



# VIETNAM DAILY NEWS

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JAPAN SECURITIES INC.

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## Market Analysis

### 1. Prolonged caution pulls VN stocks for a third straight day

Vietnamese shares contracted Tuesday as investors waited for a clearer market outlook amid the upcoming year-end holiday.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange dropped 0.77 per cent to close at 954.03 points.

The VN-Index has lost a total of 1.46 per cent since Friday.

Nearly 281 million shares were traded on the southern bourse, worth VND4.5 trillion (US\$194.4 million).

The Vietnamese stock market downsized Tuesday as correction continued in various groups of stocks.

Investors were cautious as exchange-traded funds (ETFs) were completing the review of their portfolios and the futures were expiring over the next few days, MB Securities Co (MBS) said in a note.

Investors still wanted to run away from large-cap stocks while some of them looked for opportunities in mid-caps and small-caps, the company said.

The large-cap VN30-Index, mid-cap VNMID-Index and small-cap VNSML-Index fell between 0.04 per cent and 1.05 per cent.

Tuesday's decline proved investors were cautious as there were only two weeks left until the market finished the rough year of 2019, Thanh Cong Securities Co (TCSC) said in its daily report.

Steel companies' shares were the worst performing following the US decision to impose a tariff of maximum 456 per cent on Vietnamese steel products.

The decision was made on suspicion that steel outputs produced by Taiwanese and Chinese firms could be shipped through Viet Nam – a third-party country.

The top two steel stocks Hoa Phat (HPG) and Hoa Sen (HSG) tumbled 2.5 per cent and 3.9 per cent, dragging the building material sector index down 1.7 per cent.

Other large-caps that declined included Vincom Retail (VRE), HDBank (HDB), SSI Securities Corp (SSI), tech group FPT Corp (FPT) and logistic firm Gemadept (GMD).

The VN-Index would keep moving up and down in the remaining days of the year between 950 points and 960 points, TCSC forecast.

Investors may find opportunities in the industries on expectations for positive yearly earnings growth such as banking, retail and real estate, the company said.

On the Ha Noi Stock Exchange, the HNX-Index declined by 0.31 per cent to end at 102.90 points.

The northern market index had rallied a total of 1.15 per cent in December 11-16 period.

More than 50.6 million shares were traded on the northern bourse, worth VND367 billion.

## Macro & Policies

### 2. Only exceptional institutional reform can help Vietnam escape middle income trap

An exceptional institutional reform is the only way forward for Vietnam to escape the possible middle-income trap, according to Vu Tien Loc, chairman of the Vietnam Chamber of Commerce and Industry (VCCI).

“Vietnam's reform efforts must be put into a global context where countries are vying for higher competitiveness and the quality of business environment,” said Loc at a workshop under the program “Australia supports Vietnam's economic reform” (Aus4Reform) on December 17, discussing the government's efforts to improve the business environment.

Meanwhile, Resolution No.35 considers the private sector as a major driving force of the economy, targeting a contribution of 48% of the GDP by 2020.

“It is feasible for us to reach this target, but to have one million enterprises and enter ASEAN-4 by 2020 is a different story,” Loc stated.

Dau Anh Tuan, director of the VCCI's Legal Department, said Vietnam posted growth of 17.3% in terms of business formations in the 2015 – 2018. If the country continues to maintain such growth in the next period, it would have 984,000 enterprises in 2020 and fall short of the target.

Rank	Economy	DB score	Rank	Economy	DB score	Rank	Economy	DB score
1	New Zealand	86.8	65	Puerto Rico (U.S.)	70.1	128	Barbados	57.9
2	Singapore	86.2	66	Brunei Darussalam	70.1	129	Ecuador	57.7
3	Hong Kong SAR, China	85.3	67	Colombia	70.1	130	St. Vincent and the Grenadines	57.1
4	Denmark	85.3	68	Qatar	70.0	131	Nigeria	56.9
5	Korea, Rep.	84.0	69	Uzbekistan	69.9	132	Niger	56.8
6	United States	84.0	70	Vietnam	69.8	133	Honduras	56.7
7	Georgia	83.7	71	Jamaica	69.7	134	Guyana	55.5
8	United Kingdom	83.5	72	Luxembourg	69.6	135	Belize	55.5
9	Norway	82.6	73	Indonesia	69.6	136	Solomon Islands	55.2
10	Sweden	82.0	74	Costa Rica	69.2	137	Cabo Verde	55.0
11	Lithuania	81.6	75	Jordan	69.0	138	Mozambique	55.0
12	Malaysia	81.5	76	Peru	68.7	139	St. Kitts and Nevis	54.6
13	Mauritius	81.5	77	Oman	68.7	140	Zimbabwe	54.5
14	Australia	81.2	78	Tunisia	68.7	141	Tanzania	54.5

Vietnam ranked 70th out of 190 economies in World Bank's Doing Business 2020 report.

In the 2014 – 2018 period, Vietnam climbed 30 steps in terms of competitiveness in the World Bank's Doing Business Report, but remained far away from the top, staying at the 70th out of 190 economies in the 2020 report and was unable to break into the top 4 countries in ASEAN, Loc added.

According to Loc, the government's Resolutions No.02 in 2019 and No.35 in 2016 mapped out specific targets, of which the main goals are to have one million enterprises and become one of the top four business-friendly countries in Southeast Asia (now including Singapore, Malaysia, the Philippines and Thailand) in 2020.

“Vietnam must beat Thailand at the 21st, which is 42 places ahead of us in the competitiveness ranking, to get into ASEAN-4,” said Loc, adding this is a challenging tasks.

“Out of 40 provinces/cities that have signed commitments with the VCCI regarding the target of business creation, there is a possibility that only 27 would fulfill and exceed that commitment,” Tuan stated.

In 2017, Vietnam's strong reform efforts were reflected in the Doing Business report, when the country climbed from the 82th to 68th place, but then slipped one notch in each subsequent year to the 70th in 2019.

“More worryingly, the reform progress in Vietnam is showing sign of slowdown,” Tuan said, referring to the World Bank-acknowledged five reforms in Vietnam in the Doing Business 2018, but only three in the 2019 version and two, namely “getting credit” and “paying taxes”, in the 2020 one.

Topics	DB 2020 Rank	DB 2020 Score	DB 2019 Score	Change in Score (% points)
Overall	70	69.8	68.6	+1.2
Starting a Business	115	85.1	84.8	+0.3
Dealing with Construction Permits	25	79.3	79.0	+0.3
Getting Electricity	27	88.2	87.9	+0.3
Registering Property	64	71.1	71.1	-
Getting Credit*	25	80.0	75.0	+5
Protecting Minority Investors	97	54.0	54.0	-
Paying Taxes*	109	69.0	62.9	+6.1
Trading across Borders	104	70.8	70.8	-
Enforcing Contracts	68	62.1	62.1	-
Resolving Insolvency	122	38.0	38.1	-0.1

Vietnam's detailed scores. Source: World Bank's Doing Business 2020 report.

Even in the criteria of “paying taxes”, where Vietnam has made significant improvements with its sub-rank going from the 167<sup>th</sup> to the 109<sup>th</sup>, the amount of time to complete the process remains high at 384 hours, much higher than the average of the Asia – Pacific at only 173 hours, Tuan continued, not to mention the fields that made no progress or slipped in their respective ranks, including “Trading across borders”, down 11 steps, “Protecting minority investors” falling 10 steps, “Registering property”, five steps, and “Dealing with construction permit”, one step.

“Delay in administrative reform is proving to be a bottleneck for economic development,” stressed VCCI's Chairman Loc.

A survey conducted by the VCCI showed the rate of enterprises capable of predicting changes of the legal environment is declining over the years, going down from 16% in 2014 to 5% in 2018.

Meanwhile, the rate of enterprises that are unable or rarely predict the content of the law rose from 42% in 2014 to 67% in 2018. “This is a warning sign to the Vietnamese business environment,” stated the VCCI.

### 3. Vietnam boosts bilateral, multilateral ties on ASEM FMM14 sidelines

Deputy Prime Minister and Foreign Minister Pham Binh Minh had bilateral meetings with officials from the foreign ministries of Romania, Kazakhstan, Spain, Ireland and Bulgaria within the framework of the 14<sup>th</sup> ASEM Foreign Ministers' Meeting (ASEM FMM14) in Madrid, Spain on December 16.

At the meeting between Minh and Romanian Foreign Minister Bogdan Aurescu, the two sides expressed their joy at the fruitful development of bilateral relations, especially following Prime Minister Nguyen Xuan Phuc's visit to Romania in April.

They said the traditional friendship and contributions by overseas Vietnamese in Romania and those who studied in the country are the crucial foundations to promote bilateral cooperation.

The Vietnamese official called on Romania to continue to receive Vietnamese labourers and create favourable conditions for the Vietnamese community in the country to integrate into host society.

In his meeting with Kazakhstan's FM Tleuberdi Mukhtar, the officials agreed that bilateral relations have flourished, saying the free trade agreement between Vietnam and the Eurasia Economic Union, of which Kazakhstan is a

member, brings economic benefits to both countries.

The two sides pledged to continue coordinating at international and regional forums, especially when Vietnam and Kazakhstan undertake their roles as chairs of ASEAN and the Conference on Interaction and Confidence-Building Measures in Asia, respectively, in 2020.

Talking to Acting Spanish FM Margarita Robles, Minh congratulated Spain on its successful hosting of the 25<sup>th</sup> session of the Conference of the Parties (COP25) to the UN Framework Convention on Climate Change, and the ASEM FMM14.

The two sides underlined the need for Vietnam and Spain to maintain political meetings; deepen their economic and trade ties; enhance cooperation in renewable energy, infrastructure, tourism, hi-tech agriculture and environmental protection; and make more contributions to fostering ASEAN – European Union relations.

Meeting with his Vietnamese counterpart, Ireland's Deputy PM and FM Simon Coveney affirmed that Vietnam is an important partner of his country in the region, saying that there is great potential for the two countries to expand cooperation, especially in agriculture, food processing and technology.

They underlined their commitment to implementing measures to boost bilateral relations, including enhancing exchanges and establishing an intergovernmental committee on economic, trade and investment cooperation.

In their meeting, Deputy PM and FM Minh and his Bulgarian counterpart Ekaterina Zakarieva discussed ways to strengthen multifaceted relations between the two nations.

They agreed to jointly organise activities to celebrate the 70th anniversary of Vietnam-Bulgaria diplomatic ties in 2020.

During the meetings, the officials congratulated Vietnam on undertaking its role as ASEAN Chair in 2020, and as a non-permanent member of the UN

Security Council in the 2020-2021 tenure, affirming their willingness to coordinate with Vietnam within ASEAN, the UN and other regional and global forums.

Minh also called on EU members to raise their voice to accelerate the EU's ratification of the EU-Vietnam Free Trade Agreement.

On the sidelines of the ASEM FMM14, Minh also had short meetings with foreign ministers of Japan, the Republic of Korea, Singapore, Poland, the Netherlands, Norway and Slovenia as well as representatives from Switzerland, Croatia and Denmark to discuss specific measures to strengthen bilateral relations and multilateral coordination within the UN, ASEM and ASEAN./.

#### 4. LNG the fuel of the future

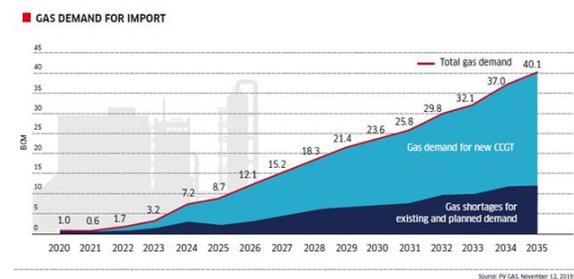
The US-based AES Corporation (AES) will soon begin construction of the Son My 2 combined cycle gas turbine (CCGT) power plant in south-central Binh Thuan province after signing an MoU in November with the Ministry of Industry and Trade. The \$1.7-billion LNG-fired plant will operate under a 20-year government contract. "LNG will be the key to Vietnam's growing energy demand, by offering a cleaner, more reliable, and more affordable energy solution," Mr. Mark Green, AES Eurasia President, told VET. "This MoU is a significant milestone towards the development of the Son My 2 power plant, which we believe will help transform Vietnam's energy sector."

##### Projects underway and to come

In addition to Son My 2, AES's investment plans in gas infrastructure in the country include the \$1.4-billion Son My LNG import terminal, which received approval from the government in August, bring its total investment in gas infrastructure to \$3.1 billion. The US investor expects the plant and terminal will play a major role in shaping Vietnam's energy future by diversifying the energy mix with imported LNG and will also meet the country's rising demand for sustainable and affordable electricity.

The AES projects are one of two LNG project to come into being in Vietnam. The State-owned PetroVietnam Gas Corporation (PV GAS) and its

partners were set to begin construction of the Thi Vai LNG terminal, one of the first in Vietnam's south, in October. PV GAS is still in the process of reviewing the remaining design issues concerning the terminal with consultants and contractors before construction can begin. The terminal is expected to be put into operation in the third quarter of 2022 and will have a capacity of 1 million metric tons per year by 2022 in its first phase, and 3 million metric tons per year by 2023 in its second phase. Together with the Son My LNG terminal, with a capacity upon completion of 10 million metric tons of LNG per year, energy demand in the southern region is virtually guaranteed into the future, according to PV GAS General Director Duong Manh Son.



Many foreign investors from the US, Thailand, Japan, and Norway, such as SET-listed firms B.Grimm Power Plc and Gulf Energy Development Plc, are looking at Vietnam for new LNG energy

projects as a result of the Thai government failing to open up the country's LNG market. Vietnam, meanwhile, is struggling to develop its energy industry given that many coal-fired projects are behind schedule, its hydropower potential is almost exhausted, and oil and gas reserves are running low. The government is therefore seeking cooperation with local and international companies in the LNG industry, and much activity is being seen.

In early November, B.Grimm and the PetroVietnam Power Corporation signed a cooperation agreement on the development of integrated LNG projects. On the sidelines of the 35th ASEAN Summit and Related Summits held in Thailand, Gulf and the Ninh Thuan Provincial People's Committee signed an agreement to study the feasibility of building an \$8 billion LNG power plant in Ca Na in the south-central province, which will have a capacity of 6,000MW and be fully equipped with an LNG processing and distribution station to support economic and urban expansion in the southern region.

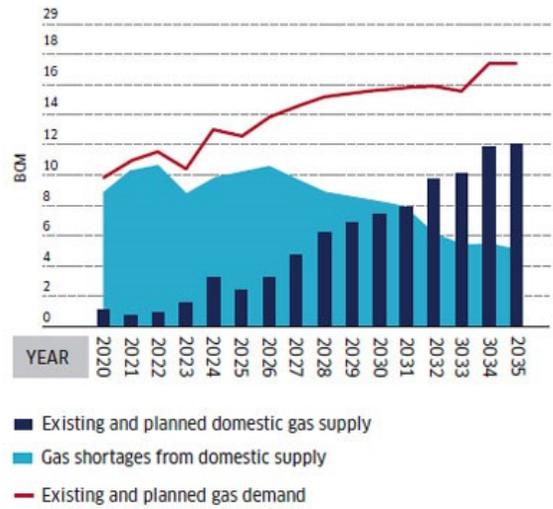
At the same time, Gen X Energy is studying opportunities to invest in LNG power projects in Vietnam, having met with the Ba Ria Vung Tau Provincial People's Committee in September to discuss a proposal to invest some \$6 billion in a complex of LNG projects, including storage facilities, a transportation network, and a power plant, in the southern province.

In September, the Hanoi-based Delta Offshore Energy (DeltaOE) and the Houston-based LNG Limited signed a deal with the Bac Lieu Provincial People's Committee in the Mekong Delta to develop an LNG-to-power project that will use LNG from Louisiana. The project includes an LNG import terminal and a 3,200MW CCGT power plant on a total area of 140 ha, including land and ocean surface. Expected to commence operations by 2023, the project will sell electricity to Bac Lieu under a power purchase agreement (PPA) that is yet to be finalized.

Mr. Ian Nguyen, Managing Director, Origination and Government Relations, at DeltaOE, feels good about the long-term prospects for the development of LNG in Vietnam. Delayed coal projects may be switched to gas / LNG, while native gas developments are facing delays and could be substituted with competitive LNG. LNG is

a competitive fuel for industry and also cleaner, and can supplement the limited supply of compressed natural gas (CNG). "Growth in renewable energy will need flexible generation to balance the grid," he told VET. "CCGTs are perfect for flexible power generation."

■ DOMESTIC SUPPLY - EXISTING AND PLANNED DEMAND



Source: PV GAS, November 12, 2019

### Future expectations

According to the Ministry of Industry and Trade (MoIT), Vietnam will face severe power shortages from 2021 as demand outpaces the construction of new plants. Electricity demand is expected to exceed supply by 6.6 billion kWh in 2021 and 15 billion kWh in 2023. Vietnam will need an average of \$6.7 billion in investment each year during the 2016-2030 period to expand its annual power generation capacity by 10 per cent.

In the revised Power Development Plan (PDP) 7, during the 2025-2030 period, Vietnam will need new LNG power plants with a total capacity of approximately 15,000 - 19,000MW to meet the rapid growth in power demand. Its gas supply, meanwhile, is forecast to fall short of demand from 2020, due to a decline in the country's gas reserves and the delayed development of new gas fields, which make it necessary to import more LNG to supplement supplies for power plants in the south of the country.

In November, Minister of Industry and Trade Tran Tuan Anh told an LNG producer-consumer conference in Tokyo that developing LNG has become necessary in Vietnam to ensure energy security. Vietnam is set to import some 5 million tons of LNG by 2025, 10 million tons by 2030, and 15 million tons by 2035. “The country is developing a legal framework for LNG and giving priority to LNG projects,” he said.

The government will need to approve the legal framework in the proposed PDP8, which gives local and foreign investors in LNG projects a clear roadmap on what they can do, according to Mr. Nguyen Thanh Ha, CEO of Vietbid, a Vietnamese consulting company. Existing LNG projects, in which investors had a deal with local authorities, are still in the process of feasibility studies and need to complete development and be included in the PDP8 for 2021. Projects are mostly being implemented under the build-operate-transfer (BOT) model, such as the AES and PV GAS projects.



BOT LNG projects, however, are being discouraged by the government, Mr. Tran Viet Ngai, Chairman of the Vietnam Energy Association, told VET. “The government’s policy is to create favorable conditions for investors with capacity in technical resources and material supplies and with reasonable prices,” he said. “This, though, has become an obstacle to the development of LNG projects in Vietnam.”

LNG investments require large amounts of capital, which comes primarily from banks. In theory, local and international banks will provide loans with a government guarantee to investors, according to Mr. Ha. “If investors try fund projects by themselves, they will face commercial risks

when selling electricity to the only Vietnamese buyer - Electricity of Vietnam (EVN) - which may decide not to buy,” he said.

Stakeholder alignment, though, is the most challenging issue. Various decision-makers need to fully understand their respect roles and responsibilities, especially when considering risk allocation, Mr. Nguyen from DeltaOE said. Investors can manage commercial risk but must depend on the government to manage other risks. Risk sharing must be fair for all sides.

Mr. Erik Nikolai Stavseth, Commercial Manager at Golar Power Limited, told VET that the company needs a clear regulatory, legal, and commercial framework and a long-term commitment from the government and the local community. The Norwegian company is cooperating with local partners in investing and developing advanced solutions and technologies such as floating storage and regasification (FSRU) for a number of upcoming LNG projects. “We take an integrated approach -meaning that we want to not only provide an FSRU or a power plant (or supply of LNG), but are interested in working with the client (whichever Vietnamese counterparty it may be) to ensure delivering a total package. We have a long track-record on FSRUs and the maritime environment, but at the same time gained substantial experience on power generation,” he added.

“MoIT, as the main responsible agency, and in coordination with other relevant agencies, should guide investors on implementing steps to prepare investment,” Mr. Stavseth added.

Mr Richard Tyrrell, Chief Development Officer at Hoegh LNG, told VET that energy policy is a complex matter for all countries and Vietnam is no exception. Timely decision making and regulatory stability are the most critical factors, he believes. LNG has a lot to offer given its price advantage over the liquid fuels that are today making up for falls in pipeline gas supply. He expects Vietnam to add to the 42 countries and territories importing LNG in 2020, through one of its FSRUs, as a way to meet its ambitious timetable while ensuring cost effectiveness and flexibility in the longer-term.

## 5. Support key for sustainable transition

Never before have the global issues of climate change, water scarcity, and public health been so pressing, and sustainable development has become a catchphrase around the world. In Vietnam, the government has released a raft of policies and introduced a range of activities and initiatives to support organizations and companies in pursuing this long-term objective.

### Eco-friendly initiatives

At a June ceremony in Hanoi for a movement combating plastic waste nationwide, Prime Minister Nguyen Xuan Phuc requested all ministries, branches, and other relevant agencies have a high level of political determination, conduct synchronized implementation, and effectively resolve, prevent, treat, and minimize pollution from plastic waste under the motto: “Houses restrict plastic waste, people prevent pollution from plastic waste, society says no plastic waste.”

Prime Minister Phuc also emphasized that Vietnam aims to see 100 per cent use of eco-friendly bags by 2025 and will restrict the importation, production, and supply of non-degradable bags.

Many policies were adopted earlier by the government to develop a sustainable economy to protect the environment, according to Mr. Tuan Nguyen, Managing Director of ANT Consulting. Vietnam has introduced a number of laws to encourage environmental protection in parallel with the development of the country's economy. In the Law on Environmental Protection 2014, in addition to regulations on environmental protection are specific policies for “creating favorable conditions for organizations, households, and individuals participating in environmental protection activities ... providing financial and land incentives and support for environmental protection activities and eco-friendly production and business establishments ...”

According to Electrolux Vietnam, recent policies from the Vietnamese Government have been a great move forward in raising awareness among the company's customers about sustainability. “Indeed, they have been pretty much in line with the message we are trying to promote, which is everything starts with an empowered consumer,”

said Ms. Ban Thuy Kieu Trang, Head of Marketing at Electrolux Vietnam. Its Better Living Program by 2030 focuses on better eating, better garment care, and a better home environment, and widens the scope of its commitment to sustainability and enables the company and its brands to contribute in a meaningful way to key global challenges.

Ms. Tran Thanh Phuong, Deputy Sales Director at An Phat Holdings, told VET that this is a good opportunity for local enterprises that produce eco-friendly products. Since 2013, its subsidiary An Phat Bioplastics has invested in research and development (R&D) to create AnEco-branded biodegradable bags for export and became the first Vietnamese producer to meet TUV and Ok Compost standards applied in the EU.

The movement to shift consumers away from single-use plastics to eco-friendly alternatives is becoming increasingly widespread and supported not only by consumers but also by governments. An Phat Holdings and its subsidiaries have continually been asked by traditional customers to produce eco-friendly products. Its products are now present in almost all supermarkets in the country and in 50 countries and territories around the world, with average monthly export revenue standing at \$20 million.

“We continue to invest significantly in R&D to embrace new product trends from around the world, and one of our studies shows that governments globally are increasingly aware of the plastic waste issue,” Ms. Phuong added. “As at 2018, more than 90 countries and territories have imposed bans or taxes to limit single-use plastic waste. To address the root of the problem, governments have improved their waste management practices and provided financial incentives to change the habits of consumers, retailers, and manufacturers, and issued strong policies to promote the design and manufacture of recycled plastics.”



Having kept sustainable development at the core of its business, brewer Carlsberg has always operated in accordance with Vietnam’s determined attempts to move towards sustainability. Among the most recent progress, in October the Danish brewery group unveiled two new research prototypes for the Carlsberg Green Fiber Bottle, which it expects will be the world’s first “paper bottle” made from sustainably-sourced wood fiber. “This is a continuation of Carlsberg’s sustainable packaging innovation journey and a key part of our sustainability program - Together Towards ZERO (TTZ),” a representative from Carlsberg Vietnam told VET.

With active support from the government, after three years of implementation in Vietnam, a program optimizing the Brewhouse Energy Recovery System, auditing thermal energy, installing new KHS Eco-washers, and strictly complying the global Carlsberg Operational Manual (COM) has posted remarkable success, with a 48 per cent reduction in carbon footprint and a 27 per cent reduction in water consumption.

“Having observed every sustainable move by the Vietnamese Government for quite a long time, we can see that ‘green industrialization’, including utilizing the green growth model, has been emphasized as key to ensuring a low-carbon economy,” the Carlsberg representative added. “Ministers and government officials have also taken prompt action to tackle urgent issues such as plastic waste.”

**Challenges remain**

Contributing significantly by calling on local partners to use eco-friendly packaging for many years, Vietnamese supermarket chain Saigon Co.op has replaced single-use plastics with eco-friendly alternatives throughout its nationwide network. “Through campaigns promoting the use of eco-friendly products, we tackled the greatest challenge of changing consumer habits and identified replacement materials,” Mr. Do Quoc Huy, Marketing Director at Saigon Co.op, told VET. “Such a change takes time to materialize, but local manufacturers can transition and find alternative sources as well.”

Vietnam has specific regulations for production facilities to follow but they do not contain standards recognized around the world, such as TUV and Ok Compost, applied in Europe, and BPI, applied in the US. “This is a challenge we are grappling with and need to overcome,” Ms. Phuong from An Phat Holdings said. In order to further promote initiatives and programs aimed at sustainable development, the group has adopted a key strategy of focusing on self-control over raw material sources to reduce product costs and further promote fully biodegradable and eco-friendly products.

Mr. Luong Thanh Van, President and CEO of the Viet-Uc Seafood Corporation, said the government’s policies on environmental protection management are a lever for businesses like the corporation to promote technological achievements and research new solutions in aquaculture to contribute to the development of the shrimp industry in domestic and overseas markets.

In the context of increasing economic growth and consumer demand, the full and diverse development of alternative products should be encouraged to make this transition possible. Ms. Phuong suggested that ministries, branches, and regulatory agencies study international standards and introduce regulations that guide consumers about products that meet standards.

The government needs to consider adopting economic tools such as raising taxes and fees on products that harm the environment, while reducing taxes and fees, increase subsidies and funding, and establish other funds to promote the development of businesses supplying eco-friendly products.

There is also a need to formulate a specific law on sustainable development issues and build environmental protection mechanisms for businesses, in which more specific provisions on priorities and support for businesses both domestic and foreign are regulated. It is also necessary to add provisions attracting domestic and foreign investors to the field, so solutions from developed countries around the world can be followed.

It will be challenging for developing countries like Vietnam to immediately introduce tough measures because of the pressure to maintain economic growth through attracting substantial FDI in various fields, including manufacturing, consumer goods, energy, and large-scale construction, according to Mr. Tuan from ANT Consulting. However, Vietnam takes part in international agreements to express its

commitment to sustainable development, so there must be a law introduced to protect the environment as part of international integration.

He added that a softer approach may be adopted by the government to harmonize economic development and environmental protection. A law to encourage a circular economy should be discussed and a balance struck for the economy, to secure the environment for future generations and not lose opportunities to be the most favored destination for investment in Southeast Asia. Such a law should not discourage business development but help Vietnam select and prioritize the right fields to develop, and could potentially create a competitive edge for the country in the future, when technological advancements could provide sustainable solutions at a reasonable cost.

## 6. Circular economy a viable alternative

The landing on November 3 at Hanoi's Noi Bai International Airport of the first modern Airbus A320neo acquired by Bamboo Airways impressed many with its "Fly Green" livery and marked the beginning of the new carrier's campaign to conduct 100 per cent green flights.

Inheriting the advanced features of the A320 family, the Airbus A320neo improves fuel consumption by 15 per cent compared to previous versions. Bamboo Airways' new Airbus A320neo will operate green flights by replacing single-use plastics with environmentally-friendly equivalents that are recyclable or biodegradable. Plastic utensils have been replaced with wooden utensils, while blankets are made from craft paper and all nylon gloves and garbage bags are made from biodegradable materials.

The carrier accelerated its Fly Green campaign on all flights from November. A representative said that receiving this initial aircraft is an important milestone in its sustainable development, improving operational capacity, upgrading service quality, and providing passengers with high-quality aviation services. "Using environmentally-friendly products is one of the first activities conducted by Bamboo Airways to stay abreast with the 'green' development trend in aviation,

which is being welcomed by many airlines worldwide," he said.

### Specific practices

Business growth in line with the goal of protecting the environment and sharing the benefits with the community is considered by experts as a major development trend among businesses around the world and many other Vietnamese businesses have joined Bamboo Airways in executing sustainable development activities in business and production.

After more than 40 years in business, Vinamilk remains constantly aware that all manufacturing activities have an impact on the surrounding environment and so always strives to identify solutions to minimize any impacts and most effectively use resources and energy. Green energy and renewable energy are the main sources in its production activities.

It has invested in a bottle blowing production line that uses any excess created during the process and complies with supplier technology, quality assurance, and food safety standards. All farms have waste treatment technology using biogas anaerobic technology. Grasping the global trend towards organic products, Vinamilk has

researched organic materials and encouraged suppliers to follow the organic trend. It has introduced a range of organic products from fresh milk and yogurt to infant formula and cereal powder. Ingredients are selected and balanced, with lower use of sugar and fat. Vinamilk has also determined that quality human resources are the foundation of sustainable development, so attaches importance to quality and transparency in recruitment.

With a long history, the Bank for Investment and Development of Vietnam (BIDV) has continually bolstered the factors behind sustainable development, according to the BIDV Annual Report 2018 released in April. Deputy General Director Le Ngoc Lam told VET that it has implemented a host of solutions that bring sustainable values to the community and businesses.

In particular, it focuses on and professionalizes risk management in the credit granting process, carefully evaluating environmental risks when appraising projects and requiring customers strictly comply with laws on environmental protection. During project implementation, the bank regularly monitors and manages social environmental risks in parallel with disbursement, ensuring that projects financed by BIDV minimize any negative impact on the environment. It has long determined that building, maintaining, and developing a quality workforce is the core task of its business strategy. Most of its 24,000 employees are women.

Other Vietnamese businesses have been active in implementing sustainable development activities in business and production, such as Masan, FPT, Viettel, and Bao Viet Insurance. Prime Minister Nguyen Xuan Phuc affirmed at September's National Conference on Sustainable Development 2019, themed "For a More Sustainable Development Decade" that sustainable development is both an urgent need and an inevitable trend in the process of social development.

### **Significant benefits**

According to Bamboo Airways, it has operated "Fly Green" flights since June and the campaign received positive feedback from local and foreign passengers. Through its Fly Green flights, Bamboo

Airways hopes to become a pioneering carrier in Vietnam by cutting plastic waste and air pollution and inspiring others to protect the environment by changing even the smallest of habits.

2018 was the third year in a row Vinamilk was voted among the Top 10 Sustainable Manufacturing Enterprises by the Vietnam Business Council for Sustainable Development (VBCSD) at the Vietnam Chamber of Commerce and Industry (VCCI). The dairy producer not only maintains but increases its market share yearly, even when the local dairy industry suffered something of a downturn last year, with 208 distributors reached, 249,991 selling points available, and 426 "Vietnam Dairy Dream" stores with open doors. Vinamilk's products are also exported to 49 countries and territories and increasingly trusted by foreign consumers. Thanks to its working environment and physical and mental care, in 2018 Vinamilk rose to the No. 1 position in the "Top 100 Best Workplaces in Vietnam" for the first time. Staff turnover is a low 5-7.5 per cent; ideal for its "human resources health".

Meanwhile, Mr. Lam said sustainable development is inevitable for all and brings economic benefits and an outstanding reputation to BIDV. Sustainable development not only helps the bank limit credit risks but also enhances its reputation in the international banking community. It was honored among the Top 10 Sustainable Enterprises in the field of commercial services out of 500 businesses at VBCSD's awards.

In the long term, analysts believe that sustainable development plays an important role in the development of a circular economy. According to research from Accenture Strategy, the circular economy model could open up global market opportunities worth some \$4.5 trillion around the world by 2030 and create millions of jobs. Mr. Nguyen Quang Vinh, General Secretary of VCCI and Vice Chairman of VBCSD, told VET that Vietnamese businesses have recently placed greater emphasis on sustainable development and are moving towards a circular economy. As an enterprise that sets business goals in parallel with environmental protection and benefits for all related parties, Vinamilk views the circular economy as a guideline in sustainable development.

## More challenges

Executing sustainable development programs also poses challenges to Vietnamese businesses. In terms of capital effectiveness, Mr. Lam pointed out that sustainable development brings results in the medium and long term but requires large investment in the short term. He took the example of credit institutions, with funding of training, cutting interest rates to support businesses, increasing operation times, and reducing overall credit by not lending to projects that have a negative impact on the environment all having an effect on the bottom line. Businesses also incur greater costs when investing in energy-saving technologies for environmental protection and waste treatment.

Skills and knowledge also pose a challenge. Candidate evaluations during the recruitment process allow Vinamilk to stay abreast of developments in the personnel market and match this with its own requirements. Mr. Lam said while credit institutions have large networks of personnel, knowledge about social and environmental risk assessment is a specialized skillset. “BIDV and other credit institutions will spend a lot of time on developing processes, adjusting behavior, and training employees with

knowledge of social and environmental protection,” he added.

At the National Conference on Sustainable Development 2019, speakers agreed that the application of the circular economy at some Vietnamese businesses has only gone as far as reusing and recycling waste to bring financial benefits. Similarly, Mr. Lam said that businesses have not been fully aware of the consequences of their production and business for the environment. “Problems regarding environmental risks will have a negative effect on production and business,” he believes.

Though the challenges are many when executing sustainable development programs, it can't be denied that they bring a host of benefits to businesses and the community. “We always say that difficulties are temporary, but sustainable long-term values are important,” Mr. Lam said.

In particular, it focuses on and professionalizes risk management in the credit granting process, carefully evaluating environmental risks when appraising projects and requiring customers strictly comply with laws on environmental protection.

## Corporate News

### 7. First-ever 20mm tiles manufactured in Vietnam by Viglacera

↓ -1.64%

Developers and architects who are looking for a superior solution for outdoor spaces will love the 20mm solution offered by Viglacera. Known as the best performing tile in the market, Viglacera Platinum 20mm stands out from other porcelain tiles and natural stones in every aspect: anti-slip resistance, high breaking load, resistance to weather, anti-moss, anti-salt, and especially friendly to the environment.

Designed by one of the leading Italian tile design studios, Viglacera Platinum 20mm tiles embody the best of Made in Italy, while epitomising the finest natural stones with distinctive effects such as quartz, limestone, or travertine. Viglacera Platinum 20mm tiles will be available in multiple designs and finishes.

Developers and architects will definitely benefit from the Viglacera Platinum 20mm. The tiles are suitable for high-traffic areas such as public spaces, shopping malls, and garages. Areas which require high friction for safety like staircases, spa, and swimming pools are also ideal for 20mm tiles

because of the anti-slip and water resistance features.

Simple installation is a major advantage of Viglacera Platinum 20mm tiles. No advanced tools are required for installation. Viglacera Platinum 20mm tiles can be installed in three main ways: Dry installation on grass, gravel or sand; Raised installation with pedestal; and adhesive installation.

Since 1974, Viglacera Corporation has been resolutely leading the Vietnamese building materials sector to stand where it is today. In 1994, the corporation was the first manufacturer of ceramic tiles and today Viglacera is proud that Vietnam has become the fourth largest ceramics producer in the world.

With the launch of the new Viglacera Platinum collection, the corporation once again reaffirms its leading position in the Vietnamese ceramics industry and lead the way in promoting the “Made in Vietnam” trademark across the globe.

### 8. Japanese insurer to buy over 41 million shares of Bao Viet Holdings

↓ -0.69%

Sumitomo currently owns more than 122.5 million BVH shares, equivalent to 17.48 per cent of the total outstanding voting shares of Bao Viet Holdings.

If the transaction is successful, Sumitomo will raise its total ownership in BVH to nearly 164 million shares, equivalent to 22.09 per cent of the company's capital.

Earlier, BVH approved a private placement of more than 41 million shares to increase its charter capital. These shares will be restricted for transfer

within one year from the date of completion of the offering.

About VND2.5 trillion from the proceeds will be used to increase capital for BVH's member units, VND200 billion to invest in information technology infrastructure and the rest to supplement working capital.

On the stock market, BVH has decreased sharply by 23 per cent since the beginning of this year, from VND87,800 to VND68,000 per share.

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