,000 customers.

The Ministry of Industry and Trade has also recommended that businesses need to boost domestic consumption and strengthen to explore new export markets in the future. On the other hand, they need to strictly follow international export practices, improve quality, carry out regulations on traceability, planting area declaration, packing facilities and other relevant requirements to meet standards agreed with importing countries, avoid risks and minimize losses in business. ■



# Reverse Effect on Industrial Real Estate


Free trade agreements (FTAs) and global trade networks will continue to push Vietnam to become a major destination for FDI flows, although this will also make the economy more vulnerable to a slump when global demand shrinks.

HUONG LY

## EVFTA impacts

The European Parliament (EP) officially adopted the EU - Vietnam Free Trade Agreement (EVFTA) and the EU - Vietnam Investment Protection Agreement (EVIPA), a momentum to boost Vietnam's economic prospects. There is only one more step to bring the full agreement into force: The approval of the National Assembly of Vietnam, which is expected to take place in May this year.

Mr. John Campbell, Senior Consultant for Industrial Services at Savills Vietnam, said, the EVFTA facilitates the Vietnamese economy to shift from exporting low-value products to higher value goods such as high-tech equipment, electronics, vehicles and medicines. Global trade networks will help Vietnam reach many different partners and make imported inputs or intermediate goods cheaper, thereby boosting the competitiveness of exports. In addition, through enhanced partnerships with foreign companies, Vietnam can reap benefits of know-how and technology transfer coupled with investments.

“As Vietnam opens its doors to EU industrial manufacturers such as 



food and beverage, fertilizers, ceramics, and building materials, tariff eliminations will also benefit the country's key export industries to the EU, including the manufacturing of electronics and smartphones, textiles and garments, and agricultural products," he said.

Vietnam's economic outlook in the medium to long-term is mostly positive. The World Bank forecast that the country's real GDP growth will remain robust at 6.5% in 2020 and 2021, Mr. John Campbell added.

2019 marked 10 consecutive years of FDI inflow growth. By the end of the year, the manufacturing and processing sector drew the biggest share of FDI fund. 2020 also has a good start. In the first 20 days of January, Vietnam attracted as much as US\$5.3 billion of FDI, representing a year-on-year growth of 179.5%, according to the Ministry of Planning and Investment. Of the sum, US\$4.5 billion was poured directly into new FDI projects. Most inflows were channeled into the power, water and gas sector. The manufacturing and processing sector took second place, attracting US\$856.33 million, or 16% of total inflows in the recorded period.

Since last June, more and more industrial real estate developers in Vietnam have grown very confident that EVFTA will promote manufacturing investment and tenants will increase as a result. With the pact approved this year, it will likely see an increase in rental demand from European manufacturers in 2020 and 2021.

The Savills specialist forecast that when the demand further exceeds the supply, especially in key industrial provinces, with the occupancy rate reaching 75% in operational industrial parks nationwide, competition for manufacturing sites located near major cities and major seaports is growing. With a range of new international manufacturers, developers are given the right to select

suitable tenants, thereby selecting multinational corporations with high value-added industries. The segment of industrial real estate is growing strongly with a 10-fold growth of foreign direct investment (FDI) in the past decade. Good land supply is facilitating upcoming manufacturing projects with an increase in rental forms and many other solutions.

### Effect of coronavirus

Taking into account the giant size of China's economy, the Covid-19 outbreak will certainly have an effect on the global economy in the first quarter and possibly even in the second quarter of 2020. Vietnam, with its proximity and close trade relations with China, is no exception.

Although foreign investment into Vietnam's industrial market will remain strong in 2020, the Covid 19 has raised concerns regarding labor shortages and disruptions in supply chains in the manufacturing sector for the first quarter, Mr. Campbell said. Labor shortage in China, extended from the Lunar New Year holiday (in addition to temporary factory closures due to the Covid 19 epidemic), has shrunk manufacturing, which in turn can affect numerous Vietnamese manufacturers with supply chains linked to China.

According to Trading Economics, Vietnam's index of industrial production (IIP) in January 2020 dipped 5.5% from the same period of 2019 after advancing 6.2% in December 2019. This was the first drop in output since January 2017. The index attributes the drop-in output to the relatively 'early' Lunar New Year holiday at the end of January, reducing the number of working days. Therefore, it's difficult to assess whether this decline is directly linked to Covid-19 or not. ■

(from P.9)

serving 8.54 million customers with three main products: Motorcycle loan, consumer electronic loan and cash loan. In particular, cash loan, boosted by huge advantages of net interest income (NIM), is being promoted with a loan value of up to VND40 million.

The company has also facilitated customers to repay their loans as it is connected with more than 3,000 Payoo payment locations, 4,000 MoMo payment places, posts offices of Vietnam Post Corporation, Viettel stores and banks across the country.

With a prudential approach, HD Saison, joined by Japan's leading financial partner Credit Saison, has the lowest nonperforming loan (NPL) rate among the Top 3. HD Saison was approved by the State Bank of Vietnam to increase its registered capital from VND1,400 billion (US\$61 million) to VND2,000 billion (US\$87 million) earlier this year. Particularly, Ho Chi Minh City Development Commercial Joint Stock Bank (HDBank) holds 50% of the stake, followed by Credit Saison Co., Ltd. (Japan) with 49% and Ho Chi Minh City Securities Corporation (HSC) with 1%.

HD Saison said it provided consumer loans of nearly 7 million individual customers through a service introduction network of over 17,000 points in 63 provinces and cities nationwide by the end of 2019.

Notably, HD Saison is also one of a market-leading finance companies for motorbike loans. Along with that is a variety of

cross-selling collaborative products in the HDBank ecosystem like airline ticket loan, cash loan, car/truck loan, study loan, furniture loan and consumer electronic loan.

The competition on the consumer loan market, in addition to the Big Three, is opened to other companies such as Toyota Financial Services, JACCS, Mirae Asset and MCredit, SHB Finance and Easy Credit or Viet Credit - which is developing convenient card products for consumers.

The State Bank of Vietnam (SBV) issued policies to tighten consumer loans, especially the regulations on the roadmap to reduce the direct disbursement rate for customers to total outstanding loans to 30% by 2024. This figure will be 70% from January 1, 2021 to December 31, 2021; 60% from January 1, 2022 to December 31, 2022; 50% from January 1, 2023 to December 31, 2023; and 30% from January 1, 2024. Total consumer loans disbursed directly to customers at finance companies only include customers with directly disbursed consumer loans of over VND20 million (Circular 18/2019). However, the impact of this Circular on lending activity of financial companies is eased considerably from the previous draft when a roadmap has been set for financial companies to restructure their loan portfolios to avoid sudden impact on net interest income margin (NIM) and profit.

By restructuring the loan portfolio, it is certain that consumer loan developers will create products that both fit the law and the actual needs of the people. ■

L.M



# Many Real Estate Leaders Face Bankruptcy Risks

**M**r. Le Hoang Chau, Chairman of the Ho Chi Minh City Real Estate Association (HoREA), revealed this in his speech to the national online conference hosted by the Prime Minister.

In his speech, Mr. Chau affirmed that Ho Chi Minh City currently has about 415,000 businesses, including nearly 15,000 real estate firms. Of the city's nearly 9,000 large-scale businesses, more than 30% are engaged in real estate. In spite of accounting for only 2% of total businesses, real estate firms represent more than 70% of total registered capital and contribute more than 80% to the city's private sector.

Despite its important position in the city's economy, the real estate industry is still facing increasingly difficult challenges. The average growth of this sector was only 4.3% in 2015-2019, lower than the GRDP growth rate. Its share to the gross regional domestic product (GRDP) is also among the lowest in the city's nine major service industries.

In 2018 and 2019, most real estate businesses faced hardships. The market size and supply plummeted. A series of companies had their revenue and profit decrease. Rising housing prices make it hard for people to buy houses in urban areas.

In 2019, only four commercial housing projects were recognized, a drop of 24 projects; only 16 commercial housing projects were approved for investment, a decrease of 64 projects, of which, only seven projects were approved for new investment. In addition, only 47 projects were confirmed to be eligible for raising investment fund, a decrease of 30 projects compared to 2018.

Most listed property firms posted weaker business performance in 2019. Except for Vingroup, which achieved very good revenue and profit, the rest had an average growth rate of 7% and a profit growth of 11%, much lower than the profit growth of 47% in 2018.

Mr. Chau also affirmed it was alarming that listed property companies had total inventories of VND223,474 billion, 38% more than in 2018. Among them, 24 reported inventory value of over VND1 trillion and four had inventory value of VND4,200-7,397 billion. Particularly, the top two corporations accounted for 63% of inventory value.

**Among listed real estate companies, 24 reported inventory value of over VND1 trillion and four had inventory value of VND4,200-7,397 billion. Property inventories will become a burden for them and the Vietnamese economy as a whole.**

HoREA realized that inventories planned for business operations and piled up in product distribution and circulation are normal, possibly even an advantage for companies. However, real estate inventories will become a burden for companies themselves and for the economy as a whole if such inventories are semi-finished products (for example, the project is suspended due to legal matters, cost and interest burdens will increase) or if finished products cannot be sold or lack of liquidity, companies may face bankruptcy.

Mr. Chau also stressed this at the meeting with real estate businesses on February 22, 2020. Mr. Nguyen Thanh

Phong, Chairman of the Ho Chi Minh City People's Committee, said, "Inconsistent regulations on investment, housing, land and urban planning are attributed to this reality. In addition, many projects are being inspected, checked, audited and legally reviewed. Thus, relevant bodies pass the buck to each other rather than follow a seamless and consistent process. If these problems are not solved in time, they will directly affect market development, corporate performance and fiscal revenue."

HoREA Chairman realized that the real estate market has faced hardships in the past two years and is further hit by the Covid 19 epidemic. If central and local authorities promptly solve legal matters and administrative procedures, it will help the real estate market recover soon and grow again, attract more foreign investment, create more jobs, positively impact the country's economic development and ensure social housing security. ■

NST



## REGULATORY FRAMEWORK FOR CONDOTEL

# Still a Mess

“Until now, we are still dealing with the terminology but have yet to add condotel into the legal system. I think it is not necessary to do this because we cannot add other names to the law if new names appear as a matter of development. Most importantly, the use of land and the function of a construction work described in the Land Law remain unclear.”

ANH MAI



This is the viewpoint of Prof. Dang Hung Vo, Former Deputy Minister of Natural Resources and Environment, expressed at a recent webinar on troubleshooting solutions to difficulties in the condotel market held by Business Forum Newspaper in Hanoi.

We should not pay too much attention to what it is called, condotel or whatever, but to the nature of vacation property, shophouse or officetel, he said, adding that these are multifunction, multipurpose real estate. A condotel, a mixture of condominium and hotel, will consist of part for hotel and the rest for apartment.

“In Vietnam, it is called condotel - a residential land that does not formulate a residential unit and, in fact, some investors have applied to seek local projects for approval,” he said.

The recent Official Document 703 issued by the Ministry of Natural Resources and Environment (MONRE) states that, under tourism laws, condotels are a vacation home for business. If it is a business, its land must be treated as non-

agricultural land for business. That is one way of understanding. Condotel can be mixed, partly for living and partly for business. Like the current apartment model, lower floors can be used for business and upper floors are for living.

In fact, the excessive diversity of those models leads to a need for flexible management while the current legal framework is “too tight”.

“Document 703 systemized relevant laws. However, we need some further-guided articles and certification for construction, not certification for land-use rights. In case investors sell their land-use rights, how will secondary investors handle it? This needs further guidance when current laws are not enough to apply to these cases,” Mr. Vo said.

Vietnam needs to expand the legal “cover” to accommodate and develop tourism. The goal of a law is to stabilize politics and develop tourism into a key economic sector, rather than tightly manage it, he added.

Mr. Vu Van Thanh, Director of the Hotel Department under the Vietnam National Administration of Tourism (VNAT), the Ministry of Culture, Sports and Tourism, also said that the condotel has not been included into the law system. Condotel is a type of accommodation facility. The tourism industry counts and has data of all types of accommodation facilities but there is no clear legal framework for it because this is a new type.

Therefore, related questions such as terminology and usage lack clear definitions. So, currently we have statistical data for this type of accommodation facility, this type of business travel calendar, but not statistics for condotel.

According to Prof. Dang Hung Vo, for condotel development, it is necessary to remove two main bottlenecks. The first is to link condotel development to land development policy.

In developed countries like the United States, condotel investors will not be confused because it has a clear legal framework for land use. There, if businesses want to rent land for a short time, they will enjoy low tax rates, and if they want to rent for a long-term, tax rates will be higher.

However, in Vietnam, land policies may no longer be suitable for a market economy. Therefore, when investing in condotels, businesses are facing some obstacles. From the land use policy, in many places, when an enterprise invests in a condotel, it has an authoritative pledge for leasing land for a long term. However, when the business is completed, many emerging legal issues unnerve it.

In addition, taking property investment mindset into account, many secondary investors are waiting for real estate prices to go up over time. This is a very bad mindset formed from Vietnam's unstable land policy. This should be addressed. However, the question is how to solve it.

“Vietnam should associate land policy with tax policy. Accordingly, when businesses want to rent land for a long time, they can still sublease but the land tax will be higher. In contrast, if they want to rent land for a short time, the land tax will be lower. Such a policy will change their perception of real estate,” Mr. Vo said.

Secondly, it is necessary to pay attention to the condotel business method, according to Mr. Vo. Why did they take a profit pledge as a gauge for condotel business? Vietnam can completely do condotel business in many other ways, not just with the profit commitment. ■



## **Mr. BUI XUAN HIEN**

GENERAL DIRECTOR OF VIETNAM SOUTHERN HOMES JSC

Businesses need regulatory agencies to listen to their voices to clear difficulties against them. Condotel is a new product and there are thus many matters to solve.

For a long time, the legal framework has failed to catch up with the overheating real estate market. There are two things we need to understand clearly and have an appropriate legal framework in place.

The first thing is the registration and certification of condotel land ownership. For a long time, we have a lot of information that condotel investors have not yet applied for condotel land ownership licenses, which bothers investors. But, in fact, this is not a problem. By market, we must follow a market and sharing economy. If a project is located on a given land plot, the ownership certificate will be issued as the land is, no matter how a project is operated because its operation relates to licensing and lies within the authority of tourism agencies. Therefore, we must not confuse this issue.

Second, when an investor fails to fulfill its commitment to customers, this is a civil agreement issue between them. This is normal in investment and business relations, even in common real estate, because disputes are frequent.

When we remove obstacles for the condotel market, we must work together to do this, not by the Department of Culture, Sports and Tourism or the Ministry of Natural Resources and Environment alone. In terms of financial investment or from the perspective of socioeconomic development, condotel is the type that needs to be encouraged for development.

Some types of homestay investments are similar, even doing business on agricultural land. Therefore, it is necessary to facilitate condotel development, and, at the same time, support investors.

## **Mr. NGUYEN CHI THANH**

VICE CHAIRMAN OF THE VIETNAM ASSOCIATION OF REALTORS

Indeed, Vietnam's condotel market is still growing and enticing investors.

Vietnam has favorable and potential natural conditions, not only for marine tourism but also for mountain tourism. Therefore, with existing potential for tourism development, the potential for condotel development in the next 10-20 years is very good. It is important to learn from similar successful models in the world.

In particular, building a new condotel infrastructure is the first step. The important matter is how to effectively manage and operate it. About five years after coming into being, with gradually perfected laws and existing market needs, we believe in the future success of the condotel model in Vietnam.

## **Ms. PHAM THI THINH**

DEPUTY DIRECTOR OF LAND REGISTRATION BUREAU, THE MINISTRY OF NATURAL RESOURCES AND ENVIRONMENT

Document 703 states localities review and consider

specific conditions and planning factors. Therefore, property ownership, shared area and private area should be discussed by relevant ministries.

In order to support investors and avoid disputes, we advised the Ministry of Construction to standardize construction requirements, clearly define shared area and private area which essentially describe in details in condotel purchase contracts similar to apartment purchase contracts: How much the used area is, what are the shared area, balconies or pathways.

Certification is the last stage. Starting from project launch, land use planning, land allocation, construction permit, construction completion records, apartment purchase contracts are governed by the Law on Real Estate Business and the Civil Code. The last stage is certification, the final product of all other industries.

Authorities always want to go hand in hand with enterprises to promote a healthy real estate market as a way to increase fiscal revenue.

## **Mr. NGUYEN DANH HUE**

CHAIRMAN OF THE BOARD OF MEMBERS OF HUNG DONG LAW FIRM

Without doubt, condotel, whether or not it has an ownership certificate, is also a commercial condo, not a residential condo. The ownership certificate requirement as per Document 703 will cause short-term investors to go to the wall because a condotel is sold to many people. Therefore, issuing the ownership certificate for a condotel must be transparent.

At the same time, when the real estate market shows signs of slowing down, momentum is needed. So, issuing an ownership certificate for condotel can clear hardships for investors.

However, issuing the ownership certificate also raises two things. Firstly, granting the property ownership certificate to the primary investor will pose risks to secondary investors. Secondly, if the ownership certificate is granted to secondary investors, it relates to the property ownership of the primary investor - the land use right granted to the latter but the property ownership is granted to the former.

Therefore, if the land-use right expires in 50-70 years later, how will the property rights be handled? Their assets cannot suddenly disappear.

This matter cannot be solved by only the Ministry of Natural Resources and Environment or the Ministry of Labor, Invalids and Social Affairs. Furthermore, when buying a property, secondary investors borrow money from banks. After having the property handed, they continue to borrow money from banks. There will be a case that an apartment is used to borrow money from many different banks.

We already have apartment management regulations and we can issue specific regulations for condotel. Investors can set up their own management bodies or secondary investors can operate and pay management costs.

What is important today is that we are lacking detailed guidelines. As for the legal framework, our current legal system basically meets practical requirements.

## BUSINESS CONDITION CUTBACK

# Disparate Reports and Realities

“Under the current conditions, there are still unnecessary, unreasonable and impractical business conditions,” said Dr. Tran Thi Hong Minh, Chairwoman of the Central Institute for Economic Management (CIEM).

QUYNH CHI

**R**ecently, reforming regulations on business conditions to create a favorable and friendly business investment environment is the Government's priority target. In the 2017-2019 period, ministries and agencies made efforts to review and propose the abolishment and simplification of about 50% of business conditions to reduce procedural burdens.

However, in fact, some places still do not understand changes and reforms in business conditions, she said. Therefore, improving the quality of business conditions is still the central content in reforming the business environment in Vietnam.

Ms. Nguyen Minh Thao, Director of the Business Environment and Competitiveness Research Department

- CIEM, said that the draft Law on Investment (amended) in October 2019 proposed abolishing 12 conditional business investment sectors, for example, service activity of arbitrators, debt trading, LPG container production and repair, franchising, logistics services, knowledge training services for real estate brokers, real estate exchange, urban planning consultancy services of foreign organizations and individuals and food business subject to special management of the Ministry of Health.

By the end of 2019, more than 30 documents on business conditions had been issued to reduce over 50% of business conditions (as reported by ministries). In fact, unspecific, unclear business conditions, deep interventions in production and business operations or lax regulations were removed. Besides, duplicated business conditions were abolished and changed to be managed according to National Technical Regulations (QCVN) and National Standards (TCVN). Some business conditions were also amended to reduce requirements and create more favorable conditions for businesses.

“According to independent review results, over 30% of conditions were eliminated,” Ms. Thao said.

Business conditions were mainly simplified, rather than being abolished, to reduce personnel requirements or reduce facility scale requirements, she said. Duplicated provisions were removed. Some of removed regulations were in fact regulations on process, not business conditions.





In addition, some unnecessary, unreasonable, impractical and unclear business conditions may lead to the discretion of governmental agencies. Although ministries reported to have completed their targets, no report on effect and impact of business condition reforms was made. Although business condition reforms have produced certain results, obstacles and barriers remain popular. Reform results are mainly based on reporting rather than on actual impact appraisal.

Mr. Dau Anh Tuan, Director of Legal Department under the Vietnam Chamber of Commerce and Industry (VCCI), said that administration mindset and methodology did not guarantee business freedom because business conditions define constitutional business freedom. Authorities still use administrative solutions to intervene in the market. In addition, the amendment of the list of conditional business lines is still not agreed by ministries.

Before this reality, authorities need to create new breakthroughs in reforming business conditions by changing the way of administrative management of business conditions and strongly shifting to post-inspection in the coming time. Enterprises may take initiative in carrying out business activities when they fully meet requirements on business conditions. At the same time, they must be responsible for meeting requirements on business conditions. Post-inspection is performed throughout enterprises' operations. Authority is decentralized to local authorities to administer business conditions.

"Authorities, in addition to studying and applying the above principles in business management, should study and propose amendments to relevant laws to abolish and simplify business conditions in special laws; assess the effectiveness of reforms in each area; and establish dialogue and feedback mechanisms for businesses," Ms. Thao emphasized. ■

## U.S. Remains Vietnam's Largest Export Market in First Two Months

The U.S. was the largest export market of Vietnam in the first two months of 2020 with export revenue of US\$9.8 billion, an increase of 19.6% over the same period last year, according to the General Statistics Office (GSO).

The EU was the runner-up with export revenue of US\$5 billion, down 7.7%. China came in third with export revenue of US\$4.8 billion, up 3.7% over the same period last year.

ASEAN, Japan and the Republic of Korea were also among the leading export markets of Vietnam during the two-month period.

The data from the GSO showed that despite negative impacts from the Covid-19 epidemic, Vietnam has remained on an upward trend in import and export revenue, thanks in part to Samsung's export of their new phone, the Galaxy S20, in February.

Vietnam's total import and export revenue was estimated to have reached US\$74 billion in the first two months of this year, up 2.4% against the same period last year. Of the total, export revenue was reported at US\$36.9 billion, an increase of 2.4%, and import revenue was posted at US\$37.1 billion, up 2.4% over the corresponding period last year.

Several export items posted high export revenue including phones and components at US\$6.9 billion (up 2.3%), electronics, computers and components at US\$5.4 billion (up 26.7%), and garments and textiles at US\$4.5 billion (down 1.7%).

In the January-February period, some products saw high import revenue such as electronics, computers and components at US\$8.6 billion (up 17.1%), machinery, equipment and components at US\$5.3 billion (down 3.7%) and phones and components at US\$2.1 billion (up 17.2%).

NDO

(from P.5)

Nam A Bank and IVB have simultaneously carried out two service fee exemption/reduction programs. Specifically, from March 5, 2020, Nam A Bank offers free transactions on internet banking, mobile banking and ATMs and collected VND2,000 per transaction on POS channels. Meanwhile, IVB exempts its service fees for customers from March 4, 2020 till May 5, 2020. After this time, IVB will apply the same policy as NAPAS.

ACB will start to collect VND2,000 per transaction from March 5, 2020.

OceanBank applies its policy from March 10, 2020 to December 31, 2020.

Seven lenders reduce their service fee by VND1,300 - 5,000 per transaction, equivalent to the rates of NAPAS, depending on their channels and customers.

Specifically, VietinBank applies the fee of VND7,000 per transaction from the previous VND9,000 from March 1, 2020. Currently, fees on VBiz package are completely lifted at VietinBank. Meanwhile, Agribank imposes a fee of VND5,000 per transaction on Agribank E-mobile banking and ATM channel (the old fee was VND8,000 per transaction) and VND8,000 per transaction on the internet banking channel (the former fee was VND10,000) from March 2, 2020.

Shinhan Bank levies a fee of VND5,000 per transaction (the former fee was VND10,000) on mobile banking and internet banking from March 3, 2020. Other banks apply the same fee cuts as NAPAS for customers like SHB (from February 29, 2020 to December 31, 2020), SCB and LienVietPostBank (from March 9, 2020) and IBK (from March 16, 2020).

Up to now, BIDV is offering the lowest customer fee among four State-owned banks. The fee rate is currently VND2,000 per transaction.

While reducing/exempting fees for low-value transactions, the whole banking system encourages customers to conduct secure transactions via electronic banking channels like internet banking, mobile banking or non-cash payment to avoid the risk of getting infected with COVID-19 coronavirus. Given the inherent preference of cash spending, banknotes or polymer banknotes are posing the risk of carrying pathogens and a risk to public health, not only a COVID-19 coronavirus but also other contagious pathogens. ■

D.T

# Many Businesses Face Risk of Input Shortage, Supply Disruption

Prime Minister Nguyen Xuan Phuc stressed that the growth pace of many industries decelerated, such as processing and input export and import, while many others faced the risk of input shortages and supply disruptions.



Commodity prices basically remained stable or decreased. The February consumer price index (CPI) slipped 0.17% from the previous month.

Export kept growing and the trade deficit was well controlled. The country's export value was estimated at US\$36.9 billion, up 2.4% year on year. The foreign direct investment (FDI) sector reported a slight growth of 0.9% while the domestic sector had a 6% growth. Agricultural production was still stable and many sectors continued to expand.

Despite the strong impact of Covid-19 epidemic, industry still performed fairly well. The index of

industrial production (IIP) in February 2020 was estimated to rise by 8.4% over the previous month and by 23.7% over the same period of 2019. The January-February IIP growth was forecast at 6.2%, driven by the processing and manufacturing sector (7.4%) and power generation and distribution sector (8.4%).

More corporate establishments and investment capital were registered than a year-ago period, with over 17,400 new enterprises established with a combined registered capital of nearly VND364 trillion (US\$15.8 billion), up 9.1% in corporate entities and 47.1% in value.

Nearly 12,000 suspended companies resumed operations, representing an increase of 17.1% over the same period of 2019. Over 28,000 enterprises left the market in the reviewed period.

## Urgent solutions needed to tackle hardships

The Prime Minister said that, in spite of being affected in many aspects, we basically maintained stability. Exports still increased. Trade deficit was well controlled. Exports were projected to rise 2.4% year on year to US\$36.9 billion. Trade deficit narrowed to US\$176 million. Agricultural production remained stable and the epidemic was gradually controlled.

More corporate entities and business value were

*(continued on P.27)*

**C**hairing the regular cabinet meeting for February, Prime Minister Nguyen Xuan Phuc said that all major economies in the world have been affected by the Covid-19 epidemic. Global aviation revenue was forecast to lose US\$30 billion and tourism revenue was projected to drop by US\$80 billion.

Global stock markets plunged as investors lost their confidence. The U.S. dollar appreciated sharply, 4% higher than the value recorded at the beginning of the year. Gold prices climbed to a seven-year high. World oil prices tanked, sometimes below US\$50 per barrel.

## Negative signs

For Vietnam, many experts said that the Covid-19 epidemic had the first impact on aviation, tourism and services, followed by trade and investment, and particularly the disruption of production value chains.

According to a report of the Ministry of Planning and Investment, the socioeconomic performance in February and in the first two months of 2020 revealed many signs of negative impacts on economic growth and macroeconomic stability as well. Many indexes declined from the same period of last year. However, many bright spots are still found in the socioeconomic landscape.

Macroeconomic stability was still maintained.



## E-COMMERCE DEVELOPMENT

# Solid Foundation for Booming Cross-Border Trade

Cross-border business has become easier and more convenient, and brought significant revenue for individuals and businesses in recent years. Particularly, with manufacturing advantages, abundant labor force and developed e-commerce, cross-border business in Vietnam will be further developed.

THU HUYEN

### Attractive business method

Industry and Trade Deputy Minister Do Thang Hai said that the e-commerce market has kept growing as high as 30% annually since 2015 and was expected to reach US\$13 billion by 2020. E-commerce is a great opportunity to boost exports and promote Vietnamese products around the world.

According to the 2018 e-Conomy SEA Report by Google and Temasek, the size of Vietnam's e-commerce market was US\$9 billion in 2018. The report also assessed the compound average growth rate (CAGR) of 25% in 2015 - 2018 and the market will reach US\$33 billion by 2025. If this scenario plays out, the size of the Vietnamese e-commerce market will rank third in Southeast Asia in 2025, after Indonesia (US\$100 billion) and Thailand (US\$43 billion).

Needless to say, online marketing is now one of attractive, easy and effective business approaches.

Especially, in the past three years, based on the e-commerce platform, cross-border trade has boomed in Vietnam and engaged both individuals and smallholding businesses, but also giant ones.

Particularly, well-known names like MMO (Make Money Online) community, the dropshipping community, Amazon seller community, Print-on-demand T-shirt community opened up the trend and became popular in Vietnam to sell goods to consumers in US and European markets.

Explaining the appeal of cross-border trade, Ms. Hien Nguyen, Amazon Strategic Partner Development Manager in Vietnam, said, "Instead of using the traditional export model that takes so many stages, has difficulty controlling the market and lacks interactions to understand buyer behavior, the cross-border e-commerce model reduces steps and approaches to capture market trends."

Moreover, by prepaying purchased items, international sales platforms such as Shopify, Amazon and eBay have facilitated sellers, minimized the chance of order cancellations, rejections and restricted risks to cross-border sellers.

### Much room to develop cross-border trade

According to Amazon traders, Vietnam has great potential to develop cross-border e-commerce thanks to its manufacturing advantages and abundant labor supply plus many young talents and a large online shopper community.



According to the Vietnam E-Commerce Association, in 2018-2020, e-commerce delivery is estimated to grow 60%. Worst advancers may see the growth of 30% and best performers may enjoy up to 70% of growth.

By a long shot, boosted by a large number of internet users, e-commerce development is a solid foundation for booming cross-border trade in Vietnam.

Besides, Vietnam is becoming a potential market that many international sellers aim for. According to Google and Singapore Temasek Holdings, Southeast Asia e-commerce revenue will reach US\$240 billion by 2025. Furthermore, the report also indicated that Southeast Asia has become one of the fastest growing internet regions in the world. This market has more than 600 million people while its e-commerce accounts for less than 4% of total retail sales (data from Maybank), making Southeast Asia a gold mine in the eyes of Alibaba Group and global investors. Vietnam is expected to rise to No. 3 in the region.

Ms. Susan Pointer, Vice President of International Public Policy & Government Affairs at Amazon, revealed that thousands of Vietnamese sellers have joined the Amazon platform and they have seen a lot of business potential in this fast-growing digital economy.

This is even more evident when Amazon Global Selling Vietnam was officially established and set up an office in Ho Chi Minh City in October 2019.

Mr. Bernard Tay, Director of Amazon Global Selling Southeast Asia, said, the Vietnamese sales support website has reached 50,000 visits every month since its launch, while Amazon Global Selling social networking site in Vietnamese also has 18,000 followers. This showed the great interest of sellers in Vietnam. After a year of implementation, Vietnam has been one of the fastest-growing countries in the region.

Besides, the Vietnamese government recognized advantages of cross-border trade and actively fostered cooperation with reputable international sellers. In 2020, the Vietnam Trade Promotion Agency (Vietrade) and Amazon will adopt closer and bigger cooperation programs by promoting export through e-commerce platforms and enhancing the performance of the business community. At the same time, it coordinated to recruit and support Vietnamese businesses exporting strategic products to establish a brand identity and product brand system on Amazon.

Mr. Do Thang Hai, Deputy Minister of Industry and Trade, through the cooperation with Amazon, the SME export support program via e-commerce attracted 105 businesses to join after six months of launch. As a result, about 50% of businesses have sold their goods on this platform.

Indeed, with the proper attention of authorities, a young dynamic labor force and a strong manufacturing industry, Vietnam has full potential to further develop cross-border trade in the future. ■

# Sharing Burden of Domestic Market

Manufacturers and exporters are gradually being hit harder and harder by the impacts of the coronavirus epidemic. According to experts, the support of the domestic market with nearly 100 million people is an important solution right now.

**HUONG LY**

## Supply chain disruption

According to the Ministry of Industry and Trade, a series of key manufacturing industries such as electricity - electronics, garment and textile, leather and footwear, and automobile assembly and manufacturing are facing input shortages and facing the risk of production suspension.

Without enough inputs imported from China, electronics and automobile sectors of Vietnam are encountering tough hardships. Electrical and electronics products like telephones and TVs are the biggest imported and exported items between Vietnam with China and South Korea. In 2019, Vietnam imported about US\$40 billion of electronic components, including US\$16.8 billion with South Korea (accounting for 42%), US\$13.8 billion with China (34%) and US\$1.7 billion with Japan (4.2%).

Currently, the automobile manufacturing industry is mainly importing components from China. Up to more than 70% of Vietnamese truck assemblers and manufacturers rely on key components from China. In 2019, Vietnam imported nearly US\$4 billion of auto parts, including US\$700 million from China (accounting for 17.54%), US\$1.14 billion from South Korea (28.57%) and US\$720 million from Japan (18.04%).

Every year, the garment and textile industry imports about 60% of fabric, more than 55% of fiber and about 45% of auxiliary inputs from China for production. The leather and footwear industry imports over 60% of raw materials, mainly from China, South Korea and Taiwan.



The above facts show the dependence of many economic sectors on China and Northeast Asian economies for both output and input markets. Therefore, when a contagious epidemic breaks out, countries that restrict import and export will significantly affect the global value chain.

## The fulcrum is the domestic market

Dr. Vu Tien Loc, President of the Vietnam Chamber of Commerce and Industry (VCCI), said that the long-term solution is focusing on the domestic market, diversifying international markets, reshaping the value chains by restructuring the economy, increasing competitiveness and resilience, and reducing the overwhelming dependence on any market.

"To reach the world market, you have to stand firm on the domestic market. No one can assure that not only the United States and China, but even Japan and South Korea will not find a way to return to protect their domestic markets in the future," he emphasized.

Remarking on the importance of the domestic market, Deputy Minister of Industry and Trade Do Thang Hai said that the "Buy Vietnamese Campaign", a broad movement that encourages Vietnamese people to give priority to Vietnamese products on their shopping list, and the "Vietnamese goods win Vietnamese consumers" Program, need more impulses. Over the past time, these movements have been on the right track and brought about great results for manufacturing enterprises as well as the whole economy.

Deputy Minister Do Thang Hai said that Vietnamese companies must promote their all production and business capacity to meet the needs of domestic consumers.

Mr. Tran Thanh Man, Secretary of the Party Central Committee, Chairman of the Central Committee of the Vietnam Fatherland Front, Head of the Central Steering Committee on the Campaign, advised businesses to uphold their responsibility to consumers; seriously apply science, technology and innovation to production; increase production, business and service capacity; promote products, develop distribution systems, gradually dominate the domestic market, and better meet consumer needs.

According to the Ministry of Industry and Trade, Vietnamese goods in domestic supermarkets still secure high shares e.g. Vissan (95%), Satra (90-95%), Co.opmart (90-93%) and Vinmart (63 %).

A report by the ministry also revealed that the share of Vietnamese goods in foreign-run supermarkets accounts for 60-96%, namely Lotte (82% by revenue and 84% by items), Big C (96% by revenue), AEON (80% by product items), Auchan (65% by product items), and MegaMarket (95% by product items). For traditional retail channels, the share of Vietnamese products in markets and convenience stores account for 60% or more of the total.

With a booming middle class in a population of 100 million, with an emerging economy, the domestic market must be the fulcrum and the biggest resource for national development. Despite the impact of the Covid-19 epidemic, the total retail sales of consumer goods and services still rose by 8.3% year on year since the start of this year. In the first two months of 2020, total retail sales of consumer goods and services reached VND863.9 trillion (US\$37 billion), up 8.3% over the same period of 2019. If inflationary factors are excluded, the growth will be 5.4% (versus 9.3% growth in the same period of 2019). ■





# Hardships Are Just Beginning

Vietnam's economy is likely to suffer from shrinking global supply-demand shocks and supply disruptions on input shortages.

## **More than 16,000 businesses temporarily halt operations**

The General Statistics Office (GSO) recently released a report on Vietnam's socioeconomic performance in February 2020. Data showed that Vietnam's economy was adversely affected by the Covid-19 epidemic.

Notably, in the past two months, the plague caused nearly 16,200 companies to temporarily stop their operations, 19.5% more than a year-ago period.

As the consumer market was hit hard by the contagion, in the first two months of 2020, seafood production was estimated to expand 2.7% year on year to 1,004,200 tons, lower than the 4.6% growth in the same period of 2019.

Furthermore, the input supply fell short as production stagnation continued in China. This adversely impacted the growth of manufacturing industries.

New orders, especially from China, have declined for the first time since November 2015, triggering a slowing growth of industrial production in the first two months of this year.

The index of industrial production climbed 6.2% year on year in the first two months, lower than the growth of 13.7% and 9.2% in the same period of 2018 and 2019, respectively. The growth was driven by the manufacturing and processing industry which advanced 7.4% in the January-February period, lower than 11.4% in the corresponding period of 2019.

Total retail sales of consumer goods and services in February rose 6% year on year but fell 7.9% month on month. In January and February in combination, the value increased by only 8.3%, the lowest growth since 2014.

The disbursed FDI fund was estimated at US\$2.5 billion in the first two months, down 5% year on year, the first drop in 5 years. The February CPI dipped 0.17% from January because consumers reduced spending on tourism, hotel and amusement services amid the Covid-19 epidemic outbreak. Gasoline prices fell.

## **Shocks in supply - demand**

According to Bao Viet Securities Company (BVSC), the above data show that difficulties are just



beginning. Due to the widespread Covid-19 coronavirus outbreak in South Korea and other countries, the matter will likely become more difficult in the future as input inventories and stocks of Vietnamese companies run out. Vietnam's economy may suffer from shocks of shrinking global supply-demand and input supply disruptions.

At a recent meeting on impacts of the Covid-19 epidemic on the industry, Mr. Truong Thanh Hoai, Director of the Department of Industry under the Ministry of Industry and Trade, said Vietnam's processing and manufacturing industries heavily depend on input supplies from China and other countries which are being hurt by the epidemic, like South Korea and Japan.

Particularly, the electricity and electronics industry of Vietnam was hardest hit. In 2019, Vietnam imported about US\$40 billion of electronic components from China, South Korea and Japan. Currently, electronic firms have enough inputs for production until about the middle or the end of March 2020 only.

Similarly, most apparel and footwear companies have enough stocks for production until early March 2020 or early April 2020. In case they suspend part or all of production activities due to input shortages, they will still have to cover various costs such as bank loans, maintenance costs for machines and equipment, wages and layoff pay for workers.

However, according to experts at SSI Securities Corporation, Vietnam currently benefits from the recently adopted EU - Vietnam Free Trade Agreement (EVFTA) and the amended Securities Law. Furthermore, Vietnam is still one of the fastest growing economies in Asia, with a GDP growth of more than 7% in 2019. This growth may slide to 6.25% in 2020, according to the Ministry of Planning and Investment, but it will still be higher than that of most other economies.

Investors also believe that Vietnam will be one of the biggest beneficiaries of supply chains relocated away from China. Remarkably, although foreign investors withdrew US\$5.3 million from stock investment funds in Vietnam from the beginning of this year on the stock market, this value is still much lower than that in other countries in the region.

Opportunities are still to be found in tough times. The key question is how businesses will take advantage of these opportunities to overcome the current crisis. ■

L.N

# Which Scenario for ACV Airport Tycoon in 2020?

Profit of Airports Corporation of Vietnam (ACV) after tax in 2020 is forecast to decrease by 25% in the best scenario and by 71% in the worst scenario.

The Civil Aviation Authority of Vietnam (CAAV) said that airport passengers in February 2020 totaled nearly 8.1 million, down 11.6% year on year. Of the sum, international passengers accounted for 2.4 million, down 29.8%, and

domestic passengers were counted 5.7 million, down 0.7%.

The Covid-19 coronavirus outbreak has adversely hit the aviation industry. In particular, China and South Korea, which suffered most virus infections, accounted for 56% of total international passengers (all transport means) in Vietnam in 2019.

According to the best scenario by the CAAV (the Covid-19 epidemic is controlled before the end of April 2020), the number of passengers will decrease by 15%. Particularly, Vietnamese airlines would accommodate 12 million international passengers and 35 million domestic passengers.

In a less favorable scenario (the Covid-19 epidemic is under control before the end of June 2020), the number of passengers is expected to decline by 22% to 61 million, leaving 10 million international passengers and 35 million domestic passengers.

Remarking on this development, Ho Chi Minh City Securities Corporation (HSC) believed that whatever scenario happens, 2020 is likely to be a very tough year for the entire aviation industry of Vietnam.

Under this circumstance, Airports Corporation of Vietnam (ACV) has proposed several scenarios. In the worst situation, estimated passengers will decline by 35 million from the original plan of 127 million to 92 million. The corporation has also planned to reduce some fees for airlines to support during the epidemic.

ACV's net profit was forecast to sink 79.6% to VND1.7 trillion in 2020, compared to the original target of VND7.7 trillion set before the Covid-19 outbreak.

On the stock market, ACV stock plunged nearly 40% in value in the last three months and is currently traded around VND55,000 per share.

Although the Covid-19 epidemic is still complicated, Viet Capital Securities Corporation (VCSC) has put forth an optimistic scenario for ACV. In the long term, ACV will still grow well despite a difficult year ahead.

Specifically, VCSC estimated that after the Covid-19 outbreak in the first quarter of 2020, the demand for air travel will gradually recover in the second quarter and return to the normal level in the third quarter.

For the whole year of 2020, the number of international passengers coming to Vietnam will dip only 3.1% while the number of domestic passengers will skid about 2% year on year. With this reduction, ACV's revenue will only decline just 1.6% to VND18 trillion and its profit after tax will tumble 8% to VND7.7 trillion.



In 2021, when the epidemic factor no longer exists, the recovery of international and domestic passengers will help ACV's revenue and profit grow strongly again.

VCSC believed that ACV will be the main beneficiary of Vietnam's aviation industry boom. Despite the short-term challenges, the drive of structural growth for ACV's long-term prospects remain stable thanks to the rise of the middle class and Vietnam's proximity to other rapidly growing aviation markets.

If aviation customers do not decline, ACV can carry out major runway maintenance, especially in Tan Son Nhat and Noi Bai airports. The maintenance will slightly affect air traffic flow over a 4-month period. ACV currently holds a large amount of handy cash for airport expansion and runway maintenance. However, the runway maintenance plan is still awaiting official approval from the Government.

In addition to the optimistic view, VCSC also underlined some risks against ACV such as higher-than-expected cost for runway maintenance, delayed airport expansion, lower-than-expected Chinese tourist arrivals or exchange rate losses from debts in Japanese yen.

In the opposite direction, in a recent report, SSI Securities Corporation presented three scenarios and estimated impacts of the Covid-19 plague on ACV in each scenario.

In the best scenario, the contagion is expected to end in the first quarter of 2020 and the recovery will start from the second quarter of 2020. Tourists from China and South Korea will still fall in number and will reach the 2019 level in the fourth quarter. Tourists from other markets will grow 10% from the third quarter of 2020.

Accordingly, ACV's passengers are forecast to drop 12% to 102 million in 2020.

The corporation's revenue was estimated at VND16.2 trillion in 2020, down 11% year on year, while its net profit was projected to suffer a 25% decline.

In the base scenario (recovering from the second quarter of 2020), SSI assumed that ACV would have a 21% reduction in total passengers to 92 million in 2020, mainly owing to a 39% plummet of Chinese and Korean passengers.

The domestic tourism demand was also forecast to decline by 17%, partly due to the reduction of international tourist arrivals in the country and partly due to a shorter summer vacation this year since students will have to study for days off in the time of Covid-19 outbreak.

With these assumptions, SSI estimated ACV's 2020 revenue to fall 19% from a year earlier to VND14.9 trillion in 2020.

Although flights and passengers may be reduced, ACV still needs to keep all activities as before (for example, check-in, security, lighting and ground services) and cannot reduce its costs relative to the drop in passengers. SSI estimated ACV's profit after tax at VND5.3 trillion in 2020, down 36%.

In the worst scenario (recovering from the third quarter of 2020), the total number of passengers may reach only 66 million, down 43% due to a 70% drop in Chinese passengers and a 59% slump in Korean passengers.

This case may cause total international passengers to sink by 50% and domestic passengers by 40% in 2020.

Then, ACV's revenue will reach about VND10.6 trillion in 2020, down by 42%, and its profit after tax is estimated at VND2.4 trillion, down by 71%.■

**K.H**



# A Boost to Van Don Economic Zone

Van Don was formerly a deserted island and many people did not dare to bet their money and effort here. But now, Quang Ninh province has changed this thinking.

**T**he Prime Minister's Decision 266/QĐ-TTg dated February 17, 2020 on adjustments to the Master Plan for Van Don Economic Zone is expected to help Van Don soon become a driving economic region and a most livable city in Asia - Pacific.

## Amazing figures

From 2012 to 2019, Quang Ninh mobilized and attracted nearly VND57,600 billion (US\$2.62 billion) to improve infrastructure and invest in motive works for Van Don development. Of the sum, the State budget accounted for VND17,300 billion or 30% of the total investment capital (including VND2,500 billion from the central budget (3.6%) and VND15,250 billion from the local budget (26.4%)) and private budget accounted for VND40,300 billion, accounting for 70% (mainly in the form of PPP investment).

This investment was mainly channeled into dynamic technical infrastructure works such as Van Don International Airport of

Grade 4 E with a 3.6-km take-off and landing runway, which is capable of serving 2.5 million passengers a year. Costing VND7,500 billion of investment capital, the airport was inaugurated on December 30, 2018. So far, it has served nearly 22,000 customers.

But, traffic is just a starting point. Without determination and perseverance, a series of follow-on projects will be hard to complete. The most arduous work for all is land clearance to offer the available ground to investors.

Indeed, the public did not always consent, even though they understood that the need for relocation to free up land was to create something better for their homeland. There was a time when everything became tense and goodwill encountered rejection. But, never was a revolution simple and easy.

After ongoing efforts from many sides, the government, the people and businesses could embark on their ground levelling and sea filling plans. A great construction site had been opened on this island.

Many strategic investors of Vietnam were present in Van Don to carry out their major projects like a high-class resort and entertainment complex project on Ngoc Vung Island suggested by FLC Group, the Van Don Heritage Road Project proposed by Van Don Heritage Road Joint Stock Company, and a joint venture project on planning the northern area of Cai Bau Island applied by Vision Transportation Group (VTG) and Hai Dang Construction Investment Joint Stock Company.

Before the rapid development of Van Don, the Prime Minister recently issued Decision 266/QĐ-TTg on adjustments to

*According to many experts, the amended Master Plan for Van Don Economic Zone to 2040 is up to international standard relative to the old plan and meets all wishes of investors.*





the Master Plan for Van Don Economic Zone Construction to 2040, which covers an area of over 2,170 square kilometers, of which the natural land area is nearly 582 square kilometers and the sea area is nearly 1,590 square kilometers.

Accordingly, Van Don will become a multi-industry marine economic zone, an entertainment center with casinos, high-class resorts and general services. This will be a gateway for international trade that will create unique and modern products of high quality, popular brand and global competitiveness.

Van Don was also planned to become a green, modern, smart, sustainable maritime city with an important position in national security and defense.

After various efforts to improve the infrastructure system and call for strategic investors to Van Don, for Quang Ninh province and investors, Decision 266/QĐ-TTg is seen as a new push for Van Don to develop more strongly in the future.

## Aspirations and confidence

Be present with Van Don very early, Mr. Ta Duc Quyet, Director of Mai Quyen Tourism Co., Ltd, admitted having expected this day for very long. The planning met all the wishes of investors, he said. This was the aspiration of the government, the people and investors.

“The adjustment of the Master Plan for Van Don Economic Zone to 2040 carried an international status as compared to the previous plan and satisfied all investors. But, to enable Van Don to make breakthroughs soon, we hope that Quang Ninh province will soon complete zoning plans to make sure that related projects will be carried out early enough; complete the internal infrastructure and the belt traffic system linking Cai Bau Island with functional subdivisions to help investors launch their projects,” Mr. Quyet stressed.

In addition to perfecting transport infrastructure, electricity, water and telecommunication infrastructure needs to have a stronger boost. In particular, Quang Ninh needs a long-term plan in site clearance to enable investors to realize their ideas soon.

Mr. Cao Van Kien, General Director of CEO Van Don, said, first of all, I would like to congratulate Quang Ninh province for having a truly outstanding project. As an investor, we realize that this adjustment to the Master Plan for Van Don Economic Zone Construction to 2040 has clearly expressed the scale and stature as directed by the Government to make Van Don Economic Zone a dynamic economic region and the most livable city in Asia-Pacific.

“Functional subdivisions in the master plan are very clear and especially phased-out development stages will help investors to carry out their projects as planned. Based on the new planning, we are well grounded and confident to invest more strongly in Van Don Economic Zone in the future,” he said.■

L.C

## German Companies Eye Vietnam's Healthcare Sector

In January 2020, GIC/AHK Vietnam in collaboration with reputable German professional associations in the healthcare sector conducted a market development program survey on Vietnam healthcare 2020, with the participation of German companies from different branches: medical technology, pharma and biotechnology, in order to identify the interests and the needs of German firms, their intentions and their expectation as well while researching and approaching the healthcare market in Vietnam.

The survey's result showed Vietnam is an attractive investment destination for German companies in the healthcare sector, especially when the EU-Vietnam Free Trade Agreement comes into effect in July 2020. German multinational companies and German SMEs confirmed their interests in doing business in Asia (86%) and in setting up their businesses in Vietnam (66%). Currently Germany is the most important trading partner country in the EU and one of the top two import countries regarding imported medical equipment to Vietnam, with total import value of the place US\$153 million in 2018.

One of the most effective strategies to approach the Vietnam's markets are using branch establishment and cooperation with local partners in Vietnam. 54% of German firms found challenges in finding necessary market information, information on registration process, local regulations or import duties for their products. Linguistic and cultural differences should affect their investment intentions in Vietnam (43%). 37% of the survey participants found difficulty in searching for appropriate local partners and workforce in Vietnam.

Thu Ha

## Mobiles and Spare Parts Lead US\$ Billion Export Club

Mobiles and spare parts led the group of seven hard currency earners making a US\$ 1 billion turnover in the Jan-Feb period, the Ministry of Industry and Trade (MoIT) reported.

In the reviewed time, the country raked in US\$36.92 billion for export turnover, representing a year-on-year growth of 2.4%, in which processing industry earned US\$ 31.39 billion, accounting for 85.01% of total export turnover.

Noticeably, all seven exports with over US\$1 billion each are belong to the processing industry.

Specifically, overseas shipment of mobiles and spare parts valued US\$6.89 billion, up 2.3% against the same period last year.

Export turnover of computers and electronic spare parts contributed US\$5.36 billion, representing a year-on-year growth of 26.7%.

Garments and textiles earned US\$4.52 billion of export turnover; followed by footwear with US\$2.7 billion; machines and spare parts with US\$ 2.98 billion; furniture with US\$1.48 billion; and transport vehicles and spare parts with US\$ 1.4 billion.

Especially, export growth rate of the domestic sector was a bright point with 6% in comparison with the rate of 0.9% recorded by the FDI sector.

VGP

# Capitalizing on LNG for Safe, Sustainable Energy Development

Switching from coal to gas in energy planning plays an important role in ensuring energy security, increasing the reliability of the power system and reducing greenhouse gas emissions in Vietnam. However, liquefied natural gas (LNG) plants should not be considered an alternative to all planned or proposed coal-fired power plants.

ANH MAI

**T**he second edition of Made in Vietnam Energy Plan (MVEP 2.0) by the Power and Energy Working Group - Vietnam Business Forum has proposed a strategy to balance and integrate the supply from electricity generation by LNG into the power development strategy of using renewable energy.

## **It is possible to replace planned coal-fired power plants**

Vietnam's gas reserves, mainly in offshore areas within the country's exclusive economic zone, are estimated at 202 billion m3. The power industry consumes about 80% of the annual output (reaching 9.8 billion m3 in 2017), while the consumption rate of fertilizer production and industry are at 10%. According to MVEP 2.0, while developing domestic resources is a top priority of the Vietnamese Government

and the oil and gas industry, the actual use in electricity production is much slower than expected, partly due to conflicts in the East Sea, increasing drilling costs in deep waters and complex geological areas, and leading to investor fatigue. Meanwhile, the demand for electricity increases while the supply capacity of the power industry is limited, especially in the Southeast region.

Replacing coal with natural gas in thermal power plants will help improve public health and protect the environment through reducing air pollution. Compared to other fossil fuels, the combustion of natural gas produces negligible amounts of sulfur, mercury and fine particulates. Combined cycle generators using natural gas with the ability to increase or decrease 600 MW within 10 minutes can support the integration of wind and solar energy. Natural gas also plays an important role in meeting peak electricity demand and supplying fuel to combined thermal





power plants twice as efficient as those only producing power.

VMEP 2.0 states that, with some advantages such as abundant offshore gas reserves, the ability to import with beneficial terms in the near future, taking precedence over coal, minimizing the impact on public health and the environment, and the ability to limit the effects of climate change, LNG should be considered an appropriate alternative fuel source to coal. Because gas is used as a base load, as well as helping to respond quickly to changes in demand or renewable energy supply, it is an effective competitive resource to account for a high proportion in Vietnam's energy sector. The 7th power master plan has planned the construction of 10 gas thermal power plants, including six combined cycle power plants with a total capacity of about 24.2 GW, located in the Central and Southeast region and Mekong Delta region. Investors' interest indicates the possibility that natural gas-fired power plants will be proposed to replace planned coal-fired power plants.

## Demand for imports

To address Vietnam's energy needs while waiting to address the energy shortage issue, VMEP 2.0 says that it is necessary to quickly develop renewable energy sources and modes. In the future, storage batteries and hydropower could help solve problems arising from the disruption of these energy sources. However, the generation capacity with the ability to maintain the grid's voltage and frequency before climatic conditions and different demand situations needs to be met with lower carbon energy sources than coal, the energy selected by the 7th power master plan. This demand can be met with imported natural gas.

Asia has great demand for natural gas. By 2035, nearly 50% of global natural gas demand by power generation and industry will come from Asia. As a result, the global power market is moving in this direction, and development plans increasing the use of LNG as a fuel for gas-fired thermal power projects. By 2022, it is expected that the global capacity of LNG will increase by 132 billion m3 annually, of which 70% of this new capacity will belong to American and Australian

companies. In the period from now until 2022, the United States is expected to continue to increase its market share in the world's total liquefied gas capacity with an increase of 70 billion m3 annually.

However, natural gas is not a panacea. Management is still limited to drilling, mining and pipeline transportation activities that can lead to methane leakage, a greenhouse gas 86 times stronger than CO2 when maintaining heat in 20 years. The amount of methane leak can reach 1-9% of total emissions throughout the life cycle of a gas-fired power plant. Many technologies have been developed to reduce the amount of methane leaking; however, to implement these technologies, appropriate policy and investment actions are needed in both exporting and importing countries.

## Safe gas extraction and filling station network

In order for LNG to become a source of raw materials for power plants, according to VMEP 2.0, it is necessary to build a network of liquefied gas extraction and filling stations. A recent report completed at the request of the International Finance Corporation (IMF) shows that Vietnam's coastline has many suitable locations to build extraction and filling stations as well as Floating Storage Regasification Unit (FSRU) and installing LNG receiving stations both offshore and onshore. It is essential to conduct a financial feasibility study based on geographical conditions, expected scale and maximum capacity to determine whether Vietnam will use FSRUs and how to use them. The value of FSRU lies in its ability to quickly deploy, especially in operating gas-fired power plants.

In the recent plan of Vietnam, oil and gas industry has proposed to build 6 LNG focal stations. As of early 2019, 10 LNG focal stations have been proposed to be built. A station (Thi Vai) is under construction. The construction of storage facilities will facilitate the use of LNG transported by truck to various industries other than the power one. Replacing liquefied petroleum gas (LPG) with directly supplied LNG will save cost to end users in the long term.■

(from P.18)

registered in the period. Social security continued to be implemented.

However, in general, impacted by the Covid-19 epidemic, many industries and sectors faced difficulties and exposed limitations and shortcomings, especially aviation, tourism and transportation.

"We are seeing that some hotels that are almost closed and many tourist areas are vacant," the Prime Minister said, adding that we cannot risk our people's health because of revenue and tourist service.

Besides, the Prime Minister stressed that the growth pace of many industries decelerated, such as processing and input export and import, while many others faced the risk of input shortages and supply

disruptions. These issues need to be discussed to seek solutions.

In the past two months, the disbursement of public investment remains as low as about 7.38% of the estimate while six ministries and central agencies and nine localities have not been allocated the fund as planned. This also needs discussion to fix.

The Prime Minister also asked Government members to comment on his directive on urgent solutions to tackle existing hardships, maintain production and business and ensure social security in response to Covid-19.

"Business operations are still in difficulty. The Government understands this, all branches and levels must understand this in order to have a closer direction," he concluded.■

T.H



# Digital Platforms Shape Digital Economy

Mr. Nguyen Duc Thanh, Director of the Vietnam Institute of Economic and Policy Research (VEPR), said that the digital economy is part of the national economy.

**T**herefore, to enhance competitiveness for Vietnam, first of all, platforms themselves must become more competitive.

Sharing the same point of view, Mr. Tran Thanh Hai, former CEO of Be Group and Co-founder of VNG Corporation, emphasized that, compared to other countries in the region, Vietnam's information technology space is very good. This is the time for Vietnam to build a digital economy and it should not miss this opportunity.

## Equity in a digital platform

Dr. Nguyen Duc Thanh, Director of VEPR, said, the digital economy has been very strongly present in the context of globalization.

The platform economy is changing the pattern of commodity use. It does not own resources but only provides the foundation for people to provide and use services and products.

However, as a result of this industrial revolution, these platforms are originated from more developed countries in terms of technology, connectivity, institutions and innovations, among other things. When

they evolved in less developed countries, they will instigate unfair competition among businesses. Apparently, companies from more developed countries are more experienced and richer than those in less developed countries.

A good example is Be and Grab. Former Be Group's CEO Tran Thanh Hai said that Be Group planned to spend VND1-2 trillion to develop the market but Grab was willing to "pump" up to VND3 trillion to compete with Be. Thus, two key matters that caused Be Group to struggle with its competitors are policy and finance, not market acceptance.

When financial resources are not suitable factors of competition, we are forced to use many other factors, from innovation and technology to local market characteristics - where the government plays a very important role in creating a level playing field.

A fair playing field does not mean that everything is the same. When a foreign company can put billions of US dollars into the market, Vietnamese enterprises will find it very hard to compete with them by money.

Therefore, the role of the Government is very important in creating mechanisms and legal frameworks to support businesses to compete by the creation of future value instead of using current money.

### Which choice?

The current platform economy will keep going on. This is an unchangeable trend in the world. In the current context of the flat world, Vietnam, whether it wants to or not, must participate in the platform economy.

In fact, Vietnam has many policies to promote digital platforms to support businesses to grow. However, some policies give an upper hand to foreign businesses and trigger unfair competition.

Typically, when Grab entered Vietnam, the transportation services, customers, vehicles, drivers and finances were all of Vietnam, but the technology platform is foreign. Profits for Vietnam are very little and this causes damage to Vietnam. In reality, technology is always developing faster than the regulatory framework. With respect to technology, it is clear that Vietnam cannot compare it with tech powers of the world.

Therefore, Vietnam should choose human factors, namely user database, to focus on digital economy development. User database is also the most important asset in the technological field.

Boosted by 100 million people, Vietnam can completely build a billion-dollar company with domestic resources by utilizing its innovations and local characteristics.

Mr. Do Hoai Nam, Chairman of the Board of Directors of UPGen Vietnam, suggested redefining what platforms mainly base on resources, assets and domestic customers to develop them to control the platform economy. As for highly global platforms, the expansion gives them a great advantage, it is not necessary to create a similar platform for Vietnam, but put resources, intelligence and money to do other more significant things. ■

**B.P**

## World Bank Announces US\$12 Billion Support for Covid-19 Combat

As Covid-19 reaches nearly 100 countries, the World Bank Group is making available an initial package of up to US\$12 billion in immediate support to assist countries coping with the health and economic impacts of the global outbreak. This financing is designed to help member countries take effective action to respond to and, where possible, lessen the tragic impacts posed by the Covid-19 (coronavirus).

Through this new fast track package, the World Bank Group will help developing countries strengthen health systems, including better access to health services to safeguard people from the epidemic, strengthen disease surveillance, bolster public health interventions, and work with the private sector to reduce the impact on economies. The financial package, with financing drawn from across IDA, IBRD and IFC, will be globally coordinated to support country-based responses.

"We are working to provide a fast, flexible response based on developing country needs in dealing with the spread of Covid-19," said World Bank Group President David Malpass. "This includes emergency financing, policy advice, and technical assistance, building on the World Bank Group's existing instruments and expertise to help countries respond to the crisis."

The financial package will provide grants and low-interest loans from IDA for low income countries and loans from IBRD for middle income countries, using all of the Bank's operational instruments with processing accelerated on a fast track basis. International Finance Corporation, the World Bank Group's private sector arm, will provide its clients with the necessary support to continue operating and to sustain jobs.

The World Bank support will cover a range of interventions to strengthen health services and primary health care, bolster disease monitoring and reporting, train front line health workers, encourage community engagement to maintain public trust, and improve access to treatment for the poorest patients. The Bank will also provide policy and technical advice to ensure countries can access global expertise.

Countries face different levels of risk and vulnerability to Covid-19, and will require different levels of support. The Bank Group support will prioritize the poorest countries and those at high risk with low capacity. As the spread of Covid-19 and its impact continues to evolve, the World Bank Group will adapt its approach and resources as needed. ■

**PV**



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# *Joining Forces to Motivate Tourism Industry*

The outbreak of Covid-19 has exerted a major impact on the economy, including tourism.

Vietnam's tourism industry has promptly organized meetings to discuss solutions to prevent the spread of the epidemic and at the same time strengthen tourism demand, especially prioritizing the domestic tourism market.

GIANG TU

## **Boosting domestic demand**

The two main markets of Vietnam's tourism, namely China, where the outbreak originated, and South Korea, where the epidemic has been spreading rapidly, have been nearly frozen. Flights to these markets have been closed to prevent outbreaks. In addition, flights to some other disease-hit markets such as Italy, Japan, France etc. are also limited. In the difficult situation, central agencies and localities have organized meetings to discuss solutions to overcome the consequences, to re-adjust the customer segment in accordance with market characteristics and epidemic circumstances. When the outbound and inbound markets are limited, the tourism industry has been seeking solutions to the domestic market, stimulating the domestic market.

Backed by Vietnam Airlines, Vietnam National Administration of Tourism has launched a stimulus program for domestic tourism with the message "Vietnam is safe" from March to August 2020. In peak season for domestic tourists during the summer holidays, it is

applied to domestic itinerary with departures before May 31, 2020. Accordingly, the Departments of Tourism/Departments of Culture, Sports and Tourism of the localities will develop a response plan to participate in the program with the policy of exemption and reduction of entrance fees, creating favorable conditions for tourists and overseas Vietnamese to travel to local areas. The local tourism businesses, services, hotels will coordinate to participate in the program with promotional packages to attract tourists.

Service businesses in the tourism service chain have registered to participate and strictly implement commitments under the stimulus program; building sales promotion programs; increasing the provision of information and notices on services and promotional prices; at the same time actively improving the professionalism in service provision, strengthening development of new tourism products and services; creating a quality, friendly and safe environment for tourists.

In addition, the stimulus program for international tourism with the message





☞ "VietnamNOW" will also be rolled out from April to December 2020, starting with Formula 1 (F1) taking place in Hanoi from April 3 to 5, 2020, which will attract tens of thousands of spectators from key markets of Vietnam such as Southeast Asia, Europe, Australia and Japan.

According to the Vietnam National Administration of Tourism, the international tourism stimulus program is particularly interested in Vietnam Airlines' service policies for markets with direct flights such as discounts, promotions; local policies such as: specific policy research with priority to large charter airlines, shipping lines, MICE delegations with large scale of 1,000 passengers or more to local areas; policies of businesses, hotels, restaurants, and other service providers according to product combos.

### Joint efforts

In response to the domestic stimulus program of the tourism industry, local provinces have also simultaneously launched promotion policies to attract customers.

Deputy Director of Thua Thien - Hue Department of Tourism Nguyen Van Phuc said that this locality would implement a stimulus program till the end of 2020, which will reduce 20% for 3 or 4 packages of attractions. In addition, when registering this package, visitors will be able to visit some more points such as Gia Long Tomb, Chen islet, Dong Khanh Tomb.

The Department of Culture, Sports and Tourism of Quang Nam has also proposed exemption of tickets to the two ancient towns of Hoi An and My Son Sanctuary for guests staying in the area.

In addition, admission tickets to tourist destinations in Khanh Hoa such as Ba Ponagar Tower and Hon Chong promontory has been reduced to only VND20,000/person. Or at some famous tourist sites of Gia Lai such as Dong Xanh Park in An Phu commune, Pleiku, the service fee will be reduced 50%; the entrance ticket price of Ialy hydro power plant will be reduced 10% until the end of the epidemic to stimulate tourism.

Businesses have also enthusiastically responded to the program. Leading in the stimulus program, Vietnam Airlines has discounted fares up to 50% for the stimulus program in cooperation with industry units, applicable to groups, both domestic and international itineraries; closely coordinating with the Vietnam National Administration of Tourism and relevant localities, especially tour operators in implementing the program's contents; co-organizing and sponsoring international and domestic survey teams to introduce and raise awareness of Vietnam as a safe and attractive destinations. Other airlines such as Vietjet, Bamboo, and Jetstar have also launched promotion campaigns for domestic tourism at super cheap prices only from VND49,000, VND99,000, VND199,000, etc.

In some famous tourist areas such as Vinpearl or Sunworld, special promotion policies are also applied. Accordingly, Vinpearl has discounted fares up to 40% for local people of 18 provinces and cities in the South Central, Central Highlands and Southwest regions, where there are



Vinpearl Land and Safari. For guests nationwide, when booking a one-night stay in this system from now until April 1, they will receive free entertainment services with the same brand. In addition, visitors are also free to experience the amusement park with more than 100 high-end games when visiting Vinpearl Land Phu Quoc. Meanwhile, Sun World Ba Na Hills, Da Nang has also launched March promotion program giving each traveler a coupon with three incentives: 10% discount on buffet tickets, 20% off some fast food and free drinks when guests have a total culinary bill at the restaurant from VND600,000 or more. With each additional bill of VND400,000, an additional beverage unit will be offered.

In its press release, Dai Nam tourist area said that they will provide free entrance tickets from March 1 to 31. Internal services such as zoos, games also discount for children as tall as 1-1.4 m, with ticket prices 50% lower than adult fare. At the attractions in Mui Nai and Thach Dong (Ha Tien district, Kien Giang province) visitor fares are also reduced from 10 to 30%.

With the participation of the tourism industry and the response of aviation, hotel and travel businesses across the country, it is hoped that the impact of Covid-19 will be curbed and the tourism industry will quickly recover. ■





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Một là, chim yến cho tổ ăn được tại các đảo yến thiên nhiên Khánh Hòa thuộc phân loài *Aerodramus Fuciphagus Germani*. Đây là phân loài quý hiếm và đặc hữu tại các vùng duyên hải Việt Nam, cho tổ yến có giá trị bổ dưỡng cao nhất, tập trung nhiều nhất tại tỉnh Khánh Hòa, khác biệt với chim yến *Aerodramus Fuciphagus Amechanus* chỉ làm tổ trong nhà.

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Ba là, Công ty Yến sào Khánh Hòa là đơn vị quản lý nguồn tài nguyên yến sào với quy trình bảo tồn, nuôi dưỡng, phát triển và khai thác khép kín có lịch sử ngành nghề lâu đời và bí quyết kỹ thuật công nghệ sản xuất tiên tiến.



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