



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. Shares drop on profit-taking

Shares corrected on Tuesday after two gaining sessions as recent rallies triggered a massive sell-off among investors to lock in profits.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange lost 0.83 per cent to end the trading session at 1,055.27 points.

The southern market index had gained 3.2 per cent in the last two days.

More than 675 million shares were traded on the southern bourse, worth VND13.5 trillion (US\$584 million).

Market breadth was negative with 262 decliners and 181 gainers.

“The VN-Index mainly fluctuated around the reference level from the beginning of the morning session to the middle of the afternoon, but selling pressure at the end of the session caused the index to correct to around 1,055,” said BIDV Securities Co.

“Meanwhile, foreign investors continued to be net sellers on the HSX and net buyers on the HNX. Market breadth turned to negative and liquidity continued to increase compared to the previous session.

“In our opinion, this correction is not enough to change the trend and VN-Index is likely to remain above 1,050 in the coming sessions,” the company said.

Foreign investors net sold VND823.25 billion on HOSE, including Vinamilk (VNM) with VND218.1 billion, Vincom Retail (VRE) with VND148.8 billion and SSI Securities Corporation (SSI) with VND84.1 billion. Foreigners were net buyers on the HNX with a value of VND1.31 billion.

The large-cap tracker VN30-Index was down 1.1 per cent to 1,013.02 points.

Twenty-four of the 30 large-cap stocks in the VN30 basket decreased while three increased.

Large-caps suffered from profit-taking pressure, including Vietcombank (VCB), down 2.1 per cent, VPBank (VPB), decreasing 2.1 per cent, Vinamilk (VNM), dropping 1.9 per cent, PetroVietnam Gas JSC (GAS), losing 1.8 per cent and Hoa Phat Group (HPG), declining 1.7 per cent.

Twelve out of 25 sectors indices on the stock market lost ground, including retail, insurance, IT, energy, banking, food and beverage and construction materials.

They dropped between 0.2 and 1.2 per cent.

On the opposite side, gainers were seafood processing, rubber production, construction, logistics, wholesale, real estate, securities and healthcare.

On the Ha Noi Stock Exchange, the HNX-Index rose 1.28 per cent to close Tuesday at 167.87 points.

Nearly 116 million shares were traded on the northern market, worth VND1.4 trillion.

## Macro & Policies

### 2. Vietnam encounters increasing trade defense lawsuits as exports expand

Vietnam is facing an increasing risk of trade defense lawsuits as exports expand after the country's active international integration and participation in free trade agreements (FTAs).

Most recently, the US Department of Commerce officially announced it would initiate an anti-dumping investigation on polyester texture yarn (PYT) imported from Malaysia, Indonesia, Thailand and Vietnam.

Vietnam's PYT export to the US increased from 490,000 USD in 2017 to 4.5 million USD in 2019, making up 8.7 percent of the US' PTY import in the period from September 2019 to August 2020.

Steel, which had an average export value of 4.2 billion USD per year, was the product facing the most trade defense lawsuits.

The Ministry of Industry and Trade's statistics showed that Vietnam faced 30 trade defense lawsuits in the first nine months of this year, compared to just 10 in the same period last year. Among them, there were six cases related to steel. The investigations were mainly initiated by the US, India, Turkey, Canada and Australia.

According to Deputy Minister of Industry and Trade Tran Quoc Khanh, Vietnam participated in 14 FTAs, pushing the country's exports from 15 billion USD in 2001 to nearly 100 billion USD in 2011, with exports expected to reach 270 billion USD this year.

The ministry said that the main cause for the increasing number of investigations targeting Vietnamese exports is their rapid increase.

Many Vietnamese products were creating significant competition in importing markets,

meaning industries in foreign countries were requesting investigations and applications of trade defense instruments.

The problem was that while there was an increasing risk of measures from importing markets, Vietnamese enterprises were still not well aware of trade defense policies.

Phan Khanh An from the ministry's Trade Remedies Authority of Vietnam, said a recent survey showed about 15 percent of enterprises did not know anything about trade defense, only two percent were well aware of the issue, while the rest had heard about trade defense but did not understand it enough.

An said that many Vietnamese exporters did not know that their products were under investigation for trade defense measures or faced higher tariffs.

According to Phan Mai Quynh from the Vietnam Trade Remedies Authority, Vietnamese enterprises should not be afraid of such measures but participate actively in the investigation process, such as answering questions by investigators and preparing documents as requested.

She said that the active cooperation of enterprises made up 90 percent of the results of the investigation.

She also urged enterprises to develop advanced and modern management systems with clear records as well as having legal departments to study trade regulations.

In addition, enterprises should actively cooperate with industry associations and State management agencies to cope with trade defense lawsuits.

### 3. Trade portal launched to boost international trade procedures

The Vietnam Trade Promotion Agency (VIETRADE) has recently launched the Info Viet-Trade Portal to facilitate international trade procedures in Vietnam.

The Info Viet-Trade Portal at [infoviettrade.vn](http://infoviettrade.vn) was established by VIETRADE with the technical support of the International Trade Centre (ITC) and the

United Nations Conference on Trade and Development (UNCTAD), and the funding support of the Danish International Development Agency (DANIDA).

It is an online platform that provides a step-by-step description of import and export procedures and formalities in Vietnam from the trader's point of view. The portal fully ensures compliance of the Government of Vietnam with Article 1.2 of the WTO Trade Facilitation Agreement (TFA).

Available in English and Vietnamese, the portal serves as one-stop-shop providing useful, clear, precise and up-to-date information on export and import procedures in Vietnam in an easily accessible

manner for business operators, thereby contributing to fulfilling enhanced transparency, predictability and certainty of trade information in Vietnam for the benefit of policymakers, border regulatory agencies and the business community alike, said VIETRADE Director Vu Ba Phu at the launching ceremony held late last week in Hanoi.

The Info Viet-Trade Portal, which will be maintained and regularly updated by VIETRADE to enhance the user experience, will bring public and private sector stakeholders one step closer, strengthening opportunities for trade-related public-private dialogue and collaboration to boost the conduciveness of the business environment in Vietnam, Phu said.

#### 4. Foreign firms intent on stronger foothold in Vietnam's pharma industry

Dutch firm Stada Service Holding B.V. last month obtained permission from Vietnam's Pymepharco to increase its ownership in the Phu Yen Province-based company to 100 percent.

Stada had increased its stake in Pymepharco by six percent to nearly 76 percent last week. The deal is estimated at around VND380 billion (\$16.4 million), based on closing stock price on December 11.

In September, Hanoi-based Hataphar issued an additional 5.28 million shares, or 20 percent of its charter capital, to Japan's ASKA Pharmaceutical Co., Ltd. The deal was valued at VND370 billion.

Earlier last year, Japan's Taisho Pharmaceutical took a controlling share of over 51 percent in the DHG Pharmaceutical Joint Stock Company, the biggest pharmaceutical firm in the Mekong Delta region.

In December 2017, CFR International SpA, a subsidiary of U.S.-based medical corporation Abbott Laboratories, transferred all of its 51.69 percent stake in Domesco Medical Import Export JS Corp, based in the southern province of Dong Thap, to another Abbott subsidiary in a transaction valued at around VND2.3 trillion (\$99.5 million).

Vietnam's rapidly growing pharmaceutical industry has been a magnet for foreign firms. The industry is set to record double-digit growth in the 2020-2025 period and is set to reach a value of \$7.7 billion next

year, according to a report by brokerage Yuanta Vietnam.

There is rising demand for healthcare products and services, and with domestic production unable to meet it, Vietnam imported \$3 billion worth of medicines last year. This figure is set to reach \$4.35 billion this year, the report said.

Foreign firms are therefore keen on pouring cash into companies with growth potential, like DHG, which ranks fourth in market share behind three multinational pharma giants.

Analysts of RongViet Securities Corporation said that their strategy is to help Vietnamese companies increase their manufacturing standards and eventually take over instead of establishing its own business and build a factory.

CFR International SpA, a leading pharmaceutical firm in Chile, was the first strategic partner in local firm Domesco and was assisting the Vietnamese company in research and development, technology transfer, businesses consultancy and supply chain management before securing a controlling stake in it.

Ly Thi Hien, lead analyst at Yuanta Vietnam, said the pharmaceutical industry is one that requires years of investment to build up a brand and acquire a decent market share. Domestic firms with relatively

shallow pockets find it difficult to spend money on researching and developing new medicines, creating an opening for foreign firms.

To develop further, domestic firms need to take advantage of the exclusive formulas and scientific achievements of foreign pharma giants, she added.

Industry insiders say that partnership with foreign companies have brought both short-term and long-term benefits.

Le Xuan Thang, CEO of Hataphar, said that establishing a partnership with ASKA meant that the company has VND370 billion to build a new factory. It also receives consultancy services from the Japanese company on building that factory with advanced technology.

Meanwhile, DHG, thanks to its partnership with Japan's Taisho, was able to acquire international certification in less than two years for its effervescent tablet production chain and another Japanese certificate for its antibiotics chain.

## 5. Fresh port charges hit city's logistics

Nguyen Tuong, deputy secretary general of the Vietnam Logistics Business Association (VLBA) said, "The fee collection is a strong blow to businesses, especially import-export and logistics ones. Despite disagreement, they can do nothing but follow it. This will increase logistics costs and reduce our competitiveness."

Ho Chi Minh City People's Council on December 9 approved a resolution on collecting public infrastructure and service fees at seaports. The subjects to the fee collection include units and individuals with temporary import for re-exports, merchandise in transit, commodities in transit, goods in bonded warehouses, and those that are importers and exporters using infrastructure at seaports (see box).

Fee collection will begin next July at Cat Lai Port and then at others in the city. This is expected to bring about revenues of over VND3 trillion (\$130 million) to the city annually.

Tran Quang Lam, director of Ho Chi Minh City Department of Transport, said that the proceeds will be used to reinvest in transport infrastructure development to ease jams at seaports. "The fees are built in line with the prevailing rules on fees. We learned from other cities which have similar conditions such as Haiphong," he said.

Lam cited statistics saying that the volume of cargo handled by local seaports in 2019 reached 170 million tonnes, accounting for more than a quarter of the country. Many seaports are facing capacity limitations due to underdeveloped infrastructure, with Cat Lai being an example.

The new fee collection may also help ease overloads at Cat Lai Port and others, and prompt businesses to rethink about other seaports. Currently, businesses from the southern provinces of Dong Nai and Long An prefer to route their cargo through Cat Lai instead of other ports such as Hiep Phuoc in Ho Chi Minh City and the Cai Mep-Thi Vai port area in the southern province of Ba Ria-Vung Tau.

In spite of that, experts said that logistics costs in Vietnam remains high, making up for 20 per cent of the country's GDP, while other countries ranged from 9 to 14 per cent. Therefore, the additional fees would cause more financial burdens for them.

The Vietnam Textile and Apparel Association (VITAS) said inflated logistics costs were already hampering the competitiveness of Vietnamese goods. Vietnam's logistics costs are 6 per cent higher than Thailand, 7 per cent higher than China, and 12 per cent more than Malaysia.

"High logistics costs do not only reduce the competitiveness of goods, but also create an obstacle for businesses to enter new markets," said a VITAS representative.

In addition to this, competitiveness could be also reduced as the new fees would prompt businesses to make other choices. "Businesses in Quang Ninh, Long An, and elsewhere may select other seaports to cut costs," Tuong explained.

The battle between fee increases and logistics costs in Vietnam has remained a drawn-out one. While the government has been taking actions to fulfil targets



of reaching annual logistics growth rate of 15-20 per cent and reducing logistics costs to 16 per cent of GDP, cities and provinces often announce such a fee increase for various reasons.

## 6. Swedish influence extends to aviation

Vietnam's Minister of Transport Nguyen Van The has worked with a group of Swedish businesses led by Sweden's Ambassador to Vietnam Ann Måwe on the \$2 billion loan and future possibilities of cooperating in aviation projects.

The mission, including tech titans like Ericsson and ABB, is hunting for business openings in airports, especially the to-be-built Long Thanh International Airport, Terminal 3 at Tan Son Nhat International Airport, and upgrades in other areas.

Denis Brunetti, president of Ericsson in Vietnam, Myanmar, Cambodia, and Laos, said that the group is part of the Business Sweden consortia of companies that has joined together to support the Long Thanh project in the future.

"Ericsson believes that 5G digital infrastructure will help make the proposed Long Thanh airport, as well as all other airports across Vietnam, more efficient and productive through the benefits of resilient, secure, low latency, and high speed/bandwidth 5G mobile data connectivity," he told VIR.

Ericsson focuses on leveraging the power of 5G to digitally transform industries and enterprises across multiple sectors including transport, manufacturing, agriculture, healthcare, and education. In the aviation sector particularly, Ericsson has played a key role in digitally transforming Charles de Gaulle International in Paris, to leverage 4G/5G mobile broadband connectivity.

Similarly, Swedish-Swiss robotics and automation powerhouse ABB is venturing further into Vietnam, including in aviation.

According to experts, the door to join the \$16 billion Long Thanh airport initiative and others will open widely for Ericsson, ABB, and others if the loan proposal is approved by the Vietnamese

Ho Chi Minh City is not the first to make the move. In 2017, the northern city of Haiphong began collecting infrastructure and service facilities fees at seaports, and it is estimated to fetch about VND1.6 trillion (\$69.56 million) annually from the collection.

government. Under the proposal, 30 per cent of the loan will be used for Swedish equipment, products, and services.

In May last year, at a meeting between Prime Minister Nguyen Xuan Phuc and Swedish counterpart Löfven in Sweden, the host proposed a \$1 billion loan for Vietnamese aviation. Swedish Export Credit Agency and Swedish Export Credit Corporation proposed to increase the credit to \$2 billion for upgrading and expanding airports, expansion of air traffic management, and for Long Thanh International Airport and Terminal 3 at Tan Son Nhat International Airport.

A source from state-owned Airports Corporation of Vietnam, the investor of Long Thanh airport, said that the first construction item of the nearly \$5 billion first stage will be kicked off this month.

A senior official of the Ministry of Transport told VIR, "International businesses are able to join services, repair and maintenance, catering services, hangars, and airport hotels in the Long Thanh airport project."

Besides Long Thanh and Tan Son Nhat airports, Vietnam is planning to upgrade and build many others such as upgrading of Noi Bai International Airport from current annual capacity of 30 million passengers to 100 million, as well as Lao Cai, Van Don, Phu Quoc, and Chu Lai airports. Therefore, the country is in high need of equipment and other solutions, thus opening more chances for many international businesses.

This is an advantage for Sweden, as one of the world's leaders in providing technology solutions for aviation to support its sustainable development. According to the ambassador, among the 28 airports worldwide are rated as the most environmentally friendly, 10 have management and operation solutions supplied by Swedish firms.

While Swedish investment in Vietnam remains modest in comparison with other partners in the EU, ranking 43rd with about \$4.5 million worth of the total registered capital in the first 11 months of 2020, their interest in technology businesses in the country has intensified.

More than 70 Swedish companies are operating in Vietnam, with many being world-leading players such as AstraZeneca, Atlas Copco, Electrolux, H&M, IKEA, Volvo, and Tetra Pak, among others.

More opportunities could come for Swedish technology firms on the back of the Vietnamese government's acceleration of digital transformation among state-run agencies and business community, as well as the EU-Vietnam Free Trade Agreement

(EVFTA) thanks to its higher commitments in telecommunications than those in the World Trade Organization (WTO).

For instance, Vietnam offers permission of establishment of 100 per cent foreign-invested enterprises in non-network infrastructure and value-added telecommunications services after five years of the agreement's entry into force. Meanwhile in WTO commitments, only joint ventures are permitted with a foreign ownership limit of 65 per cent. In regard to basic telecommunications services, that limit will be raised to 75 per cent for services without network infrastructure after five years of performance of the EVFTA, in comparison with 70 per cent in the WTO.

## 7. Vietnam may become upper-middle-income country in 2023: Japanese centre

The Japan Centre for Economic Research (JCER) has predicted that Vietnam will become an upper-middle-income country in 2023, and its GDP will surpass that of China's Taiwan in 2035.

The JCER recently released a medium-term forecast of Asian economies entitled "Asia in the coronavirus disaster: Which countries are emerging?", which addresses the impact of the COVID-19 pandemic and looks at how Asian economies are faring compared with others around the world.

In the standard scenario, JCER assumes that the pandemic is a transient event that will not affect economic structures over the medium term.

Under this assumption, only China, Vietnam, and Taiwan are on track to maintain positive year-on-year growth rates in 2020.

Vietnam is seen sustaining a growth rate of about 6 percent in 2035 thanks to strong exports. This

would propel the Vietnamese economy past Taiwan's in 2035 in terms of scale, and make it the second-largest economy in Southeast Asia after Indonesia.

Vietnam is poised to achieve upper-middle-income status in 2023, with per capita income headed for 11,000 USD in 2035, according to JCER.

The report also included a severe scenario that describes an outcome in which the coronavirus not only damages today's economy but also affects urbanisation, trade openness, R&D spending, and a host of other factors, undermining countries' potential growth rates over the medium term.

In this scenario, the growth of the US, Vietnam, Singapore, and others in 2035 would be significantly lower than those under the standard scenario, largely due to trade blockages. Vietnam's economic scale at that time is projected to still be smaller than that of Taiwan, JCER said.

## Corporate News

### 8. SSI: Vietnamese securities firm receives 85-million-USD foreign unsecured loan

↑ 1.39%

SSI Securities Corporation, one of leading securities firms in Vietnam, on December 15 signed a contract for a 85-million-USD unsecured loan with a group of nine foreign banks led by the Union Bank of Taiwan (UBOT), the largest bank of Taiwan (China).

The 12-month loan is the largest amount that a securities firm of Vietnam has received from foreign banks so far. Earlier, the SSI got a 55 million USD loan from an financial institution group led by SinoPac to become the first security company in Vietnam to access foreign unsecured loans.

A representative of the SSI said that the expansion of foreign loan limit will lay the foundation for the firm to develop its business areas in a more effective manner. The firm plans to allocate the investment in securities services and bond dealing, said the representative, adding that this will help SSI enhance its competitiveness and optimise its capital resources.

SSI is the biggest securities company in Vietnam. As of September 30, 2020, the charter capital of the firm had reached over 6 trillion VND, while its total property was worth nearly 27 trillion VND.

### 9. HPG: Hoa Phat posts surging imports from Australia

↓ -1.66%

The Hoa Phat Group has reported some 700 million USD worth of imports from Australia this year, more than double the figure from last year and making the industrial manufacturer the largest Vietnamese client of the country.

More than half of the total import value, or 364 million USD, came from coal, compared to just 115 million USD in 2019.

The group's purchases of iron ore leapt a whopping 19-times to 123 million USD in the first eleven months of the year.

Hoa Phat bought more coal and iron ore this year to serve production at its iron and steel integrated complexes in the northern province of Hai Duong

and the central province of Quang Ngai's Dung Quat Economic Zone.

Meanwhile, it annually purchases hundreds of thousands of cows from Australia, with its herd now accounting for 50 percent of all Australian-imported cows in Vietnam.

With such soaring import numbers, Hoa Phat is estimated to account for 17 percent of Australia's total export value to Vietnam, compared to 7.4 percent in 2018 and 7.6 percent in 2019.

It is expected to outlay over 1 billion USD on goods from Australia next year, an annual increase of 40 percent.



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