



VIETNAM DAILY NEWS

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Market Analysis

1. E-commerce helps promote Vietnamese brands to int'l markets

Han Nguyen, co-founder and CEO of Andre Gift Shop, said that sales from Amazon in 2018 accounted for 70 percent of her company's online sales, helping promote the firm's growth by 70 percent compared to 2017.

Meanwhile, Le Thi Thien Ngan, founder and CEO of Paper Color, said that offering her goods on the site helped her enterprise access a great number of international consumers.

Paper Color now exports its products to 30 countries worldwide, and is further promoting brand development.

MaryCrafts, which has a production workshop in Vietnam and specialises in producing clothes and accessories for women, also joined the online market giant Amazon in 2015. Founder Mary Nguyen said her firm's sales have increased by over 150 percent since it started offering its goods on Amazon.

The Ministry of Industry and Trade of Vietnam and Amazon Global Selling have agreed to implement their coordination plan from now to

2021, focusing on promoting global export via e-commerce, developing brands on Amazon, and providing e-commerce training programmes for Vietnamese enterprises.

Through the global export via e-commerce programme, as many as 100 Vietnamese businesses featuring products with high potential have been provided with skills training courses, direct consultation support, connections to support service networks designed specifically for the programme. These steps have helped them introduce their export products onto Amazon e-commerce system in the US in June 2019.

Cooperation between Vietnam and the global e-commerce website Amazon.com is expected to help Vietnam foster exports and expand export markets for its enterprises, especially SMEs, in the coming time.

Vu Ba Phu, Director of the Vietnam Trade Promotion Agency under the MoIT stressed the necessity for enterprises to make great efforts and sound preparations to effectively join the online sales channel.

2. Stock market sees positive growth in Q1

The statement was revealed by Dao Tuan Trung, head of the research centre at Vietinbank Securities, at a conference assessing the development prospects of Vietnam's economy and stock market in 2019.

He forecast that the profit growth of businesses listed on the Ho Chi Minh Stock Exchange (HOSE) will reach 7.51 percent this year. At the end of 2019, the VN-Index is projected to stand between 920 and 950 based on the anticipation of interest rate, profit and price-to-earnings ratio.

According to Nguyen Duc Thanh, Director of the Institute for Economic and Policy

Research (VEPR), Vietnam's economy expanded by 6.79 percent in the first three months of this year. However, it depended heavily on foreign-invested enterprises, and the growth rate of some industries showed signs of slowing down, he said.

Inflation is likely to increase due to the price hike of energy and the enactment of environmental protection taxes. This requires prudent management from the State Bank of the money supply and credit growth in the coming time, he suggested.

General Director of FiiGroup Nguyen Quang Thuan said the banking sector recorded

impressive growth in January-March, with the net profit of 17 banks increasing by 12 percent.

The profit prospects for businesses have good signs with the earnings per share (EPS) expected

at about 14.5 percent in 2019 and mainly from large-scale enterprises, he added.

3. VN stocks quiet, investors wait for US-China talks

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) on Tuesday inched down 0.04 per cent to end at 957.56 points.

The VN-Index has totalled a four-day decline of 2.25 per cent since May 2.

Vietnamese shares rolled along with other Asia-Pacific markets despite positive gains from the US market overnight on Monday.

US stocks were cushioned by signals that China had confirmed its deputy prime minister would discuss trade relations between the world's two largest economies on Thursday and Friday.

According to analysts, any hawkish statements made by the US would make China turn more dovish, leading to more easing on its monetary policies to boost the local business community.

However, investors on the Vietnamese market remained cautious as they were unsure what results would come from this week's trade talks, according to MB Securities JSC (MBS).

As investors were unwilling to trade stocks, the VN-Index had an early peak before falling to negative territory at the end of the morning session.

The benchmark index then moved around Monday's close of 957.97 points for the rest of the afternoon session.

"Investors will keep an eye on US-China trade talks for the rest of the week," MBS said.

Trading volume fell by 10.3 million shares to 145.3 million shares from the previous day's figure.

The value of stocks traded on HoSE reached VND3.35 trillion, up slightly from Monday's number.

Another factor that blocked local stocks was net foreign selling, which was VND155 billion on HoSE. On Monday, foreign investors net bought VND78 billion.

On the Ha Noi Stock Exchange, the HNX-Index edged up 0.39 per cent, ending a three-day fall of total 1.9 per cent.

More than 50 million shares were traded on the northern bourse, worth VND561 billion.

The figures were up 13.6 per cent in volume and 14.6 per cent in value from Monday.

Insurance stocks were the best-performing as they pushed the sector index up 4.2 per cent, data on vietstock.vn showed.

Insurer Bao Viet Holdings (BVH) soared 5.6 per cent after having fallen total 21 per cent since April 24.

Petroleum stocks made good gains on increased oil prices following tension between the US and Iran.

PetroVietnam Drilling and Well Services (PVD) jumped 3.8 per cent and PetroVietnam Technical Services (PVS) gained 2.2 per cent.

On the opposite side, shares of banks and securities firms remained negative.

Macro & Policies

4. Chinese rice importers visit Vietnam to seek cooperation opportunities

The Vietnam News Agency reported that the program is being jointly held by the Ministry of Industry and Trade's Departments of Export-Import and Asia-Africa Market; the Vietnam Trade Office in Beijing; the Departments of Trade and Industry of An Giang, Long An and Dong Thap provinces; the Vietnam Food Association; and the China National Food Industry Association.

According to the Department of Export-Import, the Chinese delegation includes 20 representatives of Chinese rice firms, led by a representative of the China National Food Industry Association.

Besides visiting the rice processing facilities of rice enterprises in An Giang, Long An and Dong Thap provinces, the delegation will participate in a rice trade promotion conference in An Giang Province on May 9.

The Ministry of Industry and Trade has organized multiple rice trade promotion programs under various formats.

Between 2016 and 2018, the ministry invited four delegations of rice importers from Chinese localities with a high demand for rice, such as Anhui, Guangdong, Yunnan, Fujian, Zhejiang and Chongqing.

These programs are aimed at introducing the improvement in the quality of Vietnamese rice products and infrastructure as well as evaluating Vietnamese rice exporters' capacity to meet Chinese partners' requirements. Thus, Chinese enterprises will have an overview of the farming and processing of rice in Vietnam.

Last year, China was Vietnam's largest rice importer. However, the country dropped to seventh place in the first quarter of this year.

5. Taxing cross-border services proves difficult

Held by a group of National Assembly delegates in HCMC, the workshop was aimed at canvassing the opinions of agencies on revisions to the draft Law on Tax Administration, reported *Thanh Nien* newspaper.

Binh said that tax authorities are keen on ecommerce applications, especially cross-border transactions. Ride-hailing services such as Grab and Uber as well as online hotel booking services such as Agoda.com and Booking.com are becoming more popular, compared with four to five years ago.

However, according to Binh, tax agencies find it challenging to tax cross-border trading services.

For example, clients book their rooms on the Agoda platform and make online payments using their bank cards to Agoda. Then, Agoda pays a

certain amount of money to the hotels in the country.

Hotel owners claimed they receive money from Agoda rather than spend money, so they cannot deduct taxes on behalf of the platform.

The taxman has taken steps to collect the personal information of individuals conducting transactions with foreign companies.

In 2018, tax authorities sent written requests to commercial banks, asking them to provide the details of transactions between local residents and Google and Facebook.

Officials later found that many individuals had received sizeable incomes from these tech giants and asked them to declare their taxes.

However, "not all banks, in reality, provide their clients' information to us. Some State-owned

commercial banks have refused, citing the reason of confidential information,” he said.

He added that without mandatory sanctions, there would be no information available to track unpaid taxes. A certain bank even requires the taxman to provide the names and ID numbers of their clients who conduct transactions with foreign organizations such as Google and Facebook before it will offer any information.

Meanwhile, tax agencies need lists of individuals conducting these bank transactions for the purpose of tax administration, according to the official.

He said the draft law references the coordination among agencies. “We are carrying out e-

governance initiatives, so departments and agencies need to establish connections. Otherwise, it will be very tough to manage taxes,” he said.

Regarding the tasks and powers of commercial banks in tax administration, having taken the relevant feedback into account, the law-drafting board has rewritten the previous draft, changing “periodically providing account details of taxpayers to the taxman” to “providing information on account numbers according to taxpayers' codes when opening their accounts.”

However, commercial banks are still being asked to provide the details of taxpayers' transactions and their account balances within 10 working days after the date of receiving the taxman's request.

6. Central province withdraws licences for delayed projects

The projects occupied a total of 591,000sq.m of land. According to the local Department of Planning and Investment, the projects were found to be delayed and leaving land in a poor state during an investigation made by the local Department of Natural Resources and Environment late last year.

Tran Phong from the environment department said the department has completed another report on land use violations among other delayed projects in the locality following recent investigations by the department.

He added that the report would be the basis for local authorities to make withdrawal decisions in an attempt to retrieve land occupied by unqualified investors.

The report recommended withdrawing the licences of nine projects, including those in the

healthcare sector, tourism and trade. Those projects are occupying 942,000sq.m of land.

Authorities are to find proper investors and sell the infrastructure of the withdrawn projects, which include unused buildings on the land.

In related news, neighbouring Thua Thien-Hue Province is seeking qualified investors for a residential and park project valued VND4.2 trillion (US\$183 million). The project is located in the new urban area An Van Duong, a modern city outside of the ancient city of Hue.

The estimated duration for the project, including site clearance work, is 60 months.

An Van Duong is a proposed residential, trade and recreational centre occupying 1,700ha of land. It has welcomed investors since 2005.

7. Experts and ministries divided on draft law on PPP

The draft law on Public-Private Partnership proposes to establish a fund for PPP projects to manage and operate state capital, as well as

providing government guarantee to PPP projects (a contentious topic that drew support from seven out of 14 ministries) or set up a budget using mid-

term public investment capital (which is approved by five of 14 ministries and agencies).

Explaining the proposal, Nguyen Dang Truong, director general of the MPI's Public Procurement Agency, said that the current regulations are not flexible enough to allocate such a budget due to incongruities between PPP and public investment projects. State capital in PPP projects is mainly allocated from public investment capital, so all procurements must comply with the Law on Public Investment.

The draft law on PPP also proposes government guarantees for PPP projects, which is not stipulated in the current regulations on PPP (Decree No.63/2018/ND-CP). Accordingly, the prime minister will decide whether to provide government guarantee for each project on a case-by-case basis. The draft proposed that in case revenue is less than the revenue necessary to break even, the government will guarantee 75 per cent of the break even revenue for the first five years of operation, and 65 per cent in the next five years.

In case the revenue is far more than expected, the amount surpassing 125 per cent of the revenue to break even in the first five years of operation, and 135 per cent in the next five years will be collected by the state.

However, at the second meeting of the Drafting Committee and the Editorial Team of the Law on PPP on May 4, 2019 at the headquarters of the MPI, representatives were largely divided about the issues of setting up the fund for PPP projects and the government guarantee.

The representative of the Ministry of Transport spoke in favour of the fund and the guarantee, proposing changes to the ratios of the guarantee and replacing the government by third-party in the guarantee scheme.

Meanwhile, deputy director general of the Department of General Economics of the Ministry of Foreign Affairs proposed balancing the rights, responsibilities, and benefits of both sides (public and private), which would mean the government guarantee for PPP projects would not be necessary, because both benefits and risks should be shared by the two sides.

The representative of the State Bank of Vietnam highlighted foreign exchange guarantee, saying that it needs to be considered carefully, according to a representative of the State Bank of Vietnam.

The representatives of ministries and agencies provided a great number of comments on the Draft Law on PPP, which includes 12 chapters and 113 articles focusing on the classification of PPP projects, setting up a state-level appraisal council, state budget allocation for PPP projects, government guarantees, BT (build-transfer) contracts, and post-checking, among others.

PPP is a very complex legal area, involving numerous legal provisions that the new Law on PPP needs to align with. A lot of PPP projects have been deployed and reported good performance with several achievements, especially in transport, contributing to improving the country's infrastructure. However, some shortcomings have been detected over the last three years.

Related to measures on investment attraction, lessons from the success of some countries like South Korea, India, and the Philippines shows that the government should build a national strategy on specific support policies for PPP projects in addition to the usual tax and land incentive in the early period of PPP projects.

Accordingly, these countries have established some mechanisms such as funds for offsetting financial shortages, contingency funds for government guarantees, and guarantees for minimum revenue.

8. Ride-hailing rule concerns persist

Speaking at a meeting with the executives of leading global firms on the sidelines of the World Economic Forum in Davos in January, Prime Minister Nguyen Xuan Phuc said that Vietnam aims to develop a legal framework that will accommodate the new technologies of Industry 4.0 and accelerate public-private partnership to create environmentally friendly breakthrough products and services.

“Industry 4.0 is knocking on the doors of every single enterprise, bringing about radical changes. Vietnam considers it a big opportunity when countries compete through innovation in addition to traditional means like trade liberalisation, scale, experience, labour, and capital,” the prime minister added.

In this spirit, Vietnam has become an emerging market for several disruptive firms. Ride-hailing firms like Grab, Go-Viet, FastGo, and Be have taken the country by storm with their services, bringing tremendous benefits to both customers and drivers.

However, the Ministry of Transport (MoT) is proposing to step up regulation of ride-hailing companies, aligning service firms with taxi operators. The proposed change has ignited the debate about how street-hailing and ride-hailing services should be managed.

The MoT recently submitted to the government the latest draft replacing Decree No.86/2014/ND-CP on business conditions for automobile transportation. Accordingly, the MoT maintains its proposal that electronic-contract-based vehicles using ride-hailing platforms like Grab, Go-Viet or Be must install taxi signs on the top of the vehicles – sending many wondering about the future of disruptive business models in Vietnam.

Nguyen Van Hau, chairman of the Ho Chi Minh City Bar Association, said, “The sharing economy is about the sharing of idle assets. Ride-hailing platforms under the model have generated employment and income for many people. It is

clear that the proposed rule will increase unnecessary procedures and lead to the loss of jobs.”

Hau went on to say that customers will be harmed by the loss of competition, which will likely translate into higher prices, longer waiting times, and lower quality ride-hailing services.

Truong Thanh Duc, lawyer at BASICO law firm, said that Vietnam and some other countries are confused whether to classify ride-hailing apps as taxi firms or Internet-based service providers. “Their business model is unique, so I think the government should use technology to regulate or tax them. This reflects the nature of these firms and would prevent double taxation or tax evasion,” said Duc.

He added that despite their ambiguous legal status, ride-hailing apps should be allowed to operate in Vietnam as they benefit consumers, the economy, and push Vietnam towards Industry 4.0. “We should encourage new innovations in Vietnam's transport system,” Duc emphasised.

Kenneth Atkinson, executive chairman of Grant Thornton, told VIR that ride-hailing services should be properly regulated and taxed. “The regulatory environment is the only possible risk to ride-hailing apps in Vietnam. I can only see continued expansion because of the growing popularity and the mindset of Vietnamese millennials, together with the growing acceptance and convenience for ride-hailing services.”

If the MoT's regulation becomes effective, investors may be concerned about their decision to invest in the country. Meanwhile, consumers could lose the chance to benefit from modern and convenient services brought by technological advances.

With the Comprehensive and Progressive Agreement for Trans-Pacific Partnership already in effect and the EU-Vietnam Free Trade Agreement expected to be ratified this year,

Vietnam is required to make greater efforts to ensure full compliance.

Among them, there are regulations to limit the government's intervention in e-commerce activities like ride-hailers. Before proposed rules

can come into force, legislators will need to make careful considerations to ensure it falls in line with Vietnam's FTA commitments and does not stunt the country's efforts to embrace new technology in Industry 4.0.

9. Firms need solid strategies to boost exports to Thailand

Nguyen Tuan, Deputy Director for the Investment & Trade Promotion Centre of HCM City (ITPC), said that as members of ASEAN, Vietnam and Thailand have many favourable conditions to enhance economic partnership and trade exchanges.

Thai goods are widely present in Vietnam and favoured by many customers. However, not many made-in-Vietnam goods are able to penetrate into the distribution and retail systems in Thailand, he noted.

Nich Reitmeier, Executive Vice President Foothalls, International Food & Alcohol Buying at Central Group Thailand, said that his firm is one of the largest purchasing, distribution, and retail systems in Thailand. It is also operating effectively in Vietnam with the Big C supermarket chain.

In Vietnam, Central Group has about 40,000 suppliers, with over 90 percent being Vietnamese goods. Despite this, in Thailand, only 50 made-in-Vietnam goods items are sold in Central Group's supermarkets, mainly consisting of coffee and dried fruit.

According to Reitmeier, Vietnamese products, especially farm produce, have good quality and

taste, but have not yet been developed in Thailand as businesses lack focus on building brands and providing sufficient information of products for Thai consumers.

The design of products has not met the demand and preference of Thai people, he added.

Nguyen Thi Hong, Vice President in charge of social responsibility and sustainable development of Central Group Vietnam, said the company wants to seek Vietnamese firms that can supply many Vietnamese goods for its base in Thailand to bring the products to the global distribution system of Central Group.

This aims to support Vietnamese small- and medium-sized enterprises to boost exports to Thailand and access to other markets, she said.

She reminded that Thailand is a choosy market, but requiring high-quality standards.

It takes 3-6 months for Thai agencies to consider granting import certification for normal products, and up to 2 years for special areas such as baby food, she noted.

Corporate News

10. Vietcombank offers preferential loans with low interest rates

↓ -1.06%

Specifically, from April 1, 2019 to March 31, 2020, small and medium-sized enterprises (SMEs) can borrow loans for business purposes for 12 months or less with preferential interest rates from 6.5 per cent per year.

The second promotion programme also applies in the same period. Accordingly, individual customers borrowing loans to buy cars, houses, business loans, consumer loans with secured assets and micro-business customers borrow medium-term business loans, car loans can enjoy

attractive interest rates of only 7.5 per cent per year fixed for six months or 12 months depending on the time of borrowing from customers.

In addition, SMEs and individual customers borrowing medium and long-term loans will enjoy a fixed preferential interest rate for 2 years, 3 years or 5 years from the time of the withdrawal, which is applied to loan contracts signed and disbursed during the programme.

Vietcombank said the moves will help customers access cheap capital in the fastest and simplest way.

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