



VIETNAM DAILY NEWS

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Market Analysis

1. Shares retreat on divergence of large-caps

Shares ended lower on Wednesday, witnessing differentiation in pillar stocks.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) lost 0.20 per cent to close at 854.44 points.

The index gained 2.84 per cent to end Tuesday at 856.13 points.

Nearly 355 million shares were traded on the southern bourse, worth nearly VND4.3 trillion (US\$184.5 million).

Market breadth on HoSE was negative with 220 decliners and 147 gainers.

The blue-chip share tracker VN30-Index dropped 0.3 per cent to 796.43 points.

Nineteen of the 30 largest stocks by market valuation and trading liquidity decreased while 10 increased.

Shares struggled for most of trading, with large-cap stocks witnessing wide divergence. Pillar stocks that put great pressure on the market were Vingroup (VIC) falling 1.6 per cent, dairy firm Vinamilk (VNM) dropping 1.2 per cent, Bank for Investment and Development of Viet Nam (BID) decreasing 1 per cent, Bao Viet Holdings (BVH) dropping 2.4 per cent, Vietinbank (CTG) falling 1.08 per cent and Masan Group (MSN) down by 0.2 per cent.

In the opposite direction, Viet Nam National Petroleum Group (PLX) increased by 3.3 per cent, Vincom Retail (VRE) rose by 2.8 per cent and Vinhomes (VHM) gained 1.5 per cent.

On a sector basis, 17 of 25 sectors on the market lost ground, including securities, insurance, real estate, energy, banking, agriculture, information and technology, food and beverage and retail.

Health care, rubber production, logistics, seafood production and material construction were among gainers.

On the Ha Noi Stock Exchange, the HNX-Index was down 1.92 per cent to close Wednesday at 113.27 points.

The northern market index had risen 1.46 per cent to close Tuesday at 115.49 points.

More than 70.8 million shares were traded on the northern bourse, worth nearly VND512 billion.

Foreign investors net bought VND98.78 billion on HOSE. They were net sellers on the HNX to the tune of VND380 million.

Cautious sentiment dominated the market on Wednesday as investors predicted a strong fluctuation of the VN-Index in the last two sessions of the week when future contract VN302006 expires on Thursday and the ETF finishes restructuring its portfolio on Friday, said BIDV Securities Company.

Macro & Policies

2. Vietnam to cut import tariffs on European cars

Sedans with 2,500 c.c. engines or less will have tariffs cut from the current 70.9 percent to 56.7 percent by 2022, according to Finance Ministry release. For sedans

For sedans with engines more powerful than 2,500 c.c. to less than 3,000c.c, the tariffs will be reduced from 67.2 percent to 53.8 percent.

Sedans with engines of more than 3,000 c.c. will have tariffs reduced from 70.2 percent to 54.6 percent.

This means that European car prices could drop in the next two years. A 2,500 c.c. engine sedan which

costs VND2 billion (\$85,800) will see imports tariffs drop by VND268 million (\$11,500) by 2022.

Imported European cars currently bear duties and other charges including import tariffs of around 70 percent, special consumption tax from 35-150 percent, value-added tax of 10 percent and registration fees of 10-20 percent.

Vietnam in May ratified the EU-Vietnam Free Trade Agreement (EVFTA), a landmark trade pact that will cut or eliminate 99 percent of tariffs on goods traded between the two sides. The trade pact is set to take effect on August 1.

3. Evaluating the regionwide race for overseas investment

Recognising that movement, last year China issued a new Law on Foreign Investment to replace three legal documents. The country has adopted looser policies to foreign investors and has specifically prohibited government interference in business activities and requesting technology transfer from overseas companies. With the new law and accompanying policies, China is expected to return to the race to attract FDI although the US-China trade war has not cooled down.

However, taking advantage of that movement, together with the aim of becoming the third-largest area in FDI attraction, members have signed intra-ASEAN agreements, which have generated convenience for investors in the flow of goods in ASEAN countries.

Besides that, with the efforts to generate a good competitive environment in order to attract FDI capital into ASEAN countries, a legal framework on competition law for each member country has been promulgated.

Apart from these general agreements, each country has its own laws and policies to create its own competitive advantages.

Thailand has adopted outstanding policies such as a 50 per cent reduction in corporate income tax up to five years, and is also planning to revise foreign business laws with more open policies for foreign investors.

Elsewhere, in Singapore, although it does not have a specific investment law, the city-state has created a fair treatment environment between domestic and foreign enterprises, which is both simple and convenient.

Vietnam, meanwhile, boasts many areas of potential compared to other countries. First on the list is infrastructure, which is developing significantly from the capital the government invested into hospitals, transport, international airports, and new ports.

Although this infrastructure cannot be compared to that of leading ASEAN countries such as Singapore and Thailand, the government's efforts have shown its focus on the promotion of FDI attraction into Vietnam.

Taking advantage

Vietnam also has a great geographical advantage, bordering some countries in Asia and especially China, which could be a good reason for international companies to move their factories to Vietnam during the tensions between the US and China. Vietnam is also the gateway of the ASEAN region to trade with other member countries. In addition, with its long and large coastline, Vietnam becomes an important place adjacent to essential sea routes to generate convenient conditions for import and export.

The labour force is a great advantage for Vietnam too, because with a huge population and young labour force at working age – plus cheaper labour costs – this plays an important role in attracting FDI to Vietnam.

Furthermore, the Vietnamese law system is getting more and more developed to create a transparent and fair environment for foreign investors. According to the ASEAN and East Asia Research Institute, Vietnam's system of legal documents and management ranks fourth in the region after Thailand, Singapore, and Malaysia. In particular, the Vietnamese law has regulations on investment such as protection against expropriation or no restrictions on inflow and outflow of funds.

Also, with the variety of means of dispute settlement, foreign investors' interests can be protected well in Vietnam. Meanwhile, the country has promulgated policies to encourage technology transfer and attract FDI on new technologies with several incentives. For example, special incentives for scientific and technology enterprises are implemented, which can be a waiver or reduction of corporate income tax, or a waiver or reduction of land lease.

One of the other advantages is that Vietnam participates in many international investment agreements, creating great advantages for Vietnam's import and export from and to signed countries in these free trade agreements (FTAs). From that, Vietnam will benefit from the reductions in tariffs mentioned in the agreement.

Hence, with low import and export tax rates, investors will move production and business facilities and invest in Vietnam to trade with third parties which Vietnam has an FTA with. Vietnam will then bring a great competitive advantage

compared to other countries, especially China, which does not have an FTA with the EU.

Vietnam is now known as among the first countries controlling the COVID-19 pandemic effectively, with no deaths so far, which creates a wonderful condition for Vietnamese enterprises to return to their normal operation. The issue is how we let foreign investors enter Vietnam now.

Tough barriers

However, apart from competitive advantages, Vietnam must face challenges in the FDI attraction. Although 2019 was one of the bright years in attracting FDI into Vietnam, based on analysis of the FDI capital source, this source mainly focuses on processing and manufacturing industries (accounting for 45.8 per cent), but these industries do not require high skilled labour so it does not create a basis for further training of high skilled labour for Vietnam.

Therefore, in the coming years, Vietnam should focus on directing FDI capital to diversify investment sectors such as high-tech industries, industries for the development of labour skills, and research industries.

Next, based on the World Bank statistics on capital flow trends, investors are gradually choosing mergers and acquisitions as a mode of investment, instead of investing in new production facilities.

Therefore, Vietnam needs to improve laws and regulations in this field so that it is simple and flexible to avoid the cumbersome system. This will be the basis to amend laws on enterprise and investment in order to provide favourable conditions for those who wish to invest in Vietnam.

In terms of establishing a joint co-operation mechanism among countries in the ASEAN Community to compete with countries like China and India in attracting high-quality FDI, it is not very feasible considering the practical conditions of the countries in the ASEAN. There are several reasons for this.

First, the economic gap among countries in the region is still large from infrastructure to development capacity. With this large gap, it is difficult to create a general mechanism to balance

benefits among countries when attracting high-quality FDI.

Next, ASEAN countries are still developing, so they still put their national interests first to focus on developing their countries with their own FDI attraction policies to compete with the other countries in the region.

Third, high-quality FDI requires high-quality human resources, but there are some ASEAN low-levelled developing countries that cannot meet the conditions for such a thing.

Lastly, there are still many problems in establishing a general legal institution because each country has its own attraction policy to create its own competitive advantage.

However, in the near future, conducting a general mechanism for this could be carried out thanks to some advantages. The ASEAN has had general transport agreements that facilitate the movement between countries. From that, this is a basis for the formation of a common production base and common economic zones in the community.

Also, the establishment of the ASEAN Economic Community with regulations on tariff reduction creates a fair competition environment among nations. Businesses from large countries in the bloc can invest in small countries to help them grow, which shall close the gap between countries.

Finally, ASEAN member countries have to discuss issuance of general legal frameworks so that they can enhance their own law system. In addition, high-levelled developing countries need to support low-levelled countries to narrow the economic gap.

4. Finance ministry to consider 5% VAT on fertiliser

Director of the ministry's Tax Policy Department Pham Dinh Thi told Vietnam News Agency this could be included in the amendments to the Law on VAT.

According to the law which took effect in 2015, fertilisers are exempted from VAT to ensure reasonable fertiliser prices, aiming to encourage domestic fertiliser production as well as agricultural production.

However, the policy had not worked as effectively as expected.

According to the Viet Nam Fertiliser Association, since the law came in force, the prices of fertiliser products in the domestic market rose by 7.2 - 7.6 per cent compared to when a VAT rate of 5 per cent was imposed previously.

The reason was that as fertiliser products were free from VAT, producers could not deduct the VAT they had paid for input and had to include it in the selling price, which pushed production costs and resulted in higher prices of domestic fertilisers.

Domestic producers said the policy eroded their competitiveness against imported products which had more competitive prices due to lower

production costs and the export country's policies of zero export tax and VAT deduction on inputs.

Although local fertiliser production capacity could meet domestic demand for some products, Viet Nam imported more than 4 million tonnes of fertiliser products per year since 2015, mainly from China, Indonesia, Malaysia, the Philippines, Russia and the Middle East, with an average value of US\$1.33 billion.

According to the general secretary of the Viet Nam Fertiliser Association Phung Ha, the policy also discouraged domestic producers from expanding production and investing in new fertiliser products.

Ha said that amending the zero VAT policy was essential to enable domestic producers to compete with imported products and reduce reliance on imports, which would aid sustainable agricultural development and ensure national food security.

In late May, the Ministry of Finance sent a document to the Ministry of Industry and Trade and the Viet Nam Fertiliser Association which mentioned the ministry's plan of revising VAT policy on fertiliser products, putting the 5 per cent VAT under consideration.

The finance ministry said that Prime Minister Nguyen Xuan Phuc asked the ministry to compile amendments to the Law on VAT to propose to the National Assembly for consideration.

Nguyen Van Dong, director of fertiliser producer DAP 2- Vinachem, said the response of the Ministry of Finance was good news to domestic producers.

Dong said that he hoped amendments would be issued soon.

5. Son La province expands organic farming

The northern mountainous province of Son La has emerged as a leading grower of fruit in recent years thanks to its well-chosen policy of moving in the direction of organic farming.

The Chieng Hac cooperative in Yen Chau district is among the pioneers in Son La in shifting to organic cultivation. The cooperative's members have chosen to focus on clean and safe agricultural practices since the founding more than 10 years ago. With more than 20 hectares of land under mango, the cooperative is able to export about 50 tonnes of fruit each year to Australia and China, generating average income of 200 million VND (8,575 USD) a year for each member.

Director of the cooperative Ha Van Son said members strictly follow rules on recording the entire cultivation process from the origin of saplings, soil conditions, the type of fertilizers to the procedures in caring for trees and harvesting fruit.

The cooperative uses only organic fertilizers and herbicides, he said, noting that their costs in the first years of cultivation would be higher than the costs of inorganic counterparts, but would then decrease, because the soil would gradually become more fertile, raising the productivity and fruit quality over the years.

Nguyen Huong Long, a member of the Chieng Xuan cooperative in Van Ho district, owns a 7-ha mango orchard and three hectares of fish ponds. He said he uses fermented small fish, maize and soy bean as fertilizer for mango. For insecticide, he uses ginger, garlic and chili.

Used to be the largest maize growing province in the country, Son La has switched to fruit trees and quickly become the second biggest fruit producer with more than 71,000 ha of orchards. Son La has developed 73 supply chains of organic fruits, bringing together 78 firms and agricultural cooperatives that produce a total of 13,000 tonnes of fruit a year.

Director of the province's Department of Agriculture and Rural Development Nguyen Thanh Cong said in 2020, Son La will allocate more than 6.5 billion VND to assist agricultural companies and cooperatives in expanding organic farming.

Local authorities will also take measures to encourage farmers to change their farming habits and adopt biological technologies in production.

At the same time, the province plans to support the development of products of local advantage and supply chains towards sustainable and safe agricultural production.

6. Sweden, Vietnam share similarities and challenges in energy sector

Swedish Ambassador to Vietnam Ann Måwe has said that Sweden and Vietnam have similarities and share challenges in the energy sector, and the two countries hold great potential in collaboration in this field.

Transporting electricity over long distances efficiently is critical, as is the overall stability and reliability in the grid, in order to enable the continuing implementation of renewable energy.

Managing these challenges is important for economic development, but also from a climate perspective.

In such regard, the Swedish government, via its different agencies, finds good synergy between Vietnam and Sweden in those areas and would like to seek further collaboration opportunities.

Some of many Swedish companies active in the energy sector and Swedish export credit agencies SEK & EKN will offer attractive technical and financing solutions for projects in Vietnam.

In addition, through the Swedish agency Swedfund, Sweden is discussing the possibility of granting feasibility studies to Vietnam Energy (EVN) and the Ministry of Industry and Trade's Institute of Energy within areas such as transmission network upgrade, 4G/5G implementation in the grid as well as energy storage systems in order to support Vietnam's efforts to increase its share of renewables in the energy mix.

The purpose of the workshop is therefore to discuss more in detail the opportunities for collaboration between Sweden and Vietnam, at both national and corporate levels.

Ambassador Ann Måwe expected the event to stimulate a policy and cooperation discussion between private and public actors and result in a memorandum of understanding between the two countries in this vital sector.

Long history in energy sector

The ambassador emphasized that Vietnam and Sweden have cooperated in energy for decades and hoped that the cooperation would be stronger in the years to come.

“Sweden and Vietnam has a long history in cooperating in the energy sector. Historically the focus was on hydroelectric power. Today the defining issue is climate change and we all need to move from fossil fuels dependency to increase the share of renewables in our energy mix not least solar and wind power and more energy efficient solutions for transmission,” she stated.

Energy, transport infrastructure and water supply are challenges to economic growth not only in Vietnam and need to be addressed with priority.

Vietnam and Sweden, as signatories to the Agenda 2030, have a responsibility to tackle these challenges as it benefits people and climate, and good business as well, she noted.

Sharing the same mind, Vietnam's Deputy Minister of Industry and Trade Hoang Quoc Vuong said the two countries hold enormous opportunities to cooperate in the energy sector and the goal is how to make the potential activated through cooperation programs.

7. Cuu Long Delta business environment improves significantly: VCCI

Its vice president, Vo Tan Thanh, told a seminar in Vinh Long Province on Monday that many localities in the region have been among the leaders in the country in economic governance.

The delta has thus been leading the Provincial Competitiveness Index (PCI) from among the country's six economic regions for many years now, and many of its sub-indicators, he added.

Its median PCI score has been on a sustained uptrend in recent years, rising in 2015-19 by 10 per cent, equivalent to 5.95 points, from 59 to 64.99 points.

There has been improvement in all the component indexes, showing it has made progress in all areas.

Out of the top 20 provinces and cities in the PCI rankings, the delta currently has five -- Dong Thap, Vinh Long, Ben Tre, and Long An provinces and Can Tho City.

Dong Thap has been in second position out of the country's 63 provinces and cities for three consecutive years behind Quang Ninh.

Vinh Long has made great strides and is now in the top five.

Chairman of the Vinh Long Province People's Committee, Lu Quang Ngoi, said for the first time in five years, the province's score topped 70 last year and it improved its scores in nine of 10 indexes from 2018, including access to land, time costs of regulatory compliance and informal charges.

More and more domestic and foreign investors are using PCI when considering making or expanding investments in a certain city or province, he added.

Dau Anh Tuan, head of the VCCI's legal division and director of the PCI Project, said delta localities now would need to focus on improving certain aspects to

further rise in the PCI such as improving entry costs, especially post-business registration costs, and reducing business inspections.

They also need to encourage the development of business support services, and improve vocational training and job services, he added.

Organised by VCCI and the Vinh Long People's Committee, the seminar served as a platform for provinces with high PCI scores to share their lessons and experiences in improving the business environment and thereby their PCI scores.

Corporate News

8. HBC: HBC wins a new construction project

↑ 0.43%

Hoa Binh Construction Group Joint Stock Company has assigned a new construction package with the total contract value of nearly VND425 billion as follows:

- Project: Go Sao Housing Project
- Investor: Gia Cu Investment Development Company Limited

- Location: No.9A, Town 1, Thanh Xuan Ward, District 12, Ho Chi Minh City
- Construction package: structuring, completing and MEP system
- Value of package: nearly VND425 billion.

9. VPG: BOD resolution on amending charter capital

↑ 0.00%

The Board resolution dated June 15, 2020, the Board of Directors of Viet Phat Import Export Trading Investment Joint Stock Company

approved to amend its charter capital from VND 264,498,750,000 to VND 350,000,000,000, equivalent to 35,000,000 shares.

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