



Research Centre for
Sustainable Hong Kong

香港城市大學
City University of Hong Kong

A Summary of Discussion
CityU CSHK PASS Workshop Series – Workshop 3
Cultural Diversity and Risk Management: Hong Kong Professional Services, Overseas
Investments and Industrial Park Development in Vietnam¹
CSHK Working Paper Series No.9

Chen Ling, Yao Chao, Linda Li, Phyllis Mo and Jeffrey Chung²
2021.06.30

On 11 June (Friday) morning, CSHK successfully organized CSHK PASS Professional Training Workshop 3 – Vietnam, entitled Cultural Diversity and Risk Management: Hong Kong Professional Services, Overseas Investment and Industrial Park Development in Vietnam (多元文化與投資風險管理：香港專業服務、越南的外商投資及工業園區發展)¹. It was participated by more than 200 people in Hong Kong, Mainland China, Vietnam and around the world.

This Workshop aims to present a portrait of business opportunities and challenges in Vietnam from three perspectives: 1) the local Vietnamese, 2) the Belt and Road and 3) Hong Kong. Through triangulation of first-hand information, insights and successful experience shared by seasoned entrepreneurs, professional practitioners, Industrial Park management and local researchers, participants would be able to distill an in-depth understanding of cultural diversity and risk management of overseas investments, as well as Industrial Park development in Vietnam. In particular, this Workshop will unpack the challenges and scrutinize the pathways whereby Hong Kong professional services and businesses may perform their distinctive roles in mitigating risks and thus take part for mutual gains and sustainable development in Vietnam.

¹ For details of CSHK PASS Workshop Series, please refer to Project Brief in Appendix.

² Ms. Yao Chao is PhD Student Researcher at Department of Public Policy, CityU.

Prof Linda Chelan Li is Director of CSHK and Professor at Department of Public Policy, CityU.

Prof Phyllis Mo is Associate Director of CSHK and Professor at Department of Accountancy, CityU.

Mr. Jeffrey Chung is Research Assistant at Department of Public Policy, CityU. He is also Project Manager for this PASS programme.

Opening remarks:**Mr. Le Hai Trieu —Deputy Consul-General, Consulate General of Vietnam in Hong Kong**

Vietnam welcomes and highly appreciates the Belt and Road Initiative (BRI) set out by President Xi Jinping. Vietnam's Leaders attended the First and Second BRI Forum in 2017 and 2019 respectively. In 2017, Vietnam and China signed the Memorandum of Understanding (MOU) on the collaboration between China-proposed BRI and Vietnam's development plan of "Two Corridors and One Economic Circle". The consulate of Vietnam is currently working with the B&R Office in Hong Kong to organize G2G conference together with the participation of localities and business associations in Vietnam and Hong Kong.

With GDP growth of 2.91% in 2020, Vietnam was one of the 10 economies achieving positive growth in 2020. For 2021, international financial institutions such as the Asian Development Bank, the World Bank, and the IMF are all optimistic about Vietnam's economic growth prospect and forecasted a growth of 6.3% - 6.8%. In general, Vietnam still maintains macroeconomic stability and stays in a recovery trend. From the beginning of the pandemic, Vietnamese government has set dual goals: 1.) to protect people's health as the top priority task, and 2.) to maintain the normal socio-economic activities.

Vietnam is considered as an investment destination with full potential for many reasons. First, Vietnam has been deeply and broadly integrated into the world economy through continuously achieving trade agreements with many countries and regions all over the world. So far, Vietnam has signed and joined 15 free trade agreements (FTAs) and two are under negotiation. The new FTAs includes the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, and the EU-Vietnam Free Trade Agreement. These cooperation plans will help Vietnam integrate into the regional and global supply chains, expand its exports markets, and offer great potential for investors to further expand their market reach. Secondly, Vietnam is a potential and large market with much political stability. With a population of nearly 100 million people, developing the domestic market of Vietnam is also considered as a business and investment strategy with full potential for investors. Furthermore, Vietnam is also a member of the ASEAN and home to more than 600 million people. Thirdly, with a variety of business-benefit regulations, such as the New Enterprise Law and New Investment Law, the administrative procedures are streamlined, and investment barriers are also reduced. Last, the labor force of Vietnam is young, abundant and well-qualified while the labor cost is considered to be quite competitive in the region.

Vietnam and Hong Kong enjoyed close relations in many fields, especially in economy and trade. Despite the pandemic, the trade volume still reached USD 11.5 billion in 2020, which is increased by 36.4% compared with that of 2019. Hong Kong is also the 5th largest investor in

Vietnam with 1977 projects and a total of USD 26.7 billion investments. In 2020, Vietnam approved 211 projects initiated by Hong Kong investors. Also, similarities in culture and business environment are additional advantages for Hong Kong companies conducting business in Vietnam.

Insight Sharing

A. Investment and Industrial Park Development in Vietnam

Mr. Van Duc Phu —Acting Head, Investment Promotion Division, Investment Promotion Centre - North Vietnam, Foreign Investment Agency, Ministry of Planning and Investment

Mr. Van Duc Phu first gave a brief introduction of Vietnam's economy. In the first quarter of 2021, the GDP in Vietnam increased by 4.48%, a positive trend even under the COVID-19. Data in trade turnover was USD 152,65 Billion, with an increase of 24.1% compared with that of last year. The FDI sector also recovered and remained strong after the pandemic.

Mr. Van then talked about the Hong Kong investments in Vietnam. He highlighted 10 sectors which have great potential for investors, including processing and supporting industry, biotechnology, renewable energy, real estate, banking & insurance, agriculture & food processing, healthcare & pharmacy, ICT & software, and infrastructure.

Regarding the development of Vietnam industrial parks, 394 industrial parks have been established with a total area of 121,900 thousand hectares as of May 2021. The size for industry development is 80,900 ha, accounting for 66.4% of the whole area. Among the 394 established industrial parks, 286 of them are under operation with an occupancy rate of 71.8%. These industrial parks have created jobs for 3.78 million people.

On the government supports for businesses in Vietnam, Mr Van provided several examples. For instances, the prices of electricity for the manufacturing and business sectors have been reduced by 10%. Also, the processing time for loan applications has been shortened and the fees and interest rates are reduced for customers who are in difficulties due to COVID-19. Moreover, the government has postponed the date to pay taxes and land rents.

The investment promotion section, which is under the Ministry of Planning and Investment, is responsible for providing investment information on laws and policies. They connect state agencies at different levels and provinces, and organize business matchings. When investors were in difficulties and asked them for help to solve problems, they would respond quickly to support them. All in all, Vietnam welcomes all foreign investments, especially from Hong Kong

due to its high ranking in Vietnam's total FDI. The investment promotion section of Vietnam is always ready to support the foreign businesses.

Prof Tao Yitao (Director, The China Center for Special Economic Zone Research, Shenzhen University; the Director of Belt and Road Research Institute (Shenzhen) for International Cooperation and Development)

Prof. Tao shared her insights on Progressive Reform with 4 Chinese Characteristics. "Progressive Reform with Chinese Characteristics" refers to the path of institutional changes in China, with the experimental strategy and the development of special economic zones as important approaches. More specifically, it is led through compulsory institutional changes with the support of induced institutional change. It takes top-level design and top-down authorized reform as the approach. Starting with the economic reform, it focuses on economic development with the aim of comprehensive development. It accepts an unbalanced development first, but would achieve the coordinated and open development eventually. In general, the path of progressive reform with Chinese characteristics reflects the trajectory of China's development.

There are three features of Progressive Reform with Chinese Characteristics. Firstly, Chinese progressive reform mainly follows the logic of compulsory institutional change through the top-down approach. Secondly, progressive reform with Chinese characteristics illuminates the unique and interdependent relations between institutional supply and demand. The compulsory institutional change began at the central level while the induced institutional change is derived from special policies, representing the institutional supply and demand in the Chinese reform. As a result, an organic institutional process is formed. Third, within the framework of progressive reform with Chinese characteristics, the main actor of institutional changes in China is the central government. Nevertheless, there is another indispensable subject authorized by the central government — the special economic zones and the responsive local governments. In general, the special economic zones, as a window of the progressive reform with Chinese characteristics, have two main functions. On the one hand, they follow the central government's reform intentions and operate in the space of institutional supply created by special policies. On the other hand, they continuously create new institutional demand with their successful experience, so as to promote the compulsory institutional change made by the Central Government to facilitate the reform and opening up.

Prof. Tao also compared the progressive reform in China and Vietnam. China and Vietnam have been the only former socialist countries that did not adopt the Washington Consensus whilst conducting progressive reform based on their special conditions. The Hungarian economist Kornai commented that the Washington Consensus failed to bring the freedom for

the followers. However, some Asian countries, such as China and Vietnam, which were considered as lacking democracy, had gradually completed the social transformation while maintaining economic growth and social stability.

In terms of the timeline of reforms, China's reform and opening up began in 1978, marked by the Third Plenary Session of the Eleventh CPC Central Committee. Six years later in 1986, Vietnam's Doi Moi policy began, marked by the Sixth National Congress of the Communist Party of Vietnam.

In terms of the starting point for the reforms, China's reform and opening up started with the reform of its economic system, marked by Deng Xiaoping's comment: "planned economy is not equal to socialism, because capitalism also has planning; market economy is not capitalism, since socialism also has markets. Both the planning and the market are just means to promote economy". Different from China, Vietnamese reforms started in the political spheres. The Sixth Congress of the Communist Party of Vietnam in 1986 abolished the life-long leadership system and initiated a rotation of leadership system. In 2001, the Ninth Congress of the Communist Party of Vietnam explicitly stipulated that the General Secretary should serve no more than two terms. In 2006, the Tenth Communist Party Congress introduced the competitive nomination mechanism of the General Secretary of the Communist Party of Vietnam.

In terms of the direction of the economic system reform, the Chinese economic system reform was initiated in the rural areas of the Xiaogang village in Fengyang, Anhui Province, where land was allocated to households. The reform was subsequently and mainly carried out in the urban areas, focusing on the development of the urban market economy and the private sectors. Vietnam carried out land reform in 1997, the 11th year of Doi Moi. Collective ownership of land was abolished after the reform. Instead, farmers were allowed to rent, mortgage, buy and sell land. In addition, they began to have the access to apply for land transformation from agriculture to non-agriculture for sell. Market-oriented policies for land reforms were implemented in Vietnam.

Both China and Vietnam have chosen the ways of progressive reform, trying to gradually conduct the social reform within the existing institutions. However, the reforms in China and Vietnam have shown different characteristics due to diversified national backgrounds and starting points of the reforms. More specifically, the central government in China gains more power to allocate national resources on the established goals, illuminating the advantages of China's political systems. In addition, Chinese central government has the capacity to enhance the market efficiency in a short term, which leads to the rapid economic growth for more than 40 years. In Vietnam, the political system reform is a significant part of the Doi Moi. The land

reform greatly motivated farmers' productivity. Vietnam has become the second largest rice exporter in the world since 1999, when Vietnam's annual rice exports increased to 4.6 million tons in that year. The Vietnamese economy has developed in a relatively slow pace. The financial supports by the central and local governments were not sufficient at the beginning. Under these circumstances, the private land ownership resulted in the increase of transaction costs regarding infrastructure development. The reforms, as the later-coming driving forces, has motivated the Vietnamese socio-economic development. From 1998 to 2008, Vietnam's economic growth ranked the second in the world and only left behind of China. Vietnam enjoyed the fastest economic growth of 7.08% in 2018, followed by 7.02% in 2019. Under the established institutional environment to support market-oriented reform, Vietnam has been less limited by the existing institutions.

In sum, Vietnam might not only lack the policies to effectively implement the central government's intention of reform but it is also deficient in exerting a clustering effect on high-quality production factors and a diffusion effect on driving socio-economic development. Whilst these policies are seen as successful in Shenzhen, China, the path to national prosperity can be learned between China and Vietnam, despite the existing differences.

Mr Dalin Chen —Deputy General Manager, China Construction Fourth Engineering Bureau Co., Ltd.

Mr. Dalin Chen shared his business experience and challenges in Vietnam. Mr. Chen has had over 20 years of overseas working experience in the construction engineering.

Mr. Chen firstly introduced China Construction Fourth Engineering Bureau Co., Ltd. The company was founded in 1962, as one of the affiliated companies of China State Construction Engineer Corporation, ranking the 80th of the top 500 companies in the world. At present, they have 19 subsidiaries with 28,000 employees. The company has a whole industry chain, which comprises engineering, infrastructure construction, real estate development, investment, service and design, operation and management. They have built some landmark projects in the Greater Bay Area, such as the Guangzhou East Tower and the Shenzhen King-Key 100. In the new century, they have actively expanded business overseas to Indonesia, Cambodia, Malaysia, Vietnam and Laos.

He then depicted the cooperation prospects in construction industry. Both China and Vietnam are important manufacturing bases in the world. There are 3 possible cooperation directions between China and Vietnam in the field of construction:

1. Jointly build high-end industrial parks for construction materials. In recent years, Vietnam's construction industry has grown from USD 5 billion in 2017 to USD 57 billion

in 2020, with a predicted average growth rate of 7% for the next 5 years. The high-end construction materials in Vietnam are in short supply, whereas China is the largest producer and consumer in the world. At the same time, Chinese construction material industry faces some challenges. A large number of Chinese construction material producers have to transfer the production chain abroad, and they are expected to build high-end construction material industrial parks in Vietnam together.

2. Promote modular construction in Vietnam. Compared with traditional building technique, modular construction has some superiorities in time, quality, costs and flexibility. It is advantageous in the integration of design and construction. Modular construction has become more and more popular, especially during the Covid-19 pandemic. Recently, the company has a pre-fabricated plant in Guangdong. The business covers the whole industrial chain of design and development, production and procurement, logistics and distribution. They also plan to build 2 more industrial parks and high standard construction bases in Guangzhou.
3. Training of construction professionals, in terms of general contracting, project management, ability of risk management & control, and technological innovation. The training activities would be a good way to develop Vietnamese construction talents, and a good opportunity to improve the communication between the two countries.

Mr. Anthony Lam —CEO, Golden Resources Development International

Mr. Anthony Lam is an expert in business investment in ASEAN countries, including retailing store in Vietnam, procurement network in Thailand, property development in Malaysia. In addition to his business, Mr. Anthony Lam also serves on various advisory committees of public and government organizations in Hong Kong. Mr. Lam was awarded with the Ap Bac Medal from the Vietnam government for his contribution to the rice industry. The theme of his speech was mainly about how to start businesses in Vietnam.

Mr. Anthony Lam firstly gave a brief introduction of the Golden Resources Group. Golden Resources Group was established 75 Years ago as a rice trader, whose business network includes Thailand, Vietnam, Cambodia and even Malaysia. The Group has various business units, including rice business unit, retail business unit, property development business unit, environmental plastic business unit, PPP projects business unit and ports & shipping projects unit. Mr. Lam sits in different boards as chairman or committee member in Hong Kong, such as Agriculture, Fisheries & Conservation Department, the Trade Department, and Innovation & Technology Commission.

Mr Lam shared that Hong Kong has lots of skilled and licensed professionals in accounting and audit, asset and wealth management, banking, insurance and legal services. As the financial

center in Asia, Hong Kong can act as a medium or a place for the ASEAN countries to get the capital. Hong Kong practices, including investment, legal, arbitration and accounting practices, can be radiated to other parts of Asia through the Belt & Road, ASEAN, GBA and Greater China. Banking, finance, fintech services are also strong in Hong Kong. For example, one of the key mobile payment systems in Vietnam was invested by a Hong Kong company. In terms of implementation of International Accounting Standard (IAS), Hong Kong professionals are familiar with International Accounting Standard (IAS), which can lead the Vietnamese partners to meet the IAS. Listing rules compliance is another strength of Hong Kong investment. Besides, Hong Kong can also act as a PPP finance hub, in the area of legal, fund, traffic consultants and engineering, because of its strong financial background. In addition, Hong Kong can also act as the insurance facilitating center, the Corporate HQ and the SPV Hub.

Vietnam has been a popular investment destination for Hong Kong companies. Vietnam joined multiple trade organizations, including the Asian-Pacific Economic Cooperation (APEC), Comprehensive & Progressive Trans-Pacific Partnership (CPTPP), Regional Comprehensive Economic Partnership (RCEP), which was the latest Vietnamese participation in trade originations. Apart from the multilateral trade groups that Vietnam belongs to, Vietnam also achieved bilateral trade agreements with different countries and regions, including EU, India, Japan, China, Chile, and Korea. In the business sector, the Vietnamese government is engaged in creating business opportunities and potentials with different countries around the world.

Mr. Lam then introduced the influences of BRI on Vietnam: 1) BRI can enhance bilateral relationships between Vietnam and China. 2) BRI can improve the infrastructure building in Vietnam, including highways, sea ports, energy infrastructure, etc. 3) Mass transits (MTR & High-Speed Trains) can also be initiated under the Belt & Road plans. 4) Vietnam will have access to AIIB (Asia Infrastructure Investment Bank). 5) China will support Vietnam's export industries with equipment for manufacturing. 6) BRI will enhance trade between Vietnam and China, and Vietnam can be a lower-cost production base for the 13-billion people market of China. Because of China's new initiative about internal circulation, China needs lots of materials and even finished products of Vietnam. 7) Belt & Road projects will create jobs for the next generation of Vietnamese high-skilled workers. Many car industries, including Benz, Toyota and Korean companies have set up factories in Vietnam, and Vietnam has had a skilled and trained labor. 8) Belt & Road will keep Vietnam in a status with maintaining its flexibility, multilateralism and independence.

BRI is also beneficial to Hong Kong professionals in the following areas: 1) Infrastructure: engineers, architects, consultants and management (MTR). 2) Finance: PPP investors, structured financiers, syndication lenders; 3) Support: international legal personnel and

accounting (IAS) personnel; 4) IT: software and hardware professional supports; 5. HR: international recruitment services; 5) Logistics: shipping, courier, land-sea-air logistics and maintenance; 6) Education: language, international trade, cross-border education; 7) Industries: multi-Level supporting industries.

Mr. Lam then illustrated the reasons of doing business in Vietnam. The stable government, relative low set-up costs, competitive labor costs and educated population, strong GDP growth, growing population of 100 million, established trade agreements, and increasing PPP (Purchasing-Power-Parity) may partly stimulate the investment motivation in Vietnam. In addition, Vietnam has huge catch-up potential when comparing with its neighbors. Vietnam also has low interest rate, low inflation rate, and a stable economic growth at around 6-7% in recent years, which was 2.8% originally. The country is rich in resources and energy as well. Besides, Vietnam government is progressive with the market reforms, and the general stock valuations in Vietnam is still relatively low compared to competitors.

Finally, Mr. Lam shared some tips on doing business in Vietnam. Investors should know their core competence and principals, also strengths and weaknesses. Besides, they need to be open and further communicate with the Vietnamese staff. It is significant to watch the Language as well. Speaking English is required in Golden Resource, even among Hong Kong staff, since the company is posed as an international company with international staff. Moreover, investors need to respect the Vietnamese culture. Investors need to address the holidays in Vietnam in a local manner to show the respects, although many Vietnamese holidays are similar to Chinese and Hong Kong holidays. Foreign investors should also respect local laws and customs. In summary, investors are advised to treat Vietnamese as equals, provide training & learning services, offer opportunities for all Vietnamese and be professional.

Ms. Elizabete Fong – Vice Chairperson, Hong Kong Business Association Vietnam

Ms. Fong has been working in Vietnam for over 10 years. She is speaking on behalf of Hong Kong Business Association, which is based in Vietnam, trying to serve the business communities in Hong Kong and also in Vietnam. She shared some perspectives about challenges and opportunities in doing business in Vietnam, including related experience and networks.

Ms. Fong shared that inflation rate and exchange rate are relatively stable in Vietnam and this is a key point for prospective investors interested in Vietnam. Regarding the challenges, setting up a company in Vietnam sounds easy as a company address and an office license are required. Investors also need help from local professional firms to know how the government manages and approves business licenses. Vietnam is ranked 104th for ease of setting up business and

69th for ease of doing business. The rankings are not high but if people know the way and contact the right people, they will be able to get the investment opportunities easily. Typically, it usually takes 110 days to obtain the construction permits, after going through 11 procedures and receiving approval from different levels of governmental units.

Ms. Fong focused more on soft side of how to do business in Vietnam. Trust is very important. Most importantly, investors should leverage on the experience of the partners about local government and network. Local people always know the country much better than foreign investors. Secondly, the literacy rate is very high in Vietnam. The written English of local employees is very good while spoken English is less competitive. In addition, local workers are strong in mathematics owing to the good education system.

Staff management is also important. People in Vietnam is hardworking. However, as the business environment is not that commercial, they tend to have “one-boss” attitude. They would listen to the boss only rather than accepting opinions from the team or the peer group. Whenever they are told something like a direction, instruction, or an idea, it is better to clarify it is an idea for brainstorming, otherwise they may treat it as an order from the boss that they have to follow. If being clarified that it is not a top-down instruction but only for brainstorming, they could be very creative and propose a lot of ideas.

Vietnam could be one of the most politically stable countries in ASEAN. The labour force is diversified and energetic: of the 98 million population, half of them are women, and half of them are around 30 years old. It has a very robust population base. Vietnam has good equality in gender. Retirement age is also young, as women retire in 55 while men retire in 60, which means that the younger generations have more chance for their careers. The index of happiness is always very high in Vietnam because they are young and hardworking. Particularly, nearly all investments come from overseas like Hong Kong, thus they have lots of opportunities to learn from those practices transferred. The government is active in setting up economic zones. Vietnam has 18 coastal economic zones and 225 industrial parks. These zones offer lots of incentives, in terms of low rate of income tax and low charge of tariff.

As to the Hong Kong Business Association, it was set up 25 years ago in Vietnam, mainly based in Ho Chi Minh and serves for business community resided in Vietnam, as well as any potential investors from Hong Kong. The association connects Hong Kong business together, and welcome all nationalities of membership whoever have interests in doing business in Hong Kong. The association has members from 16 categories of profession and sector, including law, accountancy, logistics, auditing. Members mostly come from the sector of property, garment, and hospitality. The association also has a voice in the government on consultation as a

member of Vietnam Business Forum. A lot of consultation papers are issued each year. The association is active in networking, conducting social events, and maintaining charity donations.

Mr. Simon Chan – Chief Executive, The Shanghai Commercial & Savings Bank, Dong Nai Branch

Mr. Chan introduced the Shanghai Commercial & Saving Bank (SCSB) firstly, and then shared the situations of Vietnam economy in recent years and related banking situations. SCSB was set up in Shanghai in 1915, and established a branch in Hong Kong in 1934. In 1950, Shanghai Commercial Bank (SCB) incorporated all branches. 15 years later, the bank set up an office in Taiwan. In 2018, SCSB was listed in Taiwan Stock Exchange, which was the biggest IPO event in Taiwan at that time. Now, the bank constituted three parts, the Shanghai Commercial & Savings Bank in Taiwan, the Shanghai Commercial Bank in Hong Kong, and the Bank of Shanghai in Shanghai. As to the group network of the bank, there are 72 branches in Taiwan with 4 overseas offices. 149 branches were set up in Cambodia while 44 in Hong Kong.

Ratings and rankings of SCSB:

Rating Agency	Ratings		Outlook	Date Announced
	Long-term	Short-term		
Taiwan Ratings	twAA	twA-1+	Stable	2020.Dec.09
Fitch	AA(twn)	F1+(twn)	Stable	2021.May.13
S&P	BBB+	A-s	Stable	2021.Jan.15

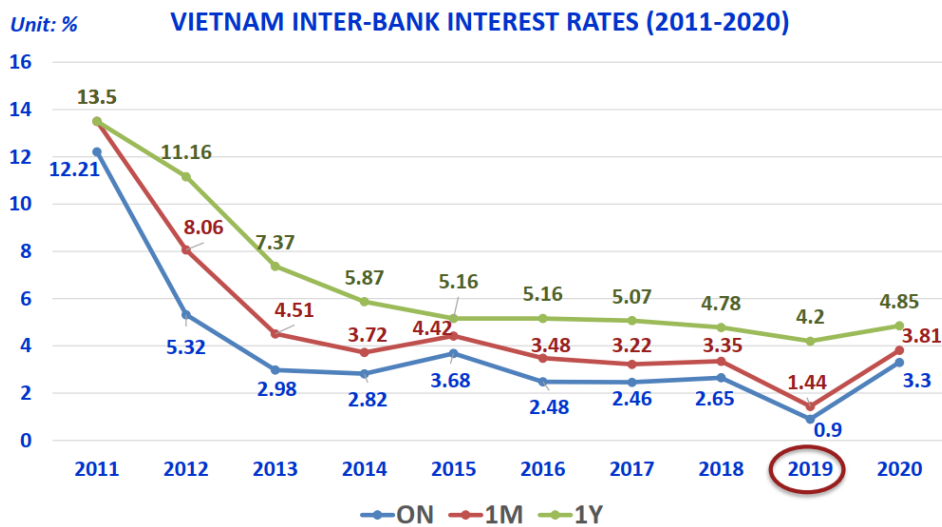
Rating Agency	Ranking		Date Announced
	World	Domestic	
The Banker	236	11	2020.Jul.

After an office was set up in Dong Nai in Vietnam in 2005, the branch was officially established 5 years later. In 2021, the new office in Bac Ninh was set up. SCSB offers a series of services in corporate banking and consumer banking.

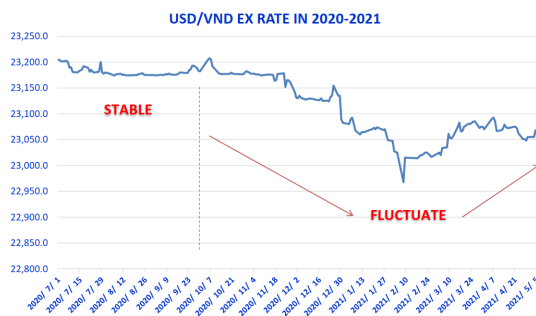
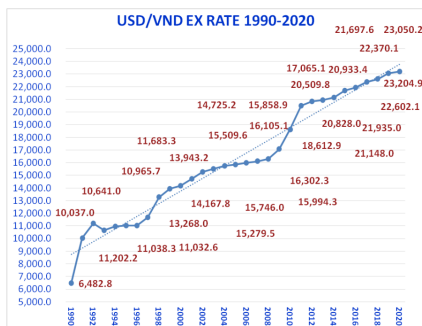
There are several main events in recent years that should be introduced to know more about the economy situation in Vietnam. Firstly, in 2014, there was an anti-China protest event in Vietnam. At that time, many Chinese companies faced the situation whether they should continue their business in Vietnam or just shut down the company. Later, China-US trade war started in 2018, more companies in mainland China considered to set up branches in Vietnam. As the pandemic brought about more problems in 2019, US labeled Vietnam as a currency manipulator in 2020. Thus, in post-COVID-19 period, the economic environments become

uncertain.

Regarding the banking situation in Vietnam, there are also some key events that people should be aware of. In 2020, the State Bank of Vietnam (SBV) has a new governor. Over the past 17 years, this is the first time that the State Bank of Vietnam has a female governor. Considering the governor’s previously articulated ideas on policy, we expect new regulations might be forthcoming. In addition, the VND interest rates keep decreasing. Owing to the COVID-19 event last year, SBV cut 75% inter-bank interest rate.



The foreign currency reserves reached a high level. In 2018, Vietnam’s trade reached USD 60.5 billion but decreased to USD 21.5 billion in 2019. In 2020, it increased to USD 33.5 billion. In 2020, the foreign currency reserve was USD 87.0 billion. From 1990 to 2020, the annual average depreciation rate for the currency is 7%. But from last year, there was a fluctuating trend.



Banking in Vietnam also started to develop digital models, as the implementation of E-KYC is treated as a “gateway”. SBV has asked all local banks to be listed in the stock market, aiming

to improve the banking transparency. In the past, investors faced the interest rate and exchange rate risks which should be carefully controlled. Investors could count on local banks for their business in Vietnam.

Ms. Betty Chan – Director of International Relations, Sunwah Group

Sunwah Group is a Hong Kong conglomerate, whose business expanded to mainland China, Hong Kong, Macau, Japan, ASEAN countries, Canada and USA. It is one of very early investors in Vietnam with over 50 years' experience. It is important to catch the timing when people do their investments, especially in Vietnam with a fast-growing economy. When Vietnam joined the WTO in 2007, it gave Sunwah a very good impetus to expand business in Vietnam.

Sunwah entered the Vietnam market with their seafood processing business 50 years ago. At that time, Sunwah has been well-established and decided to expand the sea food business in South Asia. After entering Vietnam, Sunwah became one of the biggest sea food exporters. For real estate, Sunwah has three main real estate development projects in Vietnam. In 1997, Sun Wah Tower was developed at the city center in Ho Chi Min, which has become the landmark at that time. Secondly, Saigon Pearl, with a total floor area of 40,000m², is a luxury residential, business, shopping and entertainment project. The construction was started in 2005 with the high-rise living being introduced in Vietnam for the first time. The last one is Sunwah Pearl. As Sunwah Group's latest development project in Vietnam, Sunwah Pearl is a high-end multi-purpose project consisting of luxury apartments, office spaces and a commercial centre.

Sunwah Group is one of the largest founding shareholders of VinaCapital. Founded in 2003, VinaCapital Group is a leading investment banking and fund management company with unrivalled experience in the emerging Vietnam market. Dr. Jonathan Choi, Chairman of Sunwah Group, is also the Chairman of VinaCapital. VinaCapital Group, Hong Kong's Chow Tai Fook Group, and Macau's SunCity Group have cooperatively invested in the Hoi An South Integrated Resort (HOIANA). It is a huge resort development project with a total investment of USD 4 billion.

Coffee is another main business of Sunwah as it is very popular in Vietnam. Sunwah Commodities is the exporter and processor of Robusta coffee, with operations in Vietnam since 2006. Coffee output per year reaches 80,000 tons and Sunwah Commodities is one of the largest coffee exporters and producers in Vietnam today. The coffee business related employees are fewer than 50 because the operation is fully automated.

Innovation is a very new business for Sunwah. In recent years, the Vietnam government has

been actively promoting innovation and entrepreneurship development. In December 2020, Sunwah Innovation Center Ho Chi Minh City was launched as the flagship of the Sunwah Innovation Centers Network, to answer the call of the government. Owing to the international network of Sunwah, the Sunwah International Innovation Platform (SWIIP) was established. The platform's aim is to expand a global network to leverage each entity's unique resources, business knowledge, and competencies to drive the innovation economy forward.

Apart from business development, Sunwah also helped the business communities in Hong Kong and Vietnam by establishing Hong Kong-Vietnam Chamber of Commerce (HKVCC). Series of seminars and meeting are organized for members. In addition, Sunwah also promotes the connections between Vietnamese business representatives and leading entrepreneurs of Hong Kong, Mainland China and Japan. For example, 5 years ago, a Hong Kong company came to the Chamber and asked for advice to invest in Vietnam. The company's business operations in mainland China are very successful, but the company tried to find a second base. However, the company did not follow up after the first inquiry, and then it was the US-China trade war in tariffs which affect their business in China and would like to turn to Vietnam again. But this time, all the prices had already increased. Now the company is considering to have a joint venture cooperated with a local company in Vietnam.

Sunwah Foundation is the public and social service arm of the group. Over the years, the Sunwah Foundation has carried out many social service projects, educational, arts and cultural programs in Vietnam and the efforts are highly regarded by the Vietnamese Government, universities and people. Sunwah Foundation established the ULIS-Jonathan KS Choi Cultural Centre at the Vietnam National University, Hanoi in 2015, to organize educational, cultural and art activities and international exchange projects. Sunwah Foundation organized many activities, including the international conferences, training courses, setting up global young leaders' network, and celebrating the Social Services and Creativity Day. Last year, Sunwah Group donated 5 billion VND to the Vietnam government for the anti-COVID 19 measures.

In Sunwah's case, it developed its own business in Vietnam, but also helped the Hong Kong and Vietnam's business communities through the business chamber. In addition, the group helped the local people through charitable projects and international exchange projects. Sunwah Group works very closely with the government departments and universities. Doing business in Vietnam is very different from the situation in Hong Kong and mainland China. Because of the culture diversity, when making investment in Vietnam, it is better to do an in-depth and careful market research, find good business partners, work together, respect each other, build trust and become friends. For the market research, it should include the location of the business, research about the local government, local people, connecting infrastructure.

One element that Hong Kong investors can look into is the start-ups in Vietnam. They are growing very fast and quite a number of them are diversified and ready to expand business regionally and internationally.

Discussion:

Dr. Phi Vinh Tuong – Deputy Director, Institute of World Economics and Politics, Vietnam Academy of Social Science

The workshop is very interesting, with experiences shared by enterprises who had already invested in Vietnam. Through this workshop, both the opportunities and challenges or difficulties in investing in Vietnam are introduced by speakers. Overall picture presented in the workshop is about the investment climate in Vietnam. Some speakers introduced the market or political stability, which is good for Vietnam. Speakers also highly appreciated the skilled labor, which is beneficial for investors. Some difficulties are also pointed out for investors. For example, it is important to understand the culture of local people, narrowing the cultural gap between foreign investors and Vietnamese people. Speakers also talked about some political risks like US-China tension, or the risk of investing in Vietnam.

On the one side, people may think it is the risk, on the other side, it could also be an opportunity for enterprises from Hong Kong. For example, some companies may face the energy shortage in Vietnam, and their production will be interrupted sometimes. But from the other side, this is the opportunity for investors in the energy sector, especially when Vietnam increases the green energy production, such as solar and electricity. Investors in these sectors have more opportunities in Vietnam. Also, it is the opportunity for consuming energy efficiently because of the higher price. But from the perspective of corporate social responsibility, they will be highly appreciated by using green energy in the production. These companies usually have better competitiveness when local people understand they are protecting the environment.

Environmental concern is important. There exist difficulties and challenges for enterprises to invest in Vietnam. Sometimes, they may bring in some kind of technology that has great risk for environment. The local authority may hesitate to approve such kind of investments in recent years.

Question: Is Vietnam really ready to be the backyard of China in the latest frenzies in setting up shop in Vietnam? Adding to the pressure of the US/China trade war, the industrial land price has continued to increase despite COVID-19 and the trend is continuing. While everyone said it is too expensive in China, is Vietnam's productivity matching the investment dollar it is costing now and do we see improvement over time?

Anthony Lam: The situation now is more than ready, it has happened. That is the reason why the land price is increasing. But as speakers said before, there are a lot of industrial parks in Vietnam and these industrial parks smooth out lots of transaction costs. Vietnam has almost 100 million people, thus not all manufacturing capacity will be transferred from China to Vietnam. The government would like to upgrade industries and the productivity will be improved. Now, they are lagging behind because people are not taught or experienced. For example, in retail business, there are not so many retail professionals in Vietnam, but Hong Kong enterprises could bring in overseas expertise into Vietnam. Local people are very willing to learn and the plan for foreign investors is localization. Vietnam is definitely ready. They are improving their productivity.

Betty Chan: Vietnam just like China in the old days. Hong Kong entered the market in the mainland, and offered help for their internationalization. Same story can happen for Vietnam. Hong Kong can bring in international professional expertise, while local people can help with local business and local connection. There are still many opportunities for HK professionals and business to enter Vietnam.

Elizabete Fong: Productivity really rely on the labor force. Population base is large, also the participation rate. The labor force is very young, 50% of the population in Vietnam is around 30 years old. If you have manufacturing base or you need skilled labor, these people may help you to improve your productivity. Thus, Vietnam is quite ready with this pool of skilled labor. In addition, the wage level is manageable, around USD 200 only.

Dr. Tuong:

The productivity in Vietnam is lower than that in China. But there are opportunities to raise the productivity in Vietnam. As speakers has pointed out, people in Vietnam are willing to learn. If investors could have a better understanding of culture in Vietnam, they could encourage people to learn those technologies. Then, the productivity will increase and the growth trend could be sustained in the future also.

Question: Are companies in Vietnam all joint venture? Would it be possible for a company being 100% owned by foreign entities?

Mr. Lam: In most industries, the company could be wholly owned by foreign investors.

Ms. Elizabete: For some industries like telecommunications, the company should be a joint venture.

Phyllis Mo: The Vietnamese government has issued the investment law 2020, there are some

regulations about foreign investors entering into certain sectors or industries.

Dr. Tuong: The Vietnam government tries to encourage foreign enterprises to invest in Vietnam. But not all companies in Vietnam are joint ventures, many of them are limited companies. Vietnam expects the number of joint ventures will increase because it helps sharing experience to the local partners. It depends on the industry. The Ministry of Planning and Investment has some information for foreign investors if they have interest in investing certain industry. Investors could check if the industry requires the establishment of a joint venture or it allows investments with 100% ownership.

Anthony Lam: The business environment in Vietnam is very open. There is a list about different areas people can invest in and the provinces would be benefited, and also about areas that is restricted for foreign investors. The related information is available for checking in the internet or you can consult Hong Kong-Vietnam Business Association.

Question: If Hong Kong technology start-ups want to explore the Vietnam market, land the innovation solutions and products there, is there any soft-landing platform to support them?

Betty Chan: Many universities, government agencies, they all have platform to help start-ups in Vietnam. Of course, Sunwah has the innovation center, which welcome start-ups to contact the center and get linked with the center in Ho Chi Min city. Sunwah is also linked with HK science and technology park. Sunwah has a very broad network, including partners from Korea and Singapore, to share information and have more cooperation opportunities. This is a very blooming sector in Vietnam, as well as in Hong Kong.

Question: What policy has been offered to encourage investments like industrial zones? Which industry is the most favorable one for foreign investors to invest in Vietnam? Which industry is most encouraged?

Anthony Lam: A lot of industrial parks in Vietnam are privately owned. But these industrial parks may compete with each other. Investors could negotiate with different industrial parks and lots of them provide one-stop service, including custom duties and taxation. It is better to look into more industrial zones and talk with them. Lots of them are full already but there are still opportunities. It is better to open factories inside the zone but all these zones have different focuses.

Dr. Tuong: There are still many opportunities for enterprises even the industrial zone is full. Some provinces try to encourage more investments in sector of high-technology. They could have a negotiation with enterprises inside the zone. Space will be available if they would like

to move to other places. But new investors have to show the advantages and benefits that will be brought in for this province. The government will consider the opportunities.

Prof. Tao: Is there any special zones that is established and managed by the government? We participated in the planning of Van Don Economic Zone in Vietnam, what is the current development situation? Are there any industries situated in the zone?

Mr. Le Hai Trieu: The establishment and development of Van Don Economic Zone is under process. It is set up and funded by the government.

Prof. Tao: What is the process if the government has to purchase lands from original residents?

Mr. Le Hai Trieu: If the land is included in the plan of industrial zone, the government will purchase with a certain price. It should be a reasonable price set by the government after the negotiations with local residents. The price usually equals with the market price but it is possible to be lower, which depends on the location where the zone situated. The zone has a master plan to 2040, which covers multi-industry and multi-area. The connecting roads are under construction and the international airport is under operation.

Question: One of themes of this workshop is about culture diversity, so how these culture dimensions affect your management or the business in Vietnam?

Elizabeth Fong: The first thing is to keep an open mind. Keep the staff as friends but still manage to hold up a bit of power. Local people would like to have after-work activities and just feel at home with them. But in the office, respect is necessary. Sometimes lots of communications are about convincing. It is a little bit of stubborn nature; things should be clarified in detail to local people. Once being convinced, they can work without any problems.

Anthony Lam: Company culture is the most important base. There is a business culture of empowerment and openness in Golden Resources. A direct channel is established from the CEO to the store managers. Local employees are very polite, reserve to insulting because they don't want to upset the boss. Based on the culture of caring, sharing and learning, the company encouraged them to speak up and conducted a lot of group activities like the group charity, the group CSR.

Betty Chan: People in Vietnam treat working partners as friends, even like brothers and sisters. In Hong Kong, there is very professional way to conduct a meeting or arrange a project, while Vietnam has its own way. It is better to tell them in advance, give them a rundown, and work

with them. But after several times, they could work professionally and efficiently. It just needs more time for communication. Once they understand, they can complete their work very well.

Question: Green policy is the one hot topic in business now, what is the Vietnam government's policy on the business on environmental impact and sustainability? Vietnam's workforce is mainly female, what is the education level of the population?

Dr. Tuong: For the first question, Vietnam government has already proposed green growth strategy, and they encourage the technology to promote the establishment of green growth model. For example, for the green energy, some policies have been put forward to encourage investors to come. Normally, the price of green energy, like wind energy or solar energy, is higher than general ones. Thus, the government has some policies to increase competitiveness of these resources.

For the second question, it is not the truth because male and female in Vietnam are quite balance, but it depends on the industry. For example, in garment and textile, or electric industry, female is better than male in skill. In that kind of industry, female staff account for a large proportion, from 90% or even more. But in other cases, you can see different situation.

Literacy level in Vietnam is high. In general, most people will graduate from high school before starting their career. People are willing to learn and they are able to learn because they have a high level of education.

Question: Is there any payment gateway in Vietnam? Such as Wechat pay, Ali pay or Octopus? Does Vietnam government allow foreigners to be involved in this kind of financial industry?

Anthony Lam: There are some mobile payment methods but it has to work with the government. There exist lots of payments system but the payment is not that directly conducted like Wechat pay or Ali pay. They will catch up with these payments soon because lots of local people still use paper money. It will be more efficient if electronic payments methods are widely applied.

Appendix

**Research Centre for Sustainable Hong Kong (CSHK),
City University of Hong Kong
“Professional Services Advancement Support Scheme” (PASS)**

**Advancing Professional Development
on Economic and Trade Cooperation Zones
Along Belt and Road**

Project Brief

The Research Centre for Sustainable Hong Kong (CSHK) of City University of Hong Kong is funded by the ‘Professional Services Advancement Support Scheme’ (PASS)³ of the Commerce and Economic Development Bureau, HKSAR Government to conduct a Project entitled ‘Advancing Professional Development on Economic and Trade Cooperation Zones Along Belt and Road’, with the objectives to enhance the understanding of Hong Kong professional services on Economic and Trade Cooperation Zones (ETCZs) along the Belt and Road countries, deepen the understanding of key stakeholders of ETCZs on the competitive edges of Hong Kong professional services and business sectors; and explore potential development opportunities via exchange of ideas and sharing of analyses.

From January 2021 to March 2022, the Project will organize 6 professional workshops and 2 symposia (opening and closing), inviting zone operators, local enterprises, professional service leaders, expert scholars and government officials as speakers to conduct comprehensive and in-depth sharing on opportunities, challenges and experiences of overseas development in 7 countries (Cambodia, Sri Lanka, Vietnam, Myanmar, Malaysia, Djibouti and Belarus) and their respective ETCZs. A tentative schedule is as follows:

Date	Programme
7 January 2021	Opening Symposium
8 February 2021	Professional Training Workshop 1 – Cambodia
27 April 2021	Professional Training Workshop 2 – Sri Lanka
11 June 2021	Professional Training Workshop 3 – Vietnam
19 August 2021	Professional Training Workshop 4 – Malaysia
26 October 2021	Professional Training Workshop 5 – Belarus & Djibouti
16 December 2021	Professional Training Workshop 6 – Myanmar
12 March 2022	Closing Forum

³ Professional Services Advancement Support Scheme (“PASS”) is set up to support Hong Kong’s professional services sector to carry out worthwhile projects to spearhead pro-active outreaching promotion efforts and to improve service offerings. For more information about PASS, please refer to PASS website at: <https://www.pass.gov.hk/en/home/index.html>

The activities are all free-of-charge, and they will mainly be conducted in English to project a global orientation and facilitate participation of overseas stakeholders. Each participant will get a training pack containing country information and analysis for each professional training workshop. Investment / enterprises representatives, representatives from professional service sector, scholars and students who are interested in understanding more about ETCZs are welcome to participate and interact to discover more opportunities for collaboration.

The Project is supported and collaborated by a number of professional bodies and business chambers in Hong Kong, including Certified Management Accountants, Australia (Hong Kong Branch), Hong Kong Chinese General Chamber of Commerce (CGCC), Hong Kong General Chamber of Commerce (HKGCC), Hong Kong Institute of Certified Public Accountants (HKICPA), Law Society of Hong Kong and The Society of Chinese Accountants and Auditors (SCAA) (names listed in alphabetical order). We thank Golden Resources Group and Red Circle Company Limited for sponsoring the Project generously.

Prof Linda Chelan Li, Professor at Department of Public Policy and Director of CSHK, is Project Co-ordinator and Prof Phyllis Lai Lan Mo, Professor at Department of Accountancy, is Deputy Project Co-ordinator. Project team members include Dr Linda Yin-nor Tjia, Assistant Professor at Department of Asian and International Studies and Dr Wilson Chan, Adjunct Professor at College of Business.

Research Centre for Sustainable Hong Kong (CSHK)

Tel: 3442 8914

Website: www.cityu.edu.hk/cshk

Facebook: <https://www.facebook.com/sushkresearchhub>

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