UOB HONG KONG

23/F, Three Garden Road, Central, Hong Kong SAR

Tel: (852) 2910 8888 | Fax: (852) 2910 8899 | www.uobgroup.com/hk/

HONG KONG UNIVERSITY OF SCIENCE AND TECHNOLOGY
INSTITUTE FOR EMERGING MARKET STUDIES

IAS2018-2020, Lo Ka Chung Building, Lee Shau Kee Campus
Hong Kong University of Science and Technology, Clear Water Bay, Kowloon, Hong Kong SAR

Tel: (852) 3469 2215 | Email: iems@ust.hk | iems.ust.hk

The Belt and Road Initiative in ASEAN

Vietnam

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Contents

Research Methodology

The study aims to provide insights into the political, institutional, and environmental factors that affect the design and implementation of Belt and Road Initiative (BRI) projects in Vietnam, the potential for BRI investments to spur private investment and other foreign direct investment (FDI) opportunities, and any potential role for the Hong Kong SAR.

The key research questions that drove the study were:

- What changes has the BRI brought to Vietnam?
- What are the key sectors or areas experiencing growth and what are the key BRI projects?
- What factors seem to be affecting the success of the projects?
- What are the key opportunities and challenges in Vietnam?

The case study employed a mix of quantitative and qualitative data. The primary data were mostly qualitative and included a combination of in-depth interviews, informal interviews, and field notes based on observation. The primary data also included datasets and documentary evidence exclusively obtained from informants. Other quantitative data consisted of datasets describing Vietnam's economic, environmental, and social dimensions which were used to support the analysis as well as the selection of specific projects or sectors.

Interviewees included a wide range of stakeholders such as government officials, representatives of business associations, entrepreneurs, members of civil society groups, academics and consultants both in Vietnam and in the Hong Kong SAR.

The research process involved three phases: 1) preparation, 2) fieldwork and data gathering, and then 3) data analysis and write-up. In the preparation phase researchers examined the background of the case through desktop research and identified key issues and projects. Afterwards, key topics to be explored were selected in consultation with UOB staff in the Hong Kong SAR and Vietnam. Before the fieldwork, both UOB and the researchers contacted potential interviewees to brief them on the research and inquire about their availability and willingness to partake in the project as informants. Subsequently, phase 2 consisted of 2 two-week visits to Vietnam during which the researchers carried out interviews and site visits. The last stage focused on gathering the data into themes, analysing it and writing up this case report.

Highlights

5 Key Highlights

- Renewable energy and high-tech are sectors with growth potential where mainland Chinese investors have an advantage.
- Vietnam is an appealing FDI destination but a very competitive environment for Chinese investors. They have to compete with other investors who are well-established and enjoy a good reputation among the Vietnamese.
- Geopolitical issues and historical considerations hinder the potential for FDI from mainland China.
- Mainland Chinese investors have not been able to fully take advantage of Vietnam's geographic proximity, cultural similarities, and trade interdependence.
- Delays, safety issues, labour disputes and environmental concerns have affected the reputation of mainland Chinese investors.

Country Profile

Figure 1: Saigon Skyline.

Vietnam had a population of about 96.5 million in 2019 of whom 69.2% were between 15 and 64 years old. Only 7.6% were aged 65 years or above. Vietnam is a multi-ethnic state. The Viet (Kinh) make up 86% of the total population.

The rest belong to 54 ethnic groups including the Tay, Thai, Hoa (Chinese), Khmer, and Hmong. The Chinese minority represents slightly less than 1% of the total population, and mainly lives in Ho Chi Minh City and around the Mekong Delta.

Vietnam is a one-party state, run by Vietnam's Communist Party. That has ensured great political stability and sustained economic development and integration. In 2019 Vietnam's GDP reached US$252 billion. Vietnam's economy is one of the most dynamic in the region with GDP growth of more than 6% sustained over the last five years.

The agricultural sector remains important. It contributed 14.0% of GDP in 2019 but has been gradually declining from 18.4% in 2010. The services sector has at the same time been growing steadily, from 36.9% in 2010 to 41.6% in 2019. During the same period, industry's contribution has increased from 32.1% to 34.5% of GDP.

Vietnam has been careful to limit public debt. A resolution passed together with the Socio-economic Development Plan 2011-2015 specified that the public debt must not exceed 65% of GDP, while the country's foreign debt must not exceed 50%. The dong has been relatively more stable than other emerging market currencies, and inflation was around 2.8% in 2019.

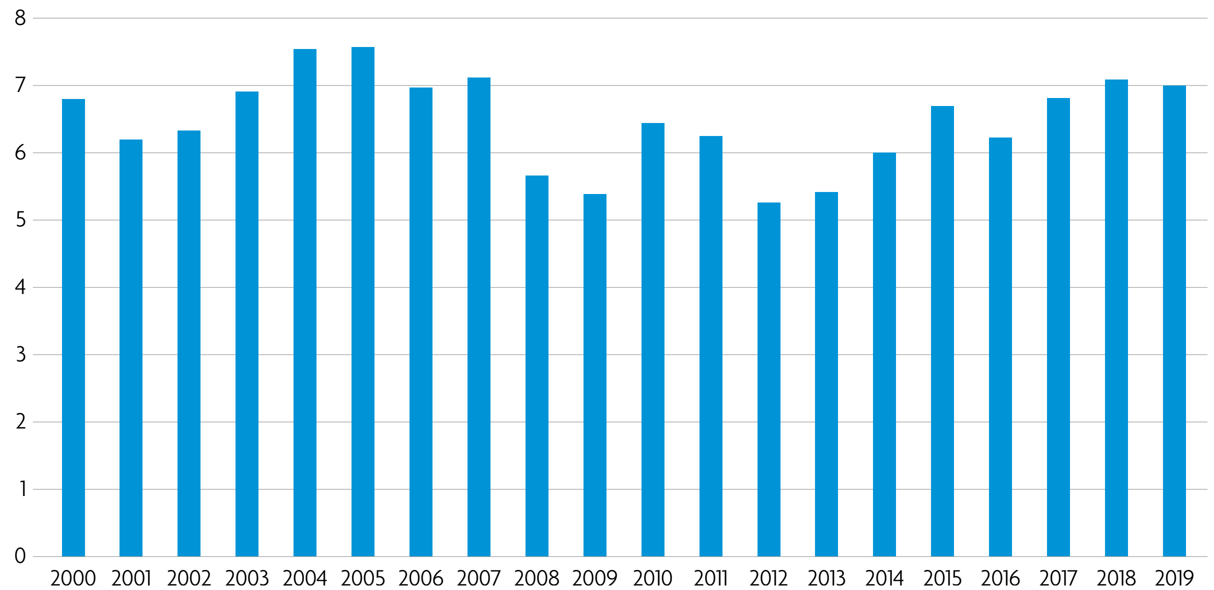

Figure 2. Vietnam GDP Growth. Source: World Bank Data.

FDI in Vietnam

Vietnam is an attractive destination for FDI in several economic sectors. Investments come in various forms, but in more than 70% of the cases foreign investors invest directly. Only 22% of the investments have been through joint ventures. In other instances, some FDI has come through Build-Operate-Trade (BOT) or Engineer-Procure-Construct (EPC) agreements.

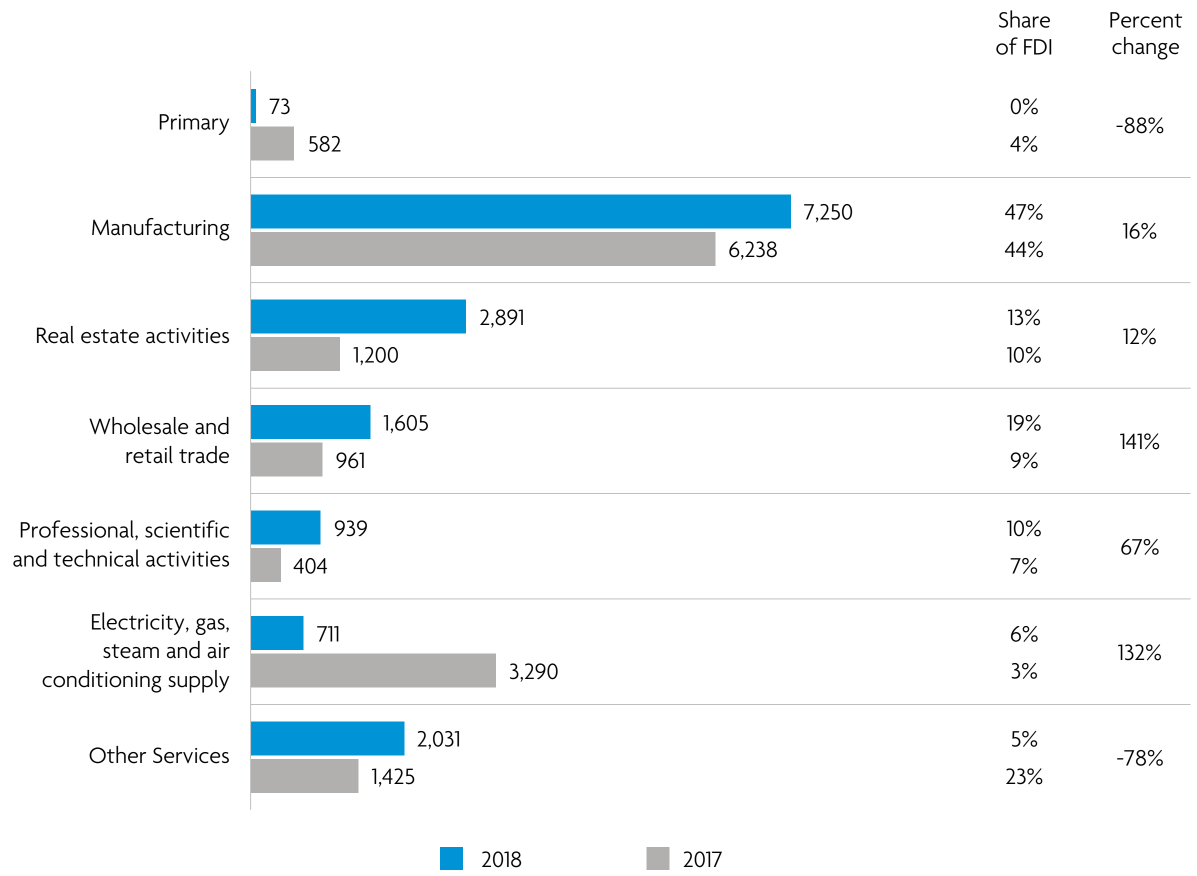

Figure 3. FDI Flows by Industry, 2017-2018 (US$ millions and %). Source: The ASEAN Secretariat and UNCTAD, ASEAN Investment Report 2019 (Jakarta: ASEAN Secretariat), 2019.

Trained yet inexpensive labour and good integration with global value chains make Vietnam an attractive FDI destination. Thanks to a sophisticated network of trade and investment agreements, Vietnam is becoming the right destination for investors that are trying to avoid the adverse effects of the US-China trade tensions. Consequently, FDI in manufacturing and processing industries account for the most significant share of investment flows, while changes in foreign ownership regulations have positively affected FDI in real estate which more than doubled from 2017 to 2018. Other important sectors include energy and high-tech. A substantial share of recent foreign investors are interested in the untapped potential for consumerism of Vietnam's growing middle class.

Mainland Chinese Trade and Investments in Vietnam

Vietnam and China have a strong economic relationship today, but an historical relationship which is complex. Mainland China has been Vietnam's largest trading partner for over a decade, and Vietnam has become mainland China's biggest trading partner among ASEAN countries. Bilateral trade in 2019 reached US$612 billion. Vietnam was the 5th most important export destination and 10th most important source of imports. However, mainland China's aggressive approach over disputed territories in the South China Sea and the memory of Sino-Vietnamese conflicts complicate the relations between the two countries.

Since the 1990s, Chinese investors have established themselves in Vietnam's northern provinces thanks to the creation of cross-border economic cooperation zones (CBEZs). The bilateral "Two Corridors, One Circle" initiative was designed to promote trade and investment between Yunnan and Guanxi in China, and Lao Cai and Lang Son in Vietnam. The United Nations Development Programme and the Chinese and Vietnamese governments financed the Initiative to support the development of CBEZs. Since then, Chinese FDI has expanded in size and geographic scope through the years. The success of the CBEZs is being reinforced under the BRI with greater collaboration between the Chinese and Vietnamese authorities in the Hekou–Lao Kai and Pingxiang-Dong Dang areas. That has received additional financing from the Asian Development Bank.

“With or without the Belt and Road Initiative, Chinese FDI would come to Vietnam because of the proximity between the two countries,”

The first implementation of the BRI coincided with the China-Vietnam oil rig crisis in 2014 caused by exploratory drilling by a Chinese state-owned enterprise (SOE) in disputed waters. That triggered anti-China protests in Vietnam and negatively affected the perception of mainland Chinese FDI in the country. Chinese FDI flows were negatively affected and some mainland Chinese firms were motivated to invest through foreign subsidiaries rather than directly to avoid attention. As a result, the BRI so far has not had the same impact in Vietnam as in other countries in the region. The Vietnamese government has not made public specific measures to engage with and facilitate the access of mainland Chinese investors, even though dialogue at the party and government levels is frequent. Mainland Chinese investors often keep a low profile as their investment projects gradually grow into different sectors and expand geographically.

In Vietnam, there are relatively few major infrastructure projects financed and/or built by mainland Chinese companies. Many projects instead are undertaken by companies from other countries that have a more extended presence and a better reputation with the public. Indeed, when investing in Vietnam, mainland Chinese companies face fierce competition from Japanese, Korean, and European companies. Some mainland Chinese firms have occasionally been involved in infrastructure projects supported by multilateral development banks such as the Asian Development Bank.

Expressing the sentiment of many, one interviewee commented that

“[The] BRI adds another funding option for the Vietnamese government, but Vietnam has access to other funding.”

In November 2017, prior to a state visit to Vietnam for the Asia-Pacific Economic Cooperation (APEC) Economic Leaders' Meeting in Da Nang, President Xi wrote an open letter to the Vietnamese people. The letter touched on the nations' common history and the success stories of some of the Chinese investments in the country. His aim was presumably to help enhance economic cooperation and mend ties after the oil rig crisis. During that visit the parties signed cooperation agreements that among other goals aim at promoting the BRI and its interconnection with a revived "Two Corridors, One Circle" initiative. It aims to connect Kunming with Lao Cai, Hanoi and Haiphong; and Nanning with Lang Son, Hanoi, Haiphong, and the Gulf of Tonkin. Three years later, however, the details have not yet been made public. Other agreements signed during President Xi's visit included a preliminary agreement to create border trade economic zones, an agreement to establish an e-commerce working group involving Vietnam's Ministry of Industry and Trade (MIT) and China's Ministry of Commerce; and a memorandum of understanding between MIT and the Chinese National Development and Reform Commission on cooperation in electricity and renewable energy. President Xi's visit in fact had only a marginal effect on anti-China sentiment, but it did boost Chinese investment.

In 2018, mainland Chinese investments in Vietnam grew significantly, with 389 new projects valued at US$2.46 billion, making China Vietnam's fifth most important FDI source. Investments from the Hong Kong SAR are even more important. Even though there are only 159 registered projects, the total investment from Hong Kong amounts to US$3.23 billion. It is fair to assume that many subsidiaries of Chinese companies based in Hong Kong and the Virgin Islands are behind some of the FDI that reaches Vietnam.

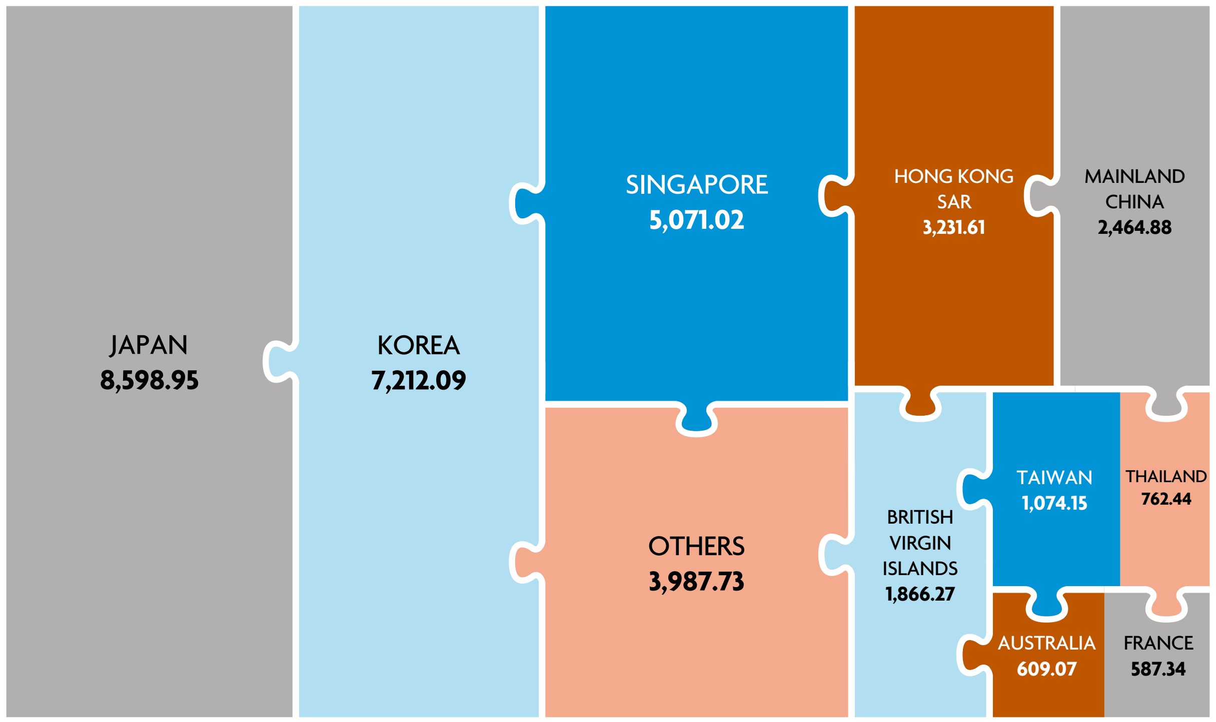

Figure 4. FDI by Economic Partner in 2018. Source: Foreign Investment Agency Data.

Current and Future Opportunities for Mainland Chinese FDI

Mainland Chinese investors, both private and state-owned, are investing in several different sectors. Our analysis of a representative pool of mainland Chinese investors suggests that more than two-thirds are private firms. They have invested in manufacturing, real estate, infrastructure, energy, the digital economy and beyond. State-owned mainland Chinese investors are most active in infrastructure, energy and natural resources, and in finance.

Manufacturing

Vietnam's manufacturing sector has been the most appealing for foreign investors thanks to its 326 industrial parks distributed from north to south. They provide necessary infrastructure and logistics as well as tax incentives. Vietnam's Foreign Investment Agency estimates that 80% of FDI in the manufacturing sector is in industrial parks and economic zones. The parks do not cater to investors from a specific country, but they are seeing an increased presence of mainland Chinese investors, exemplified by the successful case of the Long Jiang Industrial Park (LJIP). LJIP was established and financed by Chinese capital and officially started operations in May 2008. Nowadays, more than 40 investors operate in the LJIP in different economic sectors, almost two-thirds of them from mainland China or the Hong Kong SAR.

Economic zones and industrial parks are gradually becoming more appealing to Chinese investors, providing websites and brochures in Mandarin and offering logistics solutions that facilitate connections with factories in China. For example, the Chu Lai Open Economic Zone (CLOEZ) in the central province of Quang Nam offers a connection through the local Chu Lai - Ky Ha port system with the Chinese port of Fang Cheng. The CLOEZ seeks to attract investment in all economic sectors from garments to hi-tech. Similarly,

“other IPs and EZs plan to better connect with China especially once infrastructure and logistics improve thanks to new airports and railways,”

said a Vietnamese business executive interested in taking advantage of the Chinese market to sell Vietnamese agricultural products.

Infrastructure

Vietnam's government is committed to closing the infrastructural gap as part of the Master Plan on ASEAN Connectivity 2025. So far, mainland Chinese companies have not been as successful in Vietnam as they have been in other ASEAN countries and quality issues and delays have hurt their reputation in some cases.

Mainland Chinese Investments in Vietnam

In Hanoi, the Cat Linh – Ha Dong urban railway was approved in 2008 as part of the city's metro system with an initial investment of US$552 million. The 13km railway was financed with a Chinese loan of US$419 million and implemented through an EPC contract by China Railway Sixth Group (CRSG). Construction began in 2011 and was expected to be completed in two years. In 2014 CRSG stopped work and requested a US$868 million price adjustment. That led to new loan negotiations with the Export-Import Bank of China for an additional loan of US$251 million. The railway was finally completed in 2018 but has not started operations yet. Trials are expected to be completed after the Lunar New Year.

Another investment in Hanoi involving a Chinese contractor turned sour and faced more pressing issues. Xingxing Corporation won a bid in 2016 to supply the pipe for the second phase of the Da River Water Pipeline Project by offering a lower price. However, Xingxing proved unable to meet the quality standards, and the Vietnamese government eventually decided to rescind the contract. Other projects, such as the Cao Lanh Bridge in Dong Thao financed by the Asian Development Bank and built by China Road and Bridge Corporation in 2018 went smoothly and were successful.

Negative perceptions of China's involvement in specific infrastructure projects have led to widespread reluctance to permit Chinese participation in projects deemed critical for the economy. The Government must balance the sensitivity of the Vietnamese toward Chinese investment with policies designed to make Vietnam an open FDI destination. However public perception is not the main reason for the relative lack of Chinese infrastructural investment. Unlike other ASEAN member states that are eagerly taking advantage of BRI projects and BRI financing, Vietnam does not need to over-rely on Chinese FDI. A foreign economist based in Hanoi explains that,

“In a way, the Chinese capital is not as important for them. They have plenty of sources, either the domestic market or other foreign investors that are happy to invest.”

In addition, the Vietnamese authorities have been careful about engaging with foreign partners for financing because of their statutory debt limits and pressure from the National Assembly to maintain strict financial discipline. But despite the financial regulations, there are still many opportunities in the infrastructure sector. The Vietnamese government has approved more than 50 projects that include roads, railways, airports, seaports, urban infrastructure, water and waste management, and industrial parks. They seek to engage foreign investors in the financing and implementation of these projects.

Energy

Vietnam is developing policies to meet its energy security needs, and mainland Chinese investors have taken advantage of the opportunity. Vietnam has signed several memoranda of understanding with mainland China for cooperation including a trilateral agreement between China, Laos, and Vietnam for the construction of an ultra-high voltage transmission line.

The construction of thermal power plants in Binh Thuan Province (in the south) and Hai Duong Province (in the north) involved Chinese SOEs. China Southern Power Grid and China Power International Holding are investing roughly US$1.7 billion in the construction of a plant, while China Power Engineering Consulting Group with a Malaysian partner is investing US$1.87 billion. Those coal-burning power plants will help reduce the dependence of both the southern and northern regions on hydropower. However, citizens living in the areas close to the thermal plants have protested against them because of the expected emissions.

The Five-Year Socio-Economic Development Plan for 2016-2020 supports the expansion of renewable energy sources, creating excellent opportunities for investors specialised in solar, wind or biomass power generation.

“Chinese companies have developed advanced technologies in the renewable energy sector thanks to the incentives in the domestic market and can now bring know-how and capacity through their investments primarily in the solar energy sector,”

admitted an executive from a local solar company. Jinko Solar's power plant in Hau Giang will have a designed capacity of approximately 40MW. Trina Solar has established a plant to produce photovoltaic panels in Bac Giang province with an investment of US$100 million. To encourage the development of solar power and rooftop solar projects in Vietnam, in January 2019 the government introduced new regulations that facilitated the sale of solar-generated electricity to the grid.

China Everbright International, an SOE, is building a waste-to-energy plant in Can Tho with a total investment of US$47 million and capacity to process 400 tonnes of waste daily and generate approximately 60 million kWh of electricity annually. In 2018 Everbright signed a US$100 million loan facility agreement with the ADB to build other waste-to-energy plants in the Mekong Delta to help waste management and improve energy security in the area.

High-Tech and Digital Economy

To benefit from the new opportunities generated by innovation, Vietnam's government is developing a national strategy that includes the recently established National Innovation Centre. It will support start-up businesses and the transfer of technology, provide financial support, and develop pilot regulations and policies in the field. This is boosting investment in the three existing high-tech industrial parks in the north (Hoa Lac High-tech Park), the centre (Da Nang High-tech Park) and the south (Saigon High-tech Park). They seek to attract foreign investors who can apply high-tech solutions which bring practical benefits in sectors such as agriculture, medicine, and governance. The city of Da Nang is poised to become a hotspot for developing innovations, but the government is also looking to establish additional high-tech industrial zones. They have not yet tried to link their Industry 4.0 Initiative with the Digital Silk Road in any structured way, but mainland Chinese investors are hoping to take advantage of the opportunities that the Vietnamese market is offering.

In the telecommunications sector, some mainland Chinese private and state-owned companies, have been operating in Vietnam providing telecommunications solutions. Huawei entered Vietnam in the mid-2000s and has since signed long-term contracts with Viettel, the most prominent Vietnamese telecommunications company, to develop 3G and 4G networks. Viettel is currently developing a 5G network, but so far it seems unwilling to involve Huawei due to national security concerns. Viettel is instead working alone and assessing possible collaborations with European partners such as Ericsson and Nokia.

With a young, tech-savvy population and hosts of trained engineers, Vietnam has high growth potential. The e-commerce sector is well developed, and in recent years has drawn considerable interest from mainland Chinese investors. Alibaba entered Vietnam with the acquisition of Lazada, the local e-commerce leader, and Jingdong has acquired tiki.vn. The e-commerce sector also creates opportunities for the logistics industry and for e-payment systems where Chinese companies already have a well-established position domestically.

The regulatory environment governing technology development is still unsettled. To take advantage of opportunities as they arise, it is advisable for foreign investors to build strong partnerships with local companies that have a better understanding of government policies and market dynamics.

The Restructuring of Vietnamese SOEs

Vietnam's recently-signed free trade agreements (FTAs) require reform of its state-owned enterprises. To comply with these new requirements and manage their SOEs more efficiently, the government has been restructuring and partially privatising them. In 2017 the government published a list of 406 SOEs across all major sectors of the economy to be divested by 2020. That process could be an opportunity for Chinese investors, but as a Chinese fund manager points out,

“the good SOEs are very difficult to get, very competitive and very expensive, and in some cases, the Vietnamese government would not sell.”

The Role of Hong Kong

Hong Kong has emerged as a major source of FDI for Vietnam, primarily in the manufacturing sector. In 2019 Hong Kong sources invested US$7.8 billion, second only to South Korea. A large share of the FDI from Hong Kong probably originates in mainland China. This reflects Hong Kong's attractiveness as a location for signing FDI contracts, given its advanced financial institutions, transparent legal framework, respected arbitration services, and high-quality professional services. In 2019 half of the FDI from Hong Kong was accounted for by the acquisition of Hanoi-based Vietnam Beverage by Beerco Limited, a Thai company subsidiary based in Hong Kong. At the same time, Hong Kong-based firms also are increasing investments in Vietnam. Another major investment in 2019 was the relocation and expansion of an electronics manufacturing plant by Hong Kong-based Group Intellect Power Technology. Some Hong Kong garment manufacturers previously producing in mainland China are now investing in new production facilities in Vietnam.

Issues and Barriers Related to Mainland Chinese FDI

Mainland Chinese companies have faced several issues that have damaged their reputation in the country, creating a barrier to accessing the nation's opportunities. They have in the past made some low bids which seemed highly competitive but eventually were shown to be based on unrealistic cost estimates. That led to delays in implementing the projects and sometimes to inferior quality. For this reason, despite the real advantage that some Chinese investors can offer, they are viewed suspiciously.

Thanks in part to international agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the European Union-Vietnam Free Trade Agreement, Vietnam is now committed to improving labour standards. That will require foreign investors to provide better working conditions for their workers. There have been cases of mainland Chinese companies not fully complying with labour regulations, mostly in the textile sector, which have affected the reputation of Chinese companies. It is essential for Chinese companies to address compliance issues with safety, labour rights, and environmental regulations more seriously if they are to improve their reputation.

Investment Climate and Economic Integration

In December 2014 Vietnam passed a new Investment Law aimed at improving the environment for investors. Among other things, the law introduced a "negative list" approach which allows foreign businesses to operate in all sectors except those few that are specifically prohibited. As a result of many reforms, Vietnam has since improved its World Bank Doing Business ranking to 69th in 2019, better than some other countries in the region. Investors seem to be satisfied with the investment environment in Vietnam overall, even though investment consultants point out that the consistency and speed of licensing procedures could be improved.

Vietnam actively promotes economic relationships, trade and investment with many nations through bilateral or multilateral agreements. Vietnam ratified the CPTPP in November 2018 and it is now in force. It is expected to promote trade with better-developed markets that are in the agreement. As an ASEAN member, Vietnam also has comprehensive free trade arrangements with with both mainland China and Hong Kong SAR. On 15 November 2020, Vietnam also signed the Regional Comprehensive Economic Partnership (RCEP), a modern mega-regional FTA driven by ASEAN that includes Australia, mainland China, Japan, New Zealand and South Korea.

But more importantly, Vietnam has also pursued an independent trade and investment agenda, signing bilateral agreements with Chile, South Korea, Japan, and Israel as well as with the Eurasian Economic Union (Armenia, Belarus, Kazakhstan Kyrgyzstan and Russia). Vietnam is also one of very few countries in the region to have an FTA with the European Union. These agreements give foreign companies established in Vietnam access to quite a few markets, which creates an important competitive advantage in an environment of increasing protectionism and trade tensions.

Special Section on COVID-19

Vietnam took aggressive measures to combat COVID-19 and has done an admirable job in limiting its spread among the population. As of 20 October, 2020, the country, which has a population of nearly 100 million had recorded just 1,144 cases and 35 deaths. Soon after the first case was reported on 23 January the government banned travel from China. In early March cases began to increase and travellers from Schengen countries, the United Kingdom and some states in the United States were banned. Finally, on 22 March, the country suspended the entry of all foreigners and required returning Vietnamese to quarantine for 14 days. On 1 April the country implemented a nationwide lockdown and did not relax the social isolation guidelines including international flight bans until 22 April, when new cases were close to zero. By May, schools, universities, non-essential services, and domestic flights had resumed normal operations. However, bars, clubs, spas, theaters, and sports venues remained closed and gatherings of more than 20 persons were prohibited. The country experienced a second surge in cases in July concentrated in Da Nang and Hai Duong provinces. New daily cases reaching as high as 50 and the country experienced its first COVID-19 deaths. Many social distancing guidelines were reinstated, and new cases were brought back under control by the end of August.

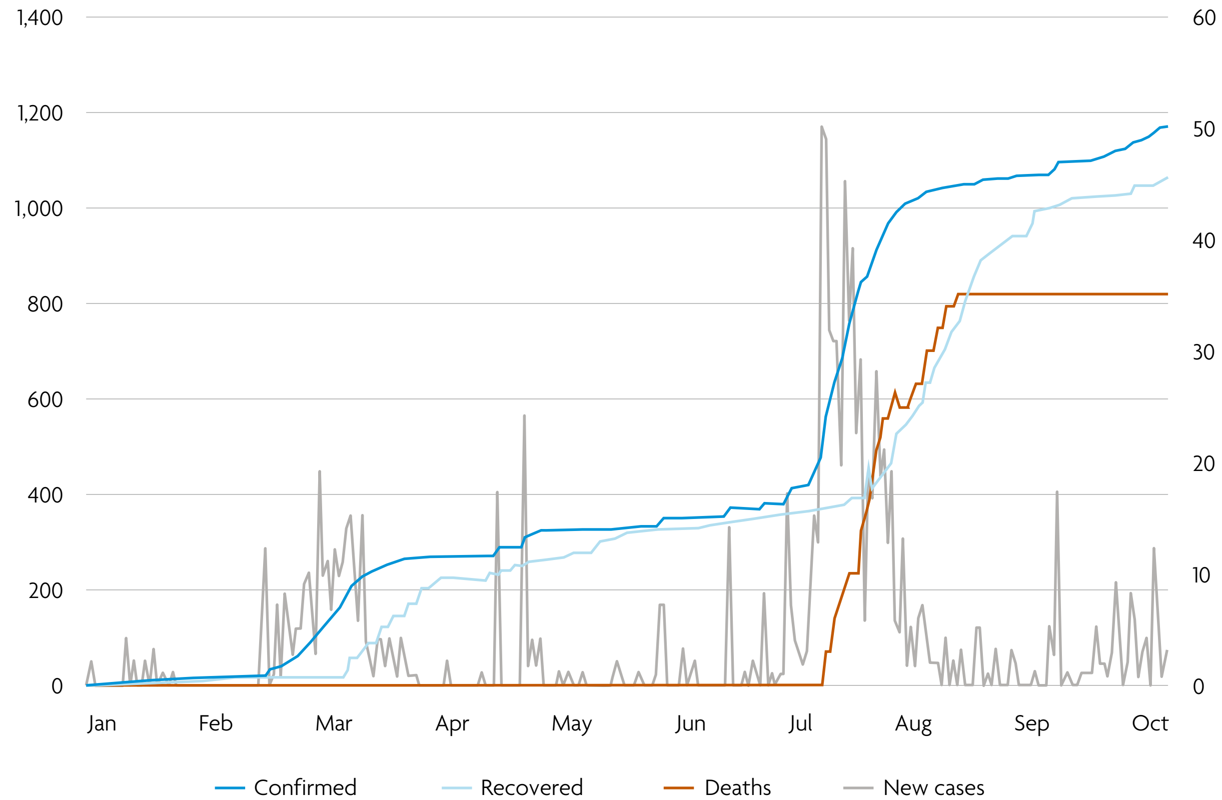

Figure 5. Vietnam COVID-19 Cases.

Vietnamese citizens demonstrated a high level of compliance with government measures like mandatory mask-wearing in public spaces, mass quarantine, rigorous contact-tracing and aggressive testing, including use of a newly-developed contact tracing app that was downloaded by more than 60% of the population.

The country's success in limiting the spread of the coronavirus helped minimise the negative economic impacts of the pandemic. And yet, the strict lockdown measures starting in April did lead to a notable contraction in economic activity. In the first eight months of 2020, 34,300 enterprises suspended operations, a 71% increase year-on-year, and 7.8 million people lost their jobs, leading to the highest unemployment rate in a decade. Comparing the first half of 2020 with the same period a year earlier, average individual incomes fell by 5.1%, growth in services fell from 6.7% to 0.6%, and international tourist arrivals shrank by 56.0%. COVID-19 also disrupted supply chains. In particular, when China was hit hard by the virus in February and March Vietnam was unable to procure enough steel and components needed by Vietnamese manufacturers of electronics, phones, and automobiles.

Despite these setbacks, Vietnam's growth rate is forecast to have declined the least among all of the countries in Southeast Asia in 2020. The ADB's Asian Development Outlook report (September 2020) projects that Vietnam's growth rate will be 1.8% in 2020 compared to 3.4% in 2019. A 1.8% growth rate would be the slowest in the past two decades, but growth is expected to rebound to 6.3% in 2021.

Several factors contribute to Vietnam's economic resiliance. The country limited the spread of the virus. The economy relies less on tourism and exports than countries like Thailand, and its exports are concentrated in labor-intensive goods like textiles and electronics for which demand did not fall too much during the pandemic period. And the economy was quite dynamic before the onset of the pandemic in terms of attracting foreign direct investment, developing manufacturing, creating jobs and raising incomes generally.

The government also supported adjustment to the crisis by implementing a set of stimulus prgrammes. The government introduced a fiscal support package equal to 3.6% of GDP to support the economy. Other measures included reducing or deferring for 5 months payment of a variety of taxes and fees (including business registration, land rental fees, and social insurance contributions). Tax and customs audit and inspection procedures were streamlined. And there were cash transfers to some affected workers and households for up to three months (costing 0.5% of GDP) which benefited more than 10% of the population.

In terms of monetary policy, the State Bank of Vietnam cut its benchmark policy interest rates twice in 2020 — by 50-100bps on 17 March and by 50bps on 13 May. The bank also issued guidelines to commercial banks requiring them to reschedule loans, reduce or cancel interest payments, and provide loan forbearance and new loans. By mid-September the banks had distributed credit equal to 3.8% of GDP to nearly 1.1 million customers. Firms affected by the crisis also are eligible to obtain interest-free loans from the Vietnam Social Policy Bank to support salary payments to laid-off workers. The total amount available is equal to 0.2% of GDP.

The Vietnamese government is increasing public investment as one way to boost the economy hit hard by the COVID-19 outbreak. In the first eight months of 2020 public investment disbursements jumped by 30.4%, which helped counteract the 5.1% year-on-year reduction in disbursements of foreign direct investment. The government wants to disburse even more public investment funds, but has been able to disperse less than half of the budgeted amount. Although there continues to be great interest among foreign investors to shift supply chains from China to Vietnam in response to the US-China trade war and the pandemic, travel restrictions and lockdowns have caused inevitable delays in many foreign investment projects.

This suggests that today's delays in Belt and Road infrastructure and investment projects are likely to be temporary. On 2 April, Prime Minister Nguyen Xuan Phuc spoke with his Chinese counterpart Li Keqiang by phone on the occasion of the 70th anniversary of diplomatic relations between the two countries. The two leaders reaffirmed the high priority of developing the Vietnam-China comprehensive strategic cooperative partnership. In that meeting, China pledged to provide medical supplies and equipment to help Vietnam combat the virus.

About UOB

United Overseas Bank (UOB) is a leading bank in Asia with a global network of more than 500 offices in 19 countries and territories in Asia Pacific, Europe and North America. Since its incorporation in 1935, UOB has grown organically and through a series of strategic acquisitions. UOB is rated among the world's top banks: Aa1 by Moody's Investors Service and AA- by both S&P Global Ratings and Fitch Ratings. In Asia, UOB operates through its head office in Singapore and banking subsidiaries in China, Indonesia, Malaysia, Thailand and Vietnam, as well as branches and representative offices across the region.

Over more than eight decades, generations of UOB employees have carried through the entrepreneurial spirit, the focus on long-term value creation and an unwavering commitment to do what is right for our customers and our colleagues.

We believe in being a responsible financial services provider and we are committed to making a difference in the lives of our stakeholders and in the communities in which we operate. Just as we are dedicated to helping our customers manage their finances wisely and grow their businesses, UOB is steadfast in our support of social development, particularly in the areas of art, children and education.

About the Authors and HKUST IEMS

Dini Sejko is a Research Associate at the Centre for Comparative and Transnational Law, Faculty of Law, at the Chinese University of Hong Kong and a research affiliate at The Fletcher Network for Sovereign Wealth and Global Capital. Dini Sejko was a Post-Doctoral Fellow at the HKUST Institute for Emerging Market Studies (IEMS) during the period October 2018 to July 2020.

Albert Park is the Head and Chair Professor of the Department of Economics, Chair Professor of Social Science, and Professor of Public Policy, HKUST. He is also the Founding Director and currently Special Advisor to the Director at HKUST IEMS.

HKUST Institute for Emerging Market Studies (IEMS) provides thought leadership on issues facing businesses and policymakers in emerging markets. Building on the research strengths of the faculty at the Hong Kong University of Science and Technology, the Institute focuses its research and activities on the themes of human capital, employment, and structural change; innovation and entrepreneurship; global economic integration; financial development; strategy, firms, and markets; and organisational and consumer behaviour. Find out more at *http://iems.ust.hk*

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