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RESEARCH ON
**POTENTIAL AND INVESTMENT OPPORTUNITIES
IN THE MEKONG DELTA**
- FROM BUSINESS ENVIRONMENT TO POTENTIAL INVESTORS



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PART I: AN OVERVIEW OF THE MEKONG DELTA

GEOGRAPHICAL LOCATION

The Mekong Delta is a dynamic economic region located at the southernmost tip of Vietnam. The region has 1 centrally governed city - Can Tho city, and 12 provinces including Long An, Tien Giang, Ben Tre, Vinh Long, Tra Vinh, Hau Giang, Soc Trang, Dong Thap, An Giang, Kien Giang, and Bac Lieu. and Ca Mau.

The Mekong Delta has a favorable geographical position with the North being the Vietnam-Cambodia border, easily connecting cultural exchanges, developing cooperative relationships with countries in the Mekong sub-region; West is the West Sea; East is the East Sea; and to the northeast is Vam Co Dong River, especially adjacent to Ho Chi Minh City - the economic locomotive of the country and a market for many agricultural and aquatic products in the Mekong Delta.

With a total natural area of 40,547.2 km², accounting for 12.25% of the total area of the country, the Mekong Delta is the largest delta in Vietnam, as well as in Southeast Asia. The exclusive economic zone is approximately 360,000 km² with two sides bordering the East Sea and the Gulf of Thailand, 9 times higher than the land area, of which the length of the coastal zone is 732 km². The system of rivers and canals in the Mekong Delta is quite diverse with abundant water flow and alluvial deposits all year round, creating favorable conditions for agricultural cultivation, exploitation and aquaculture. In 2020, rice production in the Mekong Delta accounts for 54.5% in area and 55.7% in output compared to the whole country; aquaculture area accounts for 71.3% with output accounting for 69.4% of the whole country.¹

The advantage of a long coastline and large seas helps the Mekong Delta increase exchanges with economic regions in the country, as well as promote goods trade and cooperation, develop maritime traffic with other countries in the world. Especially exploiting and developing the renewable energy industry when 11 out of 13 provinces in the Mekong Delta have great potential for solar energy, wind energy, etc. This is an important advantage to help attract development investment. Large-scale renewable

¹ General Statistics Office 2020

energy not only serves well the living needs of people in the region, but also contributes to the production of agriculture, fisheries, etc.

Natural conditions

Topography

The Mekong Delta is located in the lower part of the Mekong River and is divided into two tributaries of the Tien and Hau rivers. South of Hau River is Ca Mau peninsula; The North is divided by the Tien River, the West is Dong Thap Muoi, the East is the Dong Nai Plain. The Mekong Delta has two low-lying areas: Dong Thap Muoi and the Northeast of Ca Mau peninsula.

The Mekong Delta is a delta region, so it has a flat topography and is relatively low compared to sea level, so it is affected by many influences such as flooding, drought and saltwater intrusion. The Mekong Delta is also considered as the largest wetland in Vietnam (Tuan and Guido, 2007), and is also very sensitive to environmental conditions and global climate change (Le Anh Tuan and Nguyen Van Be, 2008).

Climate

The climate in the Mekong Delta belongs to the humid tropics, monsoons, and is a sub-equatorial climate with two distinct seasons a year, so it is favorable for the development of the agricultural industry. The rainy season lasts from May to November, in the rainy season, the intensity of thunderstorms is very high, especially at the time of the flood season, which has led to flooding (August-September, peaking in October and gradually receding in November). The dry season lasts from December to April with little rain and high temperature, leading to drought in the dry season (peak in March-April).

Land

The land in the Mekong Delta is very fertile, favorable for agricultural development. In 2020, the total land area in the Mekong Delta is about 4.08 million

hectares. Of which, about 2.6 million hectares are used for agricultural production and aquaculture; 0.25 thousand hectares of forestry land.²

Soil groups include 1.2 million ha (accounting for 29.4%) alluvial soil formed by the accretion of the Mekong river system, distributed mainly in the periphery and between the Tien and Hau river systems, suitable for agricultural production. Alkaline soil accounts for 1.6 million hectares (accounting for 39.2%) distributed in Dong Thap Muoi and Ha Tien, low-lying areas in the center of Ca Mau peninsula, often appearing strongly in the first months of the rainy season, affecting the rice, fish and shrimp farming activities. Saline soil accounts for 0.75 million ha due to the influence of saline water in the dry season. There are also other groups such as sensitive soil, gray soil, sandy soil, peat, red-yellow soil, erosive soil with negligible area.

Under the influence of tides, the phenomenon of saline intrusion along with the influence of climate change becomes more and more obvious, rapidly increasing the area of soil contaminated with alum and saline. Currently, the Mekong Delta has about 2.1 million hectares of saline soil and 1.6 million hectares of alum and dry land. The situation of saline intrusion has led to the loss of soil fertility, a sharp decrease in biodiversity, which has affected agricultural production and domestic water sources. However, this is also a factor that helps to maintain the unique Forest Sac ecosystem of the delta and is the place to develop brackish and saltwater aquaculture.³

The lowland in the estuary area has advantages for agricultural development, but also disadvantages for industrial development. Accordingly, the construction of factories, production facilities, and infrastructure... in the Mekong Delta faces many difficulties due to the weak ground, causing high construction costs.

Natural resources

Water resources

Water resources in the Mekong Delta are quite diverse, including surface water (river, lake, sea), underground water and rainwater, with abundant reserves and quality to meet the needs of daily life, production, and development of natural ecology.

² General Statistics Office 2020

³ Le Anh Tuan and Nguyen Van Be, 2008

The total average annual water volume of the Mekong River is about 500 km³. The amount of water from the Mekong River flowing into our country is about 50 km³, accounting for 10% of the total water volume of the Mekong River. This amount of water is also supplemented by annual rainfall in the Mekong Delta of about 16.8 km³. The flood season accounts for 85% of the volume of water discharged into the sea each year, which peaks from August to October. Floods mostly come from Tien and Hau rivers (from 85% to 90%), the rest is flood water from the delta in Cambodia.⁴

Forest resources

The Mekong Delta has about 128,537 hectares of mangroves, accounting for 61.3% of the country's total mangrove area. Mangroves are plant communities that form in coastal areas and estuaries affected by tides in tropical and subtropical regions. Besides, there is also the Melaleuca forest ecosystem, the value of which is not only wood, but also a diverse flora and fauna and a series of other ecological functions, providing a living environment which is irreplaceable.⁵

ECONOMIC CONTEXT

GRDP Growth

Vietnam's gross domestic product (GDP) in 2020 increased by 2.91% over the same period. In which, the agriculture, forestry and fishery sector increased by 2.68% (contributing 13.5% to the national GDP); industry and construction increased by 3.98% (contributing 53%); service sector increased by 2.34% (contributing 33.5%).

By 2021, the country's GDP increased by 2.58% over the same period last year, the economic growth rate has not yet recovered compared to the period before 2020. This comes from the impact of the Covid-19 pandemic that has affected the southern region where long-term social distancing was required to prevent the pandemic. Of the 2.58% growth rate of the whole economy, agriculture, forestry and fishery increased by 2.9%, industry and construction increased by 4.05% and services increased by 1.22% compared to 2020.

⁴ Vietnam Environment Administration 2010.

⁵ Pham Trong Thinh, 2010.

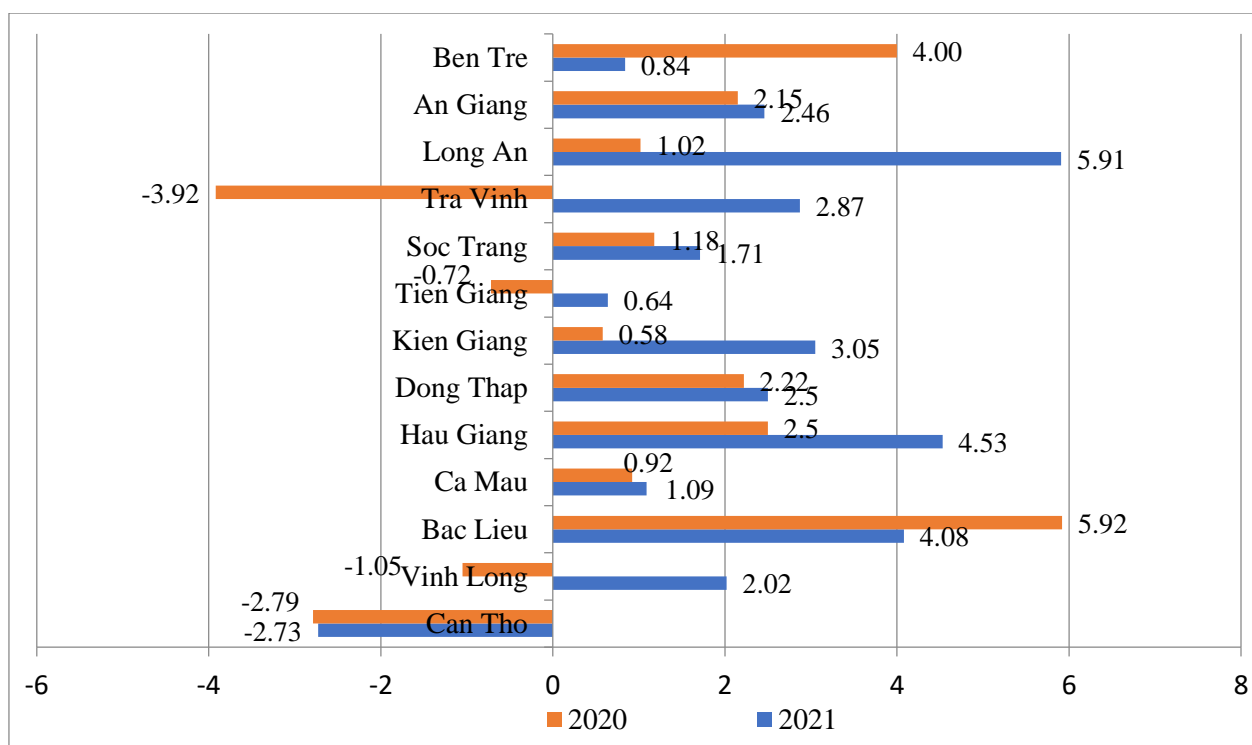


Figure 1: GRDP growth in the Mekong Delta in 2020-2021 (%)

Source: Socio-economic reports of 13 provinces in the Mekong Delta

In 2020, there are 04 provinces in the Mekong Delta with GRDP growth higher than the GDP of the whole country, namely Long An (5.91%), Hau Giang (4.53%), Bac Lieu (4.08) % and Kien Giang (3.05%). Long An is the province with the highest GRDP growth rate among the 13 provinces in the Mekong Delta in 2020.

By 2021, the Mekong Delta region has 04 provinces with negative growth rate of GRDP in 2021 compared to 2020, namely Tra Vinh (-3.92%), Can Tho (-2.79%), Vinh Long (-1.05%), Tien Giang (-0.72%). Tra Vinh province has a GRDP growth of -3.92% due to the industry and construction sector (-8.86%) and the service sector (-2.54%), while the agriculture and forestry sector and seafood increased only by 0.54% compared to 2020.

Bac Lieu (5.92%) and Ben Tre (4.00%) are the two provinces with the highest GRDP growth in the Mekong Delta and higher than the whole country. Next, the provinces with positive GRDP growth in 2021 include Hau Giang (2.50%), Dong Thap (2.22%) and An Giang (2.15%). Bac Lieu province has the highest GRDP growth in 2021 in the Mekong Delta due to the positive growth in all three economic sectors and the highest in the industry and construction sector (13.9%), followed by the industrial and construction sectors. agriculture, forestry and fishery (4.45%) and services (3.73%).

Over the two years 2020-2021, the Covid-19 pandemic has affected economic growth in all three regions of the Mekong Delta provinces, especially in the industry, construction and service sectors. Accordingly, the agricultural sector is still the strength of the region and is less affected than other industries. The provinces that are relatively less affected are those that have formed clusters of seafood processing industries, manufacturing industries, have strong export markets, are less dependent on the tourism service industry, have maintained growth in 2021.

Population and labor

Population

In 2020, the Mekong Delta has a population of about 17.3 million people. The province with the highest population is An Giang with more than 1.9 million people, the lowest is Hau Giang with 729 thousand people. In the period from 2015 to 2020, the Mekong Delta has an average population growth rate of 0.04%, much lower than the whole country (more than 1.1%) and the lowest compared to other economic regions.

The population density in 2020 reached 424 people/ km², much higher than the national average (295 people/km²) but lower than the Southeast region (779 people/km²) and the Red River Delta (1,078 people/km²) km²). The Mekong Delta did not have much change in population density in the period 2015-2020.

The population in the Mekong Delta is mainly concentrated in rural areas with 74%, while this rate for the whole country is 63%. This shows that the economic transition in the Mekong Delta is still quite slow, mainly focusing on the agricultural sector. In addition, the urbanization rate of the region was still very modest in the period 2009 - 2019, only increasing from 22.8% to 25.1%, compared with the rate from 29.6% to 34.4% of the whole country.⁶

Age group	2009		2019	
	Population	Ratio (%)	Population	Ratio (%)
0-14	4,294,717	25	3,800,198	22.02
56-64	11,750,347	68.4	12,005,172	69.57
>65	1,133,805	6.6	1,450,984	8.41
Total	17,178,869	100	17,256,354	100

Table 1: Population structure by age group in the Mekong Delta in 2009 and 2019

Source: Calculation from Population and Housing Census

⁶ Calculation from Statistical Year Books of VN and MeKong Delta provinces.

Regarding the population structure by sex and age group, the Mekong Delta has not changed much (population by sex with the ratio of 99 males/100 females), while maintaining the golden population structure in the past 10 years (golden population structure when the child population group (0-14 years old) accounts for less than 30% and the elderly population (65 years and older) accounts for a lower proportion of 15% of the total population).

Age group	2009	2019	Change
15-29	14.9%	29%	14.1
30-49	78.2%	46.4%	-31.8
50-64	6.9%	24.6%	17.7
Total	100%	100%	

Table 2: Proportion of population by age group in the Mekong Delta in 2009 and 2019 (%)

Source: Calculation from the Population and Housing Census

Although still in the golden population period, the Mekong Delta is facing the risk of aging of the working-age population when the proportion of the age group 30-49 decreases rapidly from 78.2% (2009) to 31.8% (2019). Meanwhile, the growth rate of the 15-29 age group has not been able to keep up with that of the 50-64 age group.

Residential living standards

The GRDP of the Mekong Delta in 2020 is 975,374 billion VND, the average GRDP is about 56.3 million VND/person/year. If compared with the total GRDP of the whole country in 2020 of VND 6,293,145 billion, the GRDP in the Mekong Delta contributes about 15.5%, the per capita income is lower than the national average (the whole country is estimated at 64.5 million VND/person/year), and only 1/3 of that of Ho Chi Minh City.

	Population (thousand people)	Total GRDP (billion VND)	Average GRDP (million VND)
The whole country	97,582	6,293,145	64.5
HCM city	9,227	1,372,000	148.7
Mekong Delta	17,318	975,347	56.3

Table 3: GRDP per capita of the Mekong Delta compared to Ho Chi Minh City and the whole country in 2020

Source: General Statistics Office 2020

Similarly, the per capita income in the Mekong Delta, although it has improved over the years, is still lower than the national average and much lower than in the Southeast region. Despite having low income, the gap between rich and poor in the Mekong Delta is higher than in the Southeast provinces, higher than HCMC and only lower than the whole country.

Income (1,000 VND/month)	2010	2012	2014	2016	2018	2020
The whole country	1,387	2,000	2,637	3,098	3,876	4,249
South East	2,304	3,173	4,125	4,662	5,709	6,024
Binh Duong	2,698	3,568	3,769	5,005	6,823	7,033
Dong Nai	1,763	2,577	3,504	4,328	5,299	5,621
HCM city	2,737	3,653	4,840	5,109	6,177	6,536
The Mekong Delta	1,247	1,797	2,327	2,778	3,588	3,872
Income difference Group 5 / Group 1	2010	2012	2014	2016	2018	2020
The whole country	9.2	9.3	9.7	9.8	10.0	8.07
South East	7.7	7.0	7.1	6.8	7.1	4.4
Binh Duong	7.2	6.9	7.0	7.1	7.4	4.2
Dong Nai	6.6	6.1	6.1	6.2	6.5	3.8
HCM city	6.7	6.5	6.5	6.6	6.9	3.5
Mekong Delta	7.4	7.7	7.4	7.8	8.2	6.9

Table 4: Per capita income and rich-poor divide in the Mekong Delta

Source: Data from the General Statistics Office and the statistical yearbook of provinces

The reason why people's income in the Mekong Delta is still low is that the people's main source of income is from agricultural production with an average standard of living, people's lives are negatively affected by climate change. Because of that, people's conditions, jobs, and livelihoods are increasingly difficult, and people are leaving the Mekong Delta in search of better job opportunities and income sources. This has led to many consequences that the Mekong Delta is facing when the wave of migration is increasing.

Labor, employment

By 2020, the whole Mekong Delta region had about 9.9 million workers aged 15 and over, accounting for 57.1% of the region's population and 18% of the whole country. The average labor force growth rate of the Mekong Delta in the period 2015-2020 was -0.2% compared to the whole country in the same period of 0.68%.

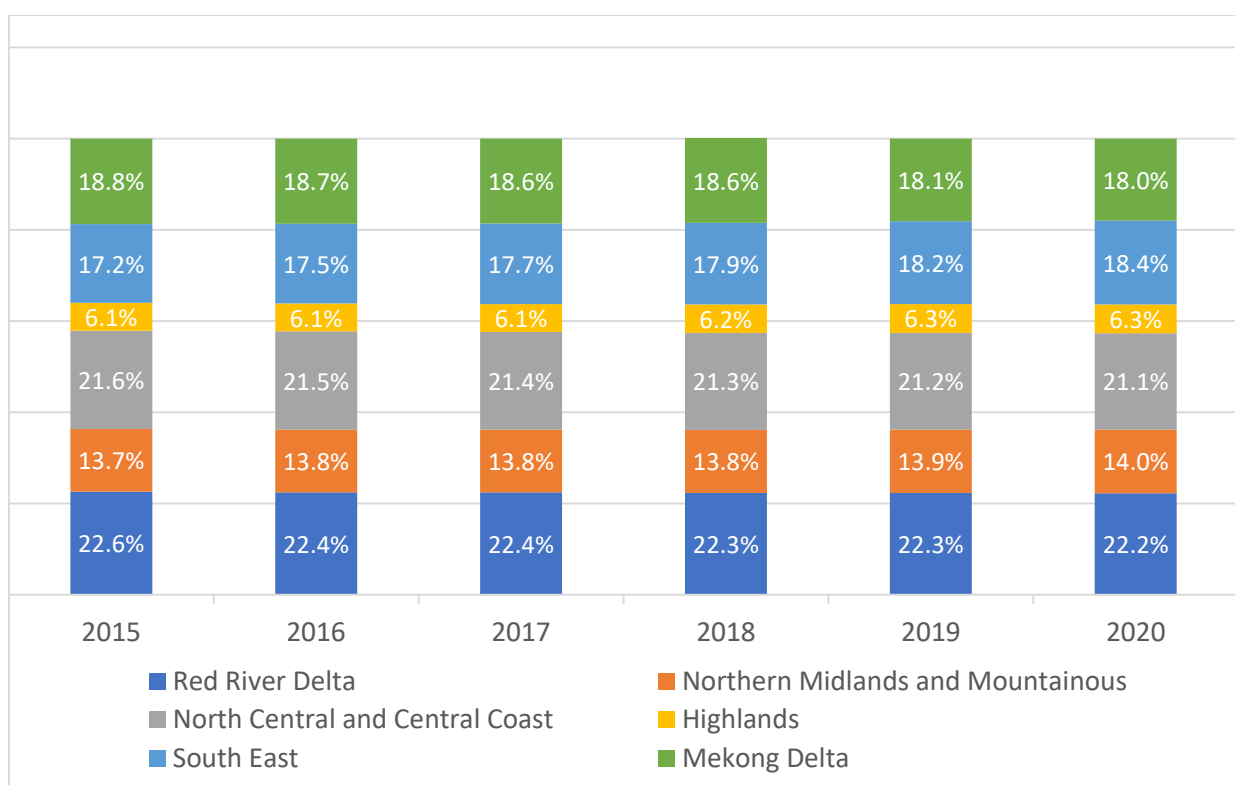


Figure 2: Proportion of labor force aged 15 years and over in the period 2015-2020

Source: General Statistics Office

Compared with other economic regions in the country, the proportion of the labor force in the Mekong Delta gradually shrank as the proportion gradually decreases over the years from 18.8% in 2015 to 18% in 2020, while other economic zones did not change much, even tended to increase, typically the Southeast.

Unit: Enterprise	2017	2018	2019	2020
The whole country	6.94	7.49	7.86	8.32
Red River Delta	9.44	9.97	10.54	11.06
Northern Midlands and Mountains	2.31	2.45	2.53	2.69
North Central and Central Coast	4.42	4.76	4.98	5.27
Highlands	3.06	3.19	3.37	3.76
South East	15.38	16.83	17.45	18.26
Mekong Delta	2.88	3.07	3.19	3.43

Table 5: Average number of active businesses per 1000 people

Source: General Statistics Office

Labor demand from enterprises in the Mekong Delta is still low. The density of enterprises in the Mekong Delta in 2020 was only 3.43 enterprises/1000 people of working age, while the national average was 8.32 enterprises. The unemployment and underemployment rates of the working-age workforce in the Mekong Delta at the end

of 2019 were 2.9% and 2.41%, respectively, much higher than the national rate (2.17% and 1.26% respectively).

Regarding workers, people's motivation and development pressure are not high because for a long time the Mekong Delta mainly relied on exploiting natural resources. The university and college training programs are not compatible and not linked with the needs of businesses. Meanwhile, the quality and ability to get a job after training from vocational training programs is not high, mainly primary vocational training is less than 3 months (over 90%). With the above situation of labor and employment, it is not surprising that the living standards of people in the Mekong Delta are always in the lowest group, especially lagging far behind compared to the Southeast region. This explains why the flow of people from the Mekong Delta often migrates to the Southeast in search of new and better opportunities.⁷

Labor qualification

The quality of human resources has always been a weakness of the Mekong Delta. According to the 2019 Census, the Mekong Delta did not yet escape from the "low-lying area" of education in the country when the percentage of the population aged 15 years and over who had never attended school and had not graduated from primary school increased sharply after 10 years, higher than the national average. In addition, the graduation rate at most educational levels shows a decrease, which makes the human resources of the region not highly qualified.

Education level	Mekong Delta		The whole country
	2009	2019	2019
Never went to school	6.9	18.4	9.8
Did not graduate from primary school	26.7	34.6	21.4
Graduated from primary school	36.1	26	32.3
Graduated from secondary school	17.4	11.3	17.3
Graduated from high school	6.4	9.7	19.2
Graduated from beginner level (vocational school)	1.4	1.1	3.1
Graduated from intermediate level (vocational school)	2.2	1.8	3.5
Graduated from university	0.9	1.6	3.3
Graduated from postgraduate programs	2.1	5.2	9.3

Table 6: Percentage of population aged 15 years and over by education level in the Mekong Delta (%)

Source: General Statistics Office, Population and Housing Census.

⁷ Mekong Delta Annual Economic Report 2020.

High school qualifications in the Mekong Delta is a positive change, increasing from 6.4% in 2009 to 9.7% in 2019, but still only half of the national average of 19.2%. Undergraduate and postgraduate education in the Mekong Delta changed but was still quite slow and remains at the lowest position compared to other regions in the country.

It can be said that over the past 10 years, education in the Mekong Delta has changed positively, but in general, it is still not commensurate with the socio-economic development of the region. The supply of high-quality human resources has not yet met the needs of the economy when the proportion of trained workers always accounts for a low proportion (only 14.85% in 2020, the lowest compared to other economic regions and regions) much lower than the whole country at 24.05%). This has affected job opportunities and income stability of workers, as well as created great pressure on professional training, vocational training, and job creation for the workforce in the Mekong Delta. In addition, the labor market is not attractive, so most of the high-quality human resources tend to migrate to the Southeast, where there are higher job and promotion opportunities, this is shown in the number of employees where immigration in a decade is 1.1 million people.⁸

Total retail sales of consumer goods and services

In 2020, the Covid-19 pandemic was complicated in the world, but it was well controlled in the country, so commercial activities and consumer services still achieve a high growth rate. The supply of goods on the market was abundant, fully and promptly meeting production and consumption needs. Total retail sales of consumer goods and services nationwide reached VND 5,059 trillion, increased by 2.6% compared to 2020. By 2021, the total retail sales of consumer goods and services of the whole country reached 4,789 trillion VND, which decreased by 3.8% compared to 2020.

Contrary to the declining trend of the whole country, the Mekong Delta, a market that accounts for 20% of the population, has total retail sales of consumer goods and services in 2021 of 977,919 billion VND, increased by 1.7% compared to 2020. (961,342 billion VND), accounting for 20% of the whole country. Accordingly, An Giang (with 147,299 billion VND), Can Tho (114,683 billion VND), Kien Giang

⁸ Mekong Delta Annual Economic Report

(111,928 billion VND), Dong Thap (105,220 billion VND) and Long An (88,440 billion VND) are the five provinces with total retail sales of consumer goods and services are the highest in the Mekong Delta in 2021. An Giang and Dong Thap alone are the two provinces with the highest growth rates in 2021 in the Mekong Delta, at 16.87% and 10.86% respectively. The Mekong Delta has always been a region with higher growth in total retail sales than other regions of the country.

Notably, 05 provinces have negative growth in total retail sales of consumer goods and services in 2021, specifically: Soc Trang (with 52,333 billion VND, -26.53%), Tien Giang (with 52,333 billion VND, -26.53%). 62,500 billion VND, -15.33 percent, Bac Lieu (56,836 billion VND, -8.42%), Vinh Long (54,000 billion VND, -1.52%), and Ca Mau (62,370 billion VND, -0, 68%).

With the 4th Covid-19 wave, the provinces had to social distance according to Directive No. 16/CT-TTg along with the asynchronous implementation between localities in the region and the Southeast region, hindering the economic development, consumption, transportation of goods. In addition, the impediment to circulation also causes the production area to lack raw materials.

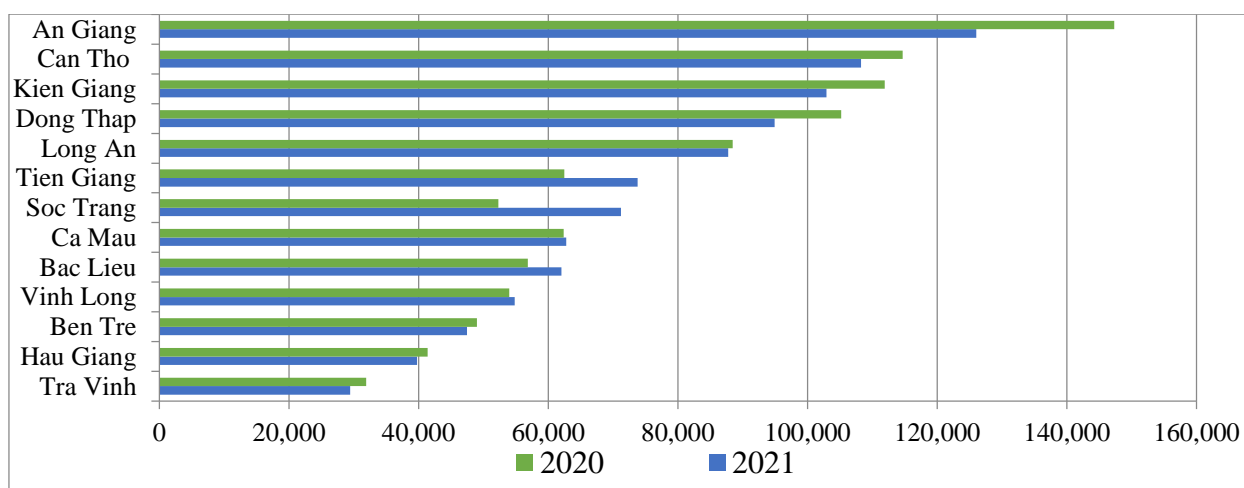


Figure 3: Total retail sales of goods and services in the Mekong Delta in 2020-2021

Source: General Statistics Office and Socio-economic Reports of 13 provinces in the Mekong Delta

In addition, the tourism and service industry is also the industry that has been hardest hit by the Covid-19 epidemic. All 13 provinces in the Mekong Delta have experienced a decrease in the number of visitors and tourism revenue in 2020–2021. Besides the tourism industry, industries such as passenger transport, aviation, ships and hotels were also damaged.

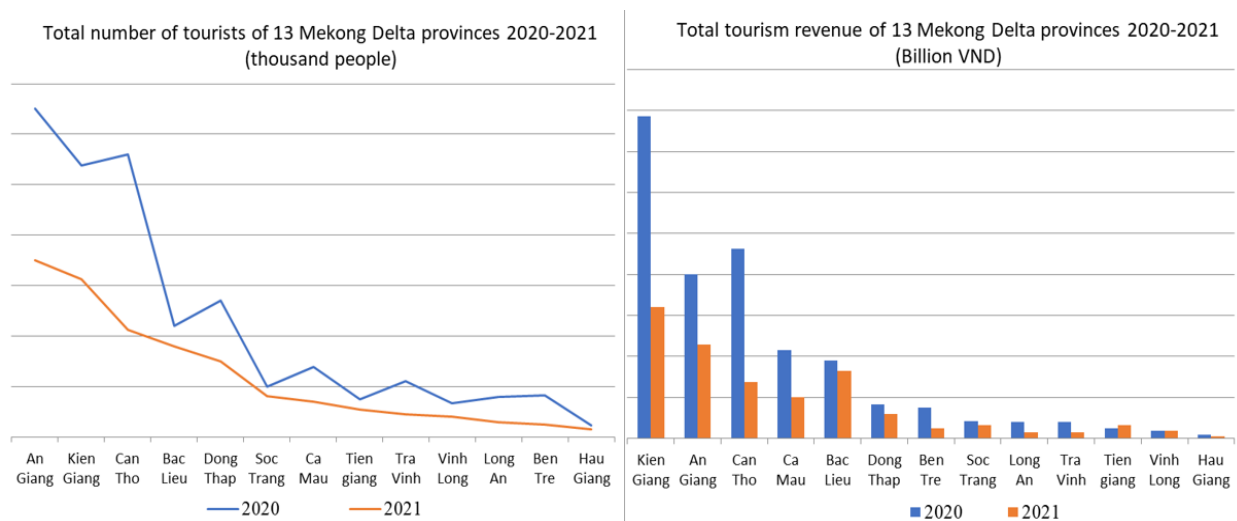


Figure 4: Revenue and tourist arrivals of 13 Mekong Delta provinces in 2020-2021

Source: General Statistics Office and Socio-economic Report of 13 Mekong Delta provinces 2020-2021

The provinces with the largest decrease in tourist arrivals and tourism revenue in 2021 compared to the same period last year are: Tra Vinh (453 arrivals, decreased by 59%, tourism revenue of 151 billion VND, decreased by 86%); Long An (290 visitors, decreased by 64%, tourism revenue 150 billion VND, down 81%); Dong Thap (1,500 visitors, decreased by 45%, tourism revenue 600 billion VND, decreased by 78%); Hau Giang (147 visitors, decreased by 36%, tourism revenue 62 billion VND, decreased by 73%); Vinh Long (397 arrivals, decreased by 40%, tourism revenue 186 billion VND, decreased by 72%); Can Tho (2,118 arrivals, decreased by 62%, tourism revenue 1,375 billion VND, decreased by 75%); Ben Tre (243 visitors, decreased by 71%, tourism revenue of 250 billion VND, decreased by 70%).

Import and export situation

In 2021, the country's total import-export turnover reached 667.98 billion USD, an increase of 22.49% compared to 2020. In which, the country's export turnover of goods reached 336.31 billion USD (increased by 18.99% compared to 2020), the import turnover of goods nationwide reached 331.67 billion USD (increased by 26.26% compared to 2020).

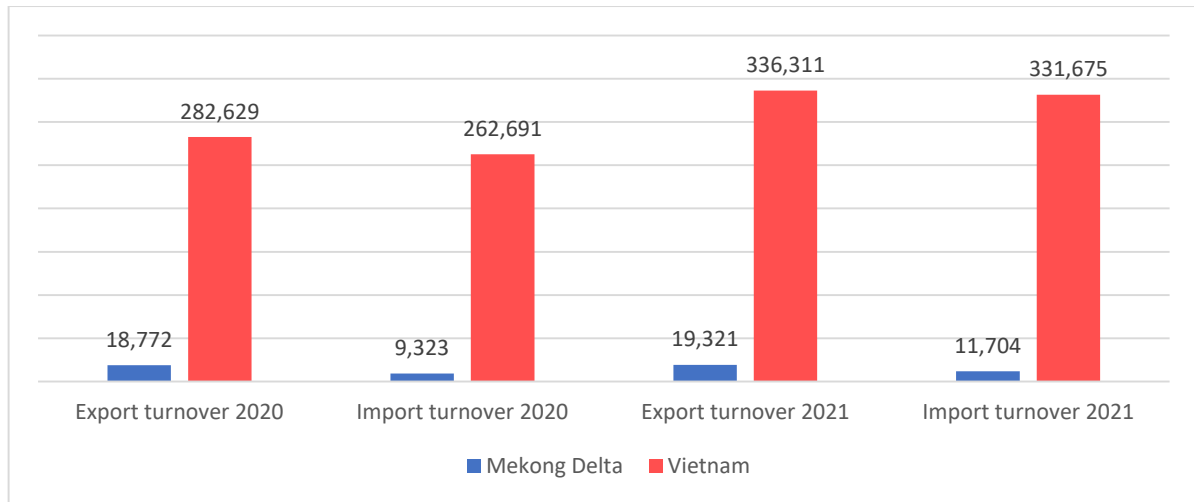


Figure 5: Import and export turnover of the Mekong Delta and Vietnam in 2020-2021 (million USD)

Source: General Department of Vietnam Customs

Although the labor force in the industry has declined and has not recovered since Q3 until now, the import and export turnover of the Mekong Delta in 2021 still reached 31,024 million USD (increased by 10.43%). In which, the Mekong Delta's export turnover reached 19,321 million USD (increased by 2.92%), the Mekong Delta's import turnover reached 11,704 million USD (increased by 25.54%) over the same period.

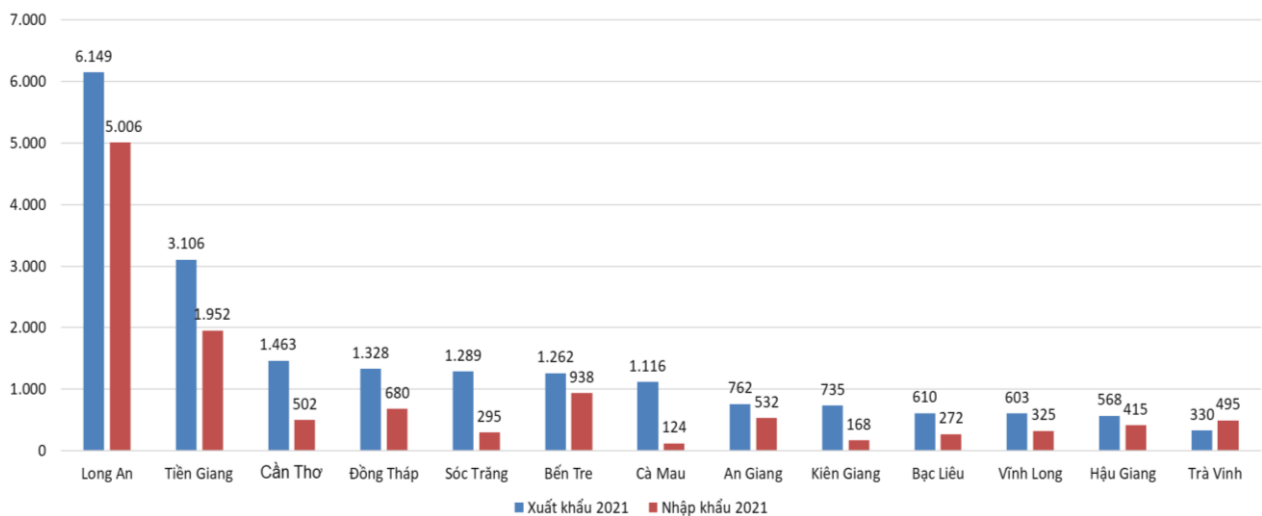


Figure 6: Import and export turnover of the Mekong Delta provinces 2021 (million USD)

Source: General Department of Vietnam Customs

There are 7 out of 13 Mekong Delta provinces with export turnover of more than 1 billion USD in 2021. The province with the highest export turnover in the Mekong Delta in 2020 was Long An with 6.15 billion USD, accounting for 31.83% of the export value of the Mekong Delta. The second export position of the Mekong Delta was Tien Giang province (3.11 billion USD, accounting for 16.08%), followed by Can Tho (1.46 billion USD, accounting for 7.57%), Ben Tre (1.26 billion USD, accounting for 6.53%),

Soc Trang (1.29 billion USD, accounting for 6.67%) and Dong Thap (1.33 billion USD, accounting for 6.88%).

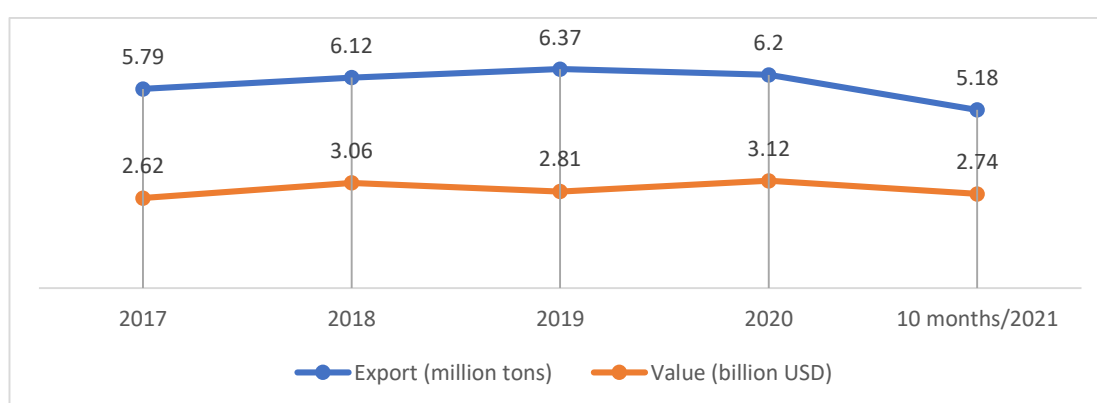
Key industries in the Mekong Delta

The Mekong Delta is a land favored by nature, with the main economic pillar coming from agriculture. Annually, the Mekong Delta provides 50% of food production, 65% of fruit production, 75% of aquatic production and contributes 20% of the country's GDP.⁹ According to the proportion of GRDP in 2020 of the Mekong Delta, agriculture, forestry and fishery are the industries that account for the largest proportion with 37%. Based on the advantages of available resources of the Mekong Delta, the agricultural sector, particularly rice and fisheries, is still considered a key industry in the economic development of the Mekong Delta.

Rice

The Mekong Delta is currently the most fertile agricultural production area of the country and is becoming the focus of attention of investors. Accordingly, the region's rice cultivation area is always at the top of the country, accounting for 52% of the country's rice-growing area on average. The Mekong Delta's rice exports also account for 90% of the country's total rice exports.

According to statistics of the Vietnam Food Association (VFA), Vietnam's rice exports in the period 2017-2020 increased by nearly 7%, while export value increased by 19%. If calculating the average annual growth rate during this period, export volume increased by nearly 2%, while export value increased by nearly 7%. This shows that there has been a significant improvement in the export price of rice thanks to the improved quality of rice and the change in the rice industry in the structure of production and export processing of high-quality rice varieties.



⁹ Resolution 120/NQ-CP on sustainable development of the Mekong Delta to adapt to climate change, 2017

Figure 7: Vietnam rice export turnover and value 2017-2021

Source: Vietnam Food Association

Regarding the seedling issue, the rice industry in the Mekong Delta has constantly applied improved plant varieties. From rice varieties with a low yield of only 2-3 tons/hectare to high-quality rice varieties with 6-8 tons/ha. The rice yield of the region in most years is higher than the national average. The change of seasons from 1-2 crops/year to 3 main rice crops/year along with the renovation of rice variety structure and production process towards intensive farming to increase productivity. As a result, the yield of each crop and the whole year in the region increases gradually over the years. Major contributors to the region's rice production are the three provinces of Kien Giang, An Giang and Dong Thap, the rice output of these three localities accounts for nearly 50% of the entire region's rice production.

Not only has the output increased rapidly, but the quality of rice is also increasing, with specialty rice such as IR64, OM1490, OM2031, VND95-20, MTC250, IR62032, Cho Dao, Jasmine rice. In particular, the Mekong Delta has recently bred ST rice, especially ST25, which was honored as the best rice in the world in 2019. This is considered a welcome and respectful signal for the Mekong Delta's rice industry contributing to creating a competitive position for Vietnam's rice industry.

In addition, the rice industry is also facing challenges such as excess supply, unstable output prices, low profits, and small farming area per household. The fragmentation of arable land makes it difficult to apply for scientific and technical advances, leading to high input costs and saturated productivity. In addition, under the pressure of yield, farmers have abused chemical fertilizers for a long time, leading to pest invasion, thus forcing the application of pesticides. The three-crop rice cultivation also causes the soil quality to degrade and the soil nutrients to be eroded.

At present, the Mekong Delta is having favorable natural conditions for cultivation, with a large area of arable land, which is filled with alluvium by the Mekong River. However, the construction of dikes to prevent floods and three-crop rice cultivation shows that there is not much room for the development of the industry, the consequences are the deterioration of soil quality and the erosion of nutrients from the soil. Agricultural practices that abuse chemicals also contribute to land degradation and pollution.

Seafood

Besides rice, seafood is also one of the key industries of the Mekong Delta. With a coastline of about 780 km, 22 large and small estuaries, and an interlaced system of canals and rivers, the Mekong Delta has favorable conditions for aquaculture. The total fishery output (including farming and fishing) of the Mekong Delta annually accounts for more than 50% of the total fishery output of the country. In 2020, the total seafood production of the Mekong Delta region reached 4,698 thousand tons, accounting for 55% of the total seafood production of the country.

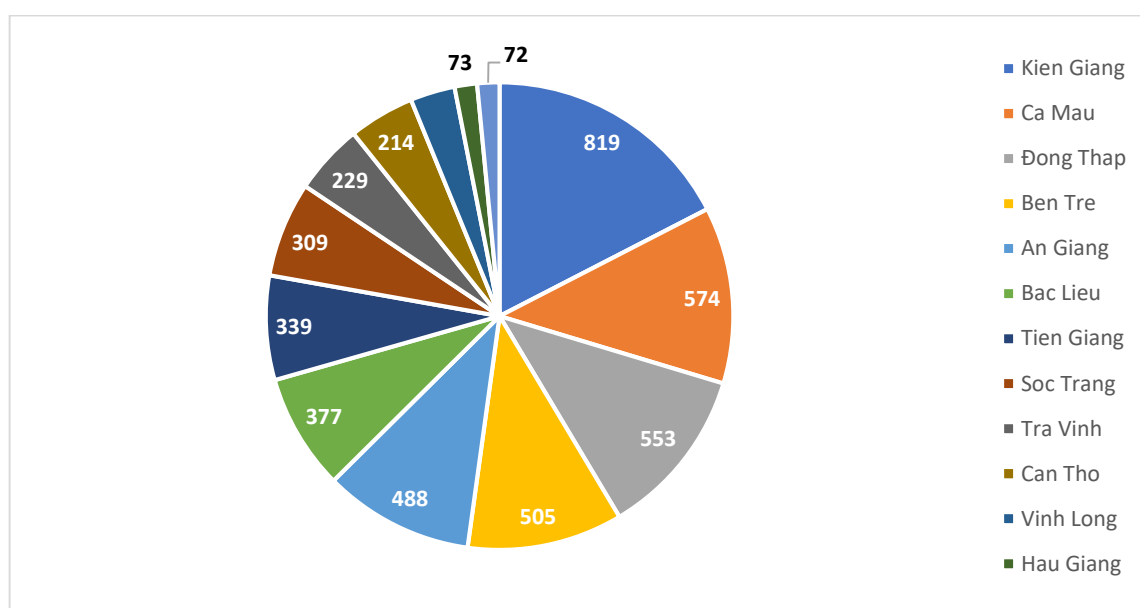


Figure 8: Total seafood production of Mekong Delta provinces in 2020 (thousand tons)

Source: General Statistics Office

The average growth rate of total seafood production of the Mekong Delta in the period 2015-2020 was 4.9%. In which, An Giang (8%), Tien Giang (7%) and Soc Trang (7%) were the three provinces with the highest average growth rate of total seafood production in the region in the period 2015-2020. Particularly in 2020, Kien Giang was the province with the highest total seafood production in the Mekong Delta, with 819 thousand tons, accounting for 17% of the total production of the whole region.

Fisheries in the Mekong Delta develop in the direction of focusing on two main industries: brackish water shrimp and pangasius. Both of these industries have a long enough history and conditions to develop into clusters. However, the operating characteristics, as well as the advantages and disadvantages of each industry, are different. If the brackish water shrimp industry is entering the beginning of development,

pangasius is starting to have a state of saturation. Both industries are export-oriented and face difficulties related to supply and demand. In the current difficult context of international trade, it is necessary to recognize and evaluate competitiveness to find solutions to develop the seafood industry.

Brackish water shrimp

In the last 12 years (2008-2019), production of brackish water shrimp (black tiger shrimp and vannamei/ whiteleg shrimp) has grown very rapidly due to increased export demand. As of 2008, the brackish water shrimp farming area in the Mekong Delta is nearly 540 thousand hectares (accounting for 89% of the total farming area of the country), mainly black tiger shrimp with an output of about 160 thousand tons. However, by 2010 the structure changed in the direction of increasing the area and production of whiteleg shrimp instead of black tiger shrimp.

According to VASEP, including 2019, the shrimp farming area increased to 720 thousand hectares, with an output of 750 thousand tons. In which, the output of black tiger shrimp was estimated at 270 thousand tons and white leg shrimp is 480 thousand tons. Production forms also changed from extensive farming, improved extensive farming to intensive, semi-intensive and super-intensive farming. In general, in the past 10 years, the area and production of black tiger shrimp farming tended to increase slightly or level off, while the area of whiteleg shrimp farming tended to increase rapidly and was higher than that of black tiger shrimp.

Along with the increase in production after the world financial crisis, the number of seafood processing and export enterprises also increased to meet export demand. By 2019, according to VASEP, there are more than 600 seafood export processing enterprises exporting to more than 170 markets, creating jobs for about 5 million workers. Large enterprises in seafood processing and export are concentrated in the Mekong Delta (over 50% of the total number of seafood processing and export enterprises). In 2019, the top 10 largest shrimp companies in Vietnam include Minh Phu Seafood Corp, Minh Phu Seafood - Hau Giang, Stapimex, Fimex VN, Hai San Sach Vietnam, Thuan Phuoc Corp, Trang Khanh Seafood, and Tai Kim Anh Seafood,

Southern Shrimp and Ut Xi, account for 16.8% of total seafood exports and 42.9% of the country's total shrimp exports.¹⁰

Pangasius

In the past 10 years, pangasius has been a key export product of Vietnam's seafood industry, contributing to the growth of export turnover of the industry in particular and the country in general. Besides favorable natural conditions, the technology is not too difficult to make pangasius farming develop quite strongly. Although the development of pangasius farming area in the Mekong Delta has had many ups and downs, the general trend is outstanding growth. Specifically, if in 2003 the area of pangasius farming in the Mekong Delta was 2,792 hectares, in 2010 this figure was 5,400 hectares, with an output of 659 thousand tons. By 2019, it was 6,600 hectares, with an output of about 1.42 million tons of raw pangasius.¹¹

The development of farming area and output leads to an increase in the number of seafood processing enterprises and export markets for pangasius. As of 2019, there were 125 enterprises participating in exporting pangasius to China - Hong Kong; 30 enterprises export to the US; 50 enterprises export to the EU. If in 2006, Vietnamese pangasius was only exported to 65 countries, by 2019 this number doubled to 131. The EU and the US were the two main markets of Vietnam's pangasius imports in 2010, with China and Hong Kong added in 2019.

ENTERPRISES AND BUSINESS ENVIRONMENT

Situation of enterprises

Newly-established business

In 2021, the whole country had 116,839 newly registered enterprises (decreased by 13.4%), with a total registered capital of 1,611,109 billion VND (decreased by 27.9%) and the total number of registered employees nearly 853,964 employees (decreased by 18.1%) over the same period. The average registered capital of a newly established enterprise in 2021 was 13.8 billion VND, decreased by 16.8% over the same period.

¹⁰ VASEP, 2020

¹¹ VASEP, 2011, 2020

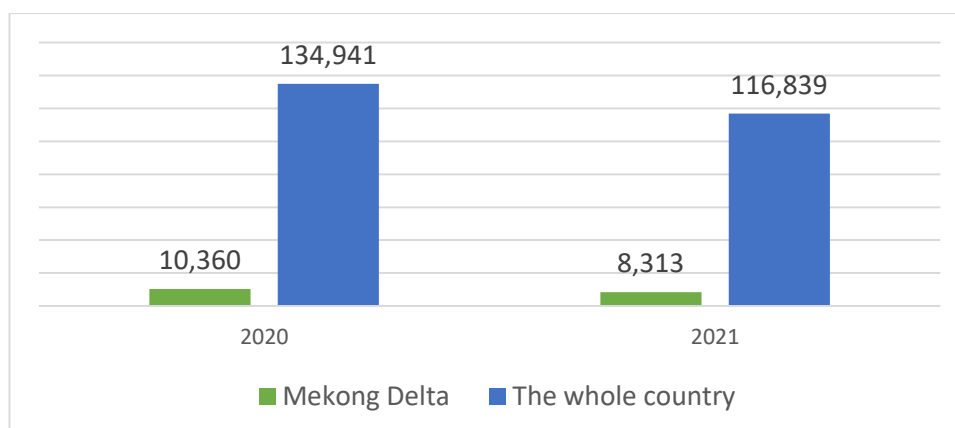


Figure 9: Number of newly established enterprises in the Mekong Delta and the whole country in 2020-2021

Source: Ministry of Planning and Investment

The Mekong Delta region has 8,313 newly established enterprises (decreased by 20%), with registered capital of 130,272 billion VND (increased by 19%) and 78,872 employees (decreased by 27%) compared to 2020. The Mekong Delta region has average registered capital of newly established enterprises higher than that of the whole country. The average registered capital of a newly established enterprise in the Mekong Delta in 2021 was 15.67 billion VND, an increase of 49%. In which, Ben Tre, Long An, and Bac Lieu were the three provinces with the highest average registered capital in the region, being at 27 billion VND, 21 billion VND and 20 billion VND respectively.

Businesses return to operation

In 2020, the whole country had 43,116 enterprises returning to operation, a decrease of 2% compared to 2020. The total number of newly established enterprises and enterprises returning to operation in 2021 increased to nearly 160 thousand enterprises, a decrease of 10,7% over the previous year. On average, every month, the whole country had 13.3 thousand enterprises entering the market.

In the Mekong Delta, the total number of enterprises returning to operation was 2,400 enterprises (decreased by 20% over the same period). In which, Kien Giang (341 enterprises), Can Tho (341 enterprises), Long An (332 enterprises), and Tien Giang (321 enterprises) were the 04 provinces with the highest number of enterprises returning to operation in the year 2021.

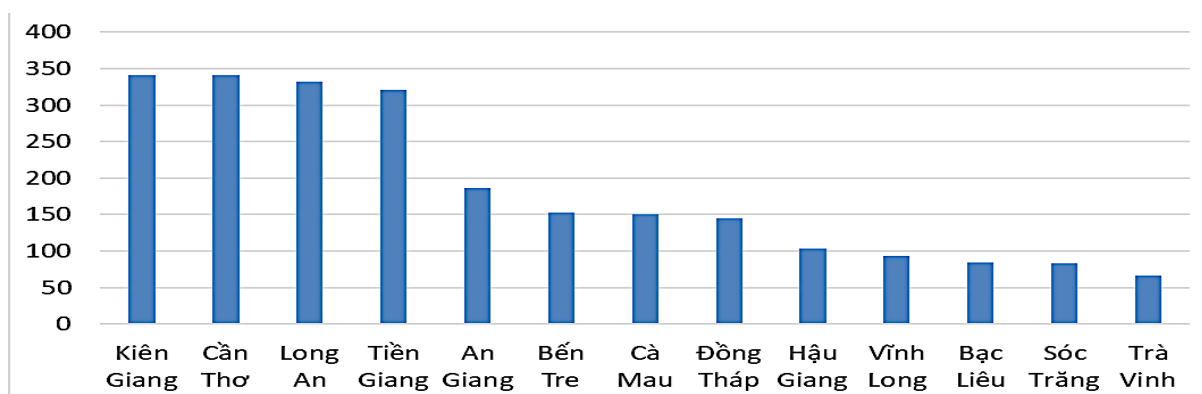


Figure 10: Number of enterprises returning to operation in the Mekong Delta provinces in 2021

Source: Ministry of Planning and Investment

According to the results announced by the General Statistics Office from 2010 to 2019, enterprises with a larger investment in fixed assets tended to bring in greater net revenue. Regarding fixed assets and long-term investment, enterprises operating in the Southeast region were 6 times higher, Red River Delta is 7.5 times higher than those in the Mekong Delta. In comparison, the net revenue of enterprises in the Southeast was 5.5 times, and the Red River Delta is 5.3 times higher than that of enterprises in the Mekong Delta. The total income of employees in enterprises in the Southeast and the Red River Delta was also many times higher than in the Mekong Delta.

Business environment

In the work of improving the business environment, the Mekong Delta region has made considerable efforts over the years and many localities are among the provinces/cities with leading economic management quality in the country. In the PCI 2019 report, the Mekong Delta also shows solid progress when the ranking group of provinces/cities has improved and the gap between provinces/cities is gradually narrowing. Accordingly, the region's median PCI score maintained a steady upward trend over the years. Specifically, in the period 2015 - 2019, the median PCI score increased by 10%, equivalent to 5.95 points, from 59 points in 2015 to 64.99 points in 2019.

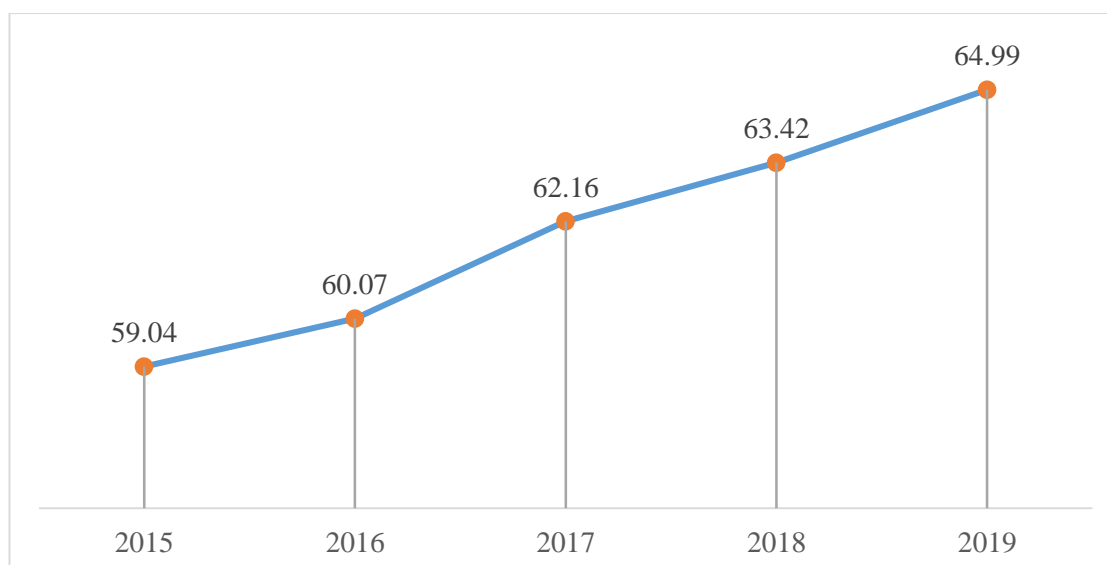


Figure 11: Median PCI score in the Mekong Delta over the years

Source: Compiled from PCI data

The average PCI score of the Mekong Delta in the past five years has always been higher than the national average. The economic governance quality of the Mekong Delta in 2020 stood out with the following main trends: (1) A more equal business environment; (2) Legal institutions and security and order in localities have had positive changes; (3) Informal costs have tended to improve significantly; (4) The dynamism and pioneering of the provincial government in removing difficulties for businesses.

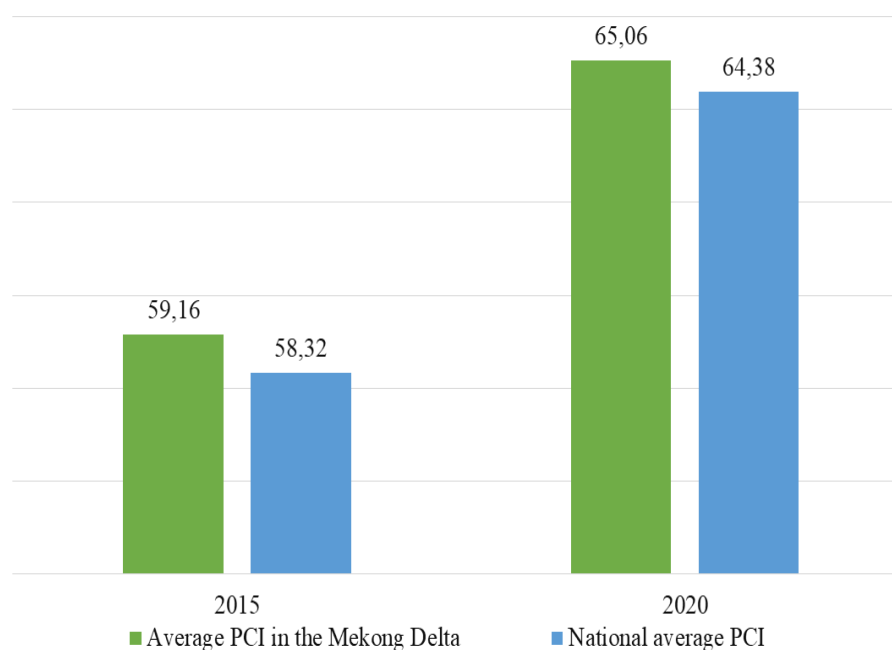


Figure 12: Average PCI of the Mekong Delta and the whole country in 2015-2020

Source: Compiled from PCI data

Among the top 20 provinces in the country's PCI rankings, the Mekong Delta currently holds five positions including Dong Thap, Vinh Long, Ben Tre, Long An and Can Tho city. In which, Vinh Long province has a remarkable promotion and is in the group of 5 leading provinces/cities. The scores of the component indexes also improved, more evenly, showing that Vinh Long has made progress in all areas. In addition, Vinh Long is also the locality with the best scores in the unofficial Cost, Land Access and Time Cost indexes.

In general, PCI scores of provinces/cities in the Mekong Delta have improved markedly over the years. The gap in scores between provinces/cities is also gradually narrowing. In which, 5 out of 13 provinces are always in the top 20 provinces in the PCI ranking of the country. The Mekong Delta is on the way of sustainable development, combined with favorable natural conditions, towards the goal of becoming a dynamic and modern economic region, making a great contribution to the country's economy.

PART II: POTENTIAL AND INVESTMENT OPPORTUNITIES IN THE MEKONG DELTA

STATUS AND INVESTMENT OPPORTUNITIES IN THE MEKONG DELTA

Characteristics of enterprises participating in the survey

The survey of FDI enterprises by VCCI Can Tho was carried out in all 13 provinces and cities in the Mekong Delta. Despite taking place during the complicated epidemic period as well as at the end of the year, the survey still received the active participation of businesses. Accordingly, the survey received the participation of 76 FDI enterprises operating in the Mekong Delta.

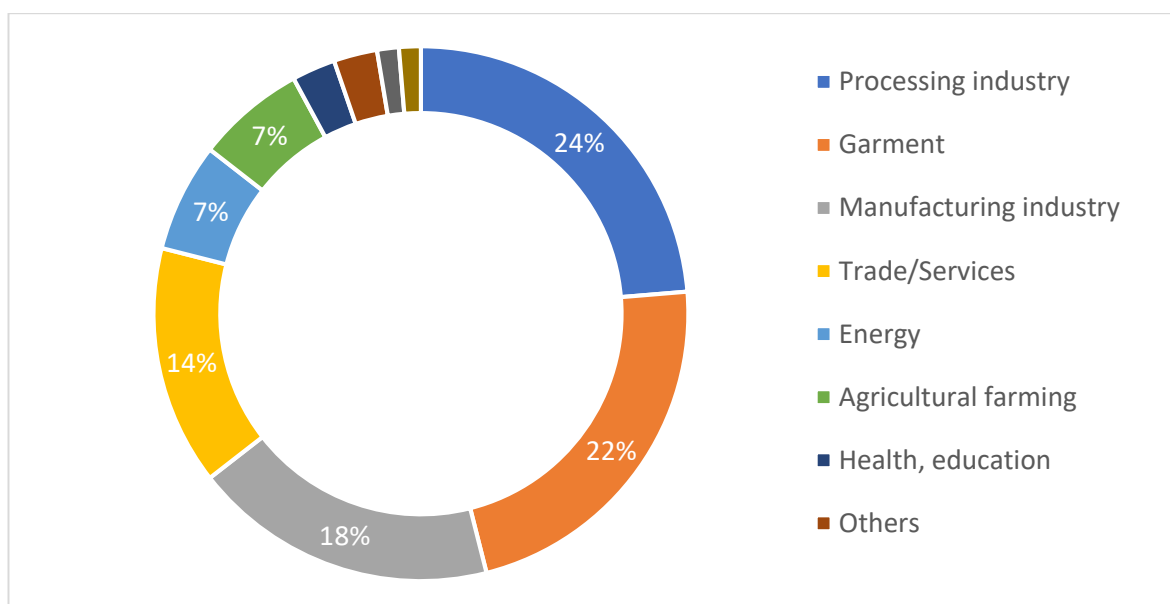


Figure 13: Fields of activity of enterprises participating in the survey

Source: Survey of VCCI Can Tho

Regarding the field of operation, the majority of enterprises participating in the survey are in the processing industry, accounting for 24%. Next is the garment industry (22%); manufacturing industry (18%) and trade and services (14%). The survey sample is evenly distributed across the fields of activity, provinces and city to ensure the objectivity of the data.

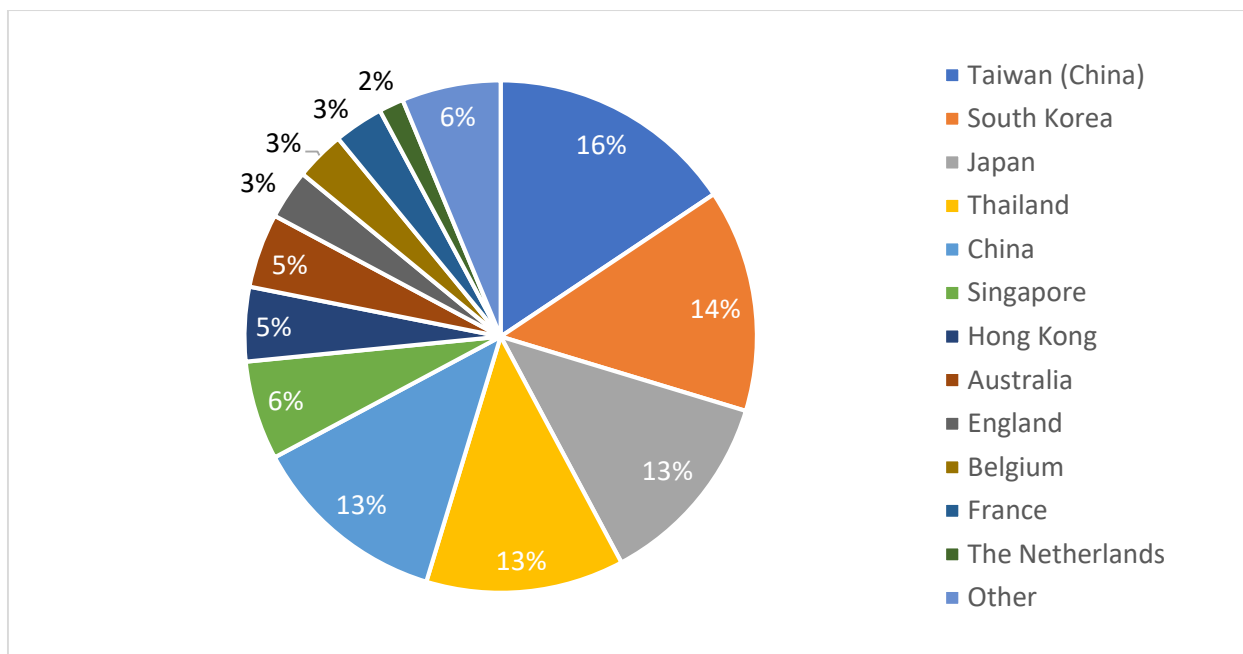


Figure 14: Country of FDI enterprises participating in the survey

Source: Survey of VCCI Can Tho

For investment countries, Taiwanese (16%) and Korean (14%) enterprises account for the highest proportion and the majority are in the garment sector. Next are Japan, Thailand and China with the same share of 13%, mainly focusing on processing and manufacturing.

In which, enterprises participating in the survey mainly invest in the form of 100% foreign capital, accounting for over 80%. The remaining few are joint ventures and business cooperation contracts, accounting for 12% and 7% respectively.

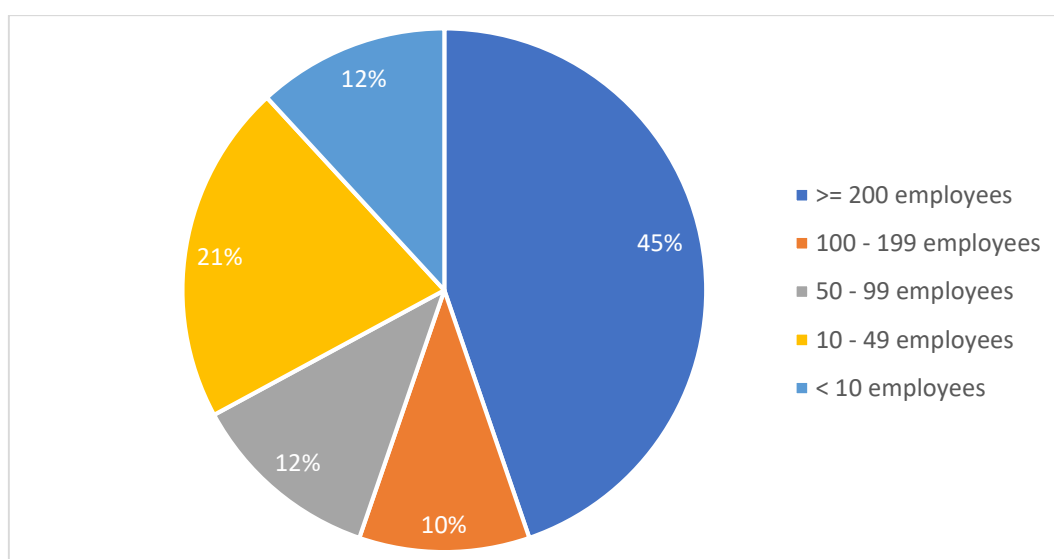


Figure 15: Number of employees of enterprises participating in the survey

Source: Survey of VCCI Can Tho

In terms of labor size, up to 45% of enterprises have 200 employees or more, mainly in the field of processing and garment industry. Next, businesses with 10 to less than 50 employees also account for a significant proportion with 21%, most of which are in the fields of farming and energy.

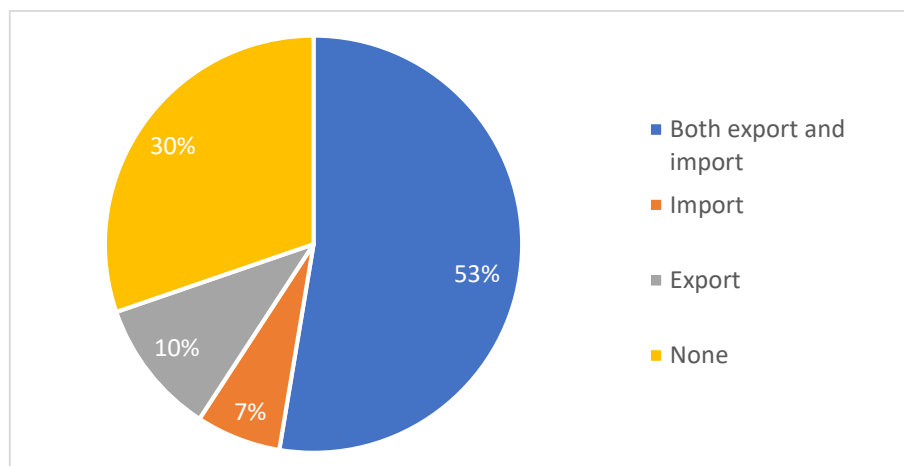


Figure 16: Import - export activities of enterprises participating in the survey

Source: Survey of VCCI Can Tho

Most of the enterprises participating in the survey have import and export activities, accounting for 70%. In which, up to 53% of enterprises have both import and export activities. In the rest, 30% of enterprises said that they only use available raw materials to serve the domestic market. Most of these businesses are in the energy, farming and trade/service sectors.

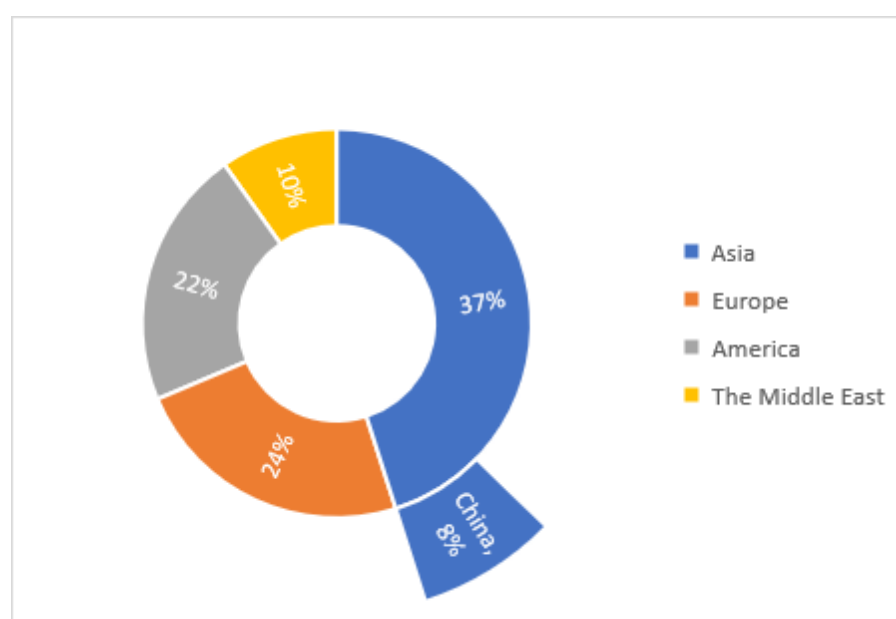


Figure 17: Main export markets of enterprises participating in the survey

Source: Survey of VCCI Can Tho

As for the main export market, up to 37% of enterprises export to Southeast Asian countries. In which, 8% of enterprises only export to the Chinese market. Europe and America are also the markets with a high proportion, 24% and 22% respectively.

Status of foreign direct investment projects in the Mekong Delta

In recent years, the activities of attracting foreign investment in the Mekong Delta (Mekong Delta) have had positive changes. With favorable natural conditions, the region is being noticed by many potential foreign investors. In the past two years, the region has attracted many large projects with capital of billions of USD, which have the power to create breakthroughs for the region.

Specifically, the number of newly registered FDI projects in the Mekong Delta has increased significantly in 2019 and gradually decreased in 2020, 2021. From 133 new projects in 2018, this increased to 202 projects in 2019, equivalent to an increase of 52%. However, the Covid-19 epidemic has had many impacts on the economy, so the number of new FDI projects decreased significantly in 2020 (decreased by 33%) and 2021 (decreased by 58%) compared to 2020.

However, in 2020 and 2021, the Mekong Delta attracted a remarkable increase in registered FDI capital compared to previous years. Total registered FDI project capital increased more than 5 times in 2020 compared to the previous year, reaching 10,582 million USD. In 2021, the total registered FDI project capital reached 5,611 million USD, despite being lower than that of 2020 but was still much higher than in 2019 and earlier. The outstanding growth in total investment has resulted in the fact that although the number of projects decreased, the average capital per project increased significantly. This shows that the quality of FDI projects in the Mekong Delta is gradually improving and foreign investors are gradually paying attention to the potential of the region.

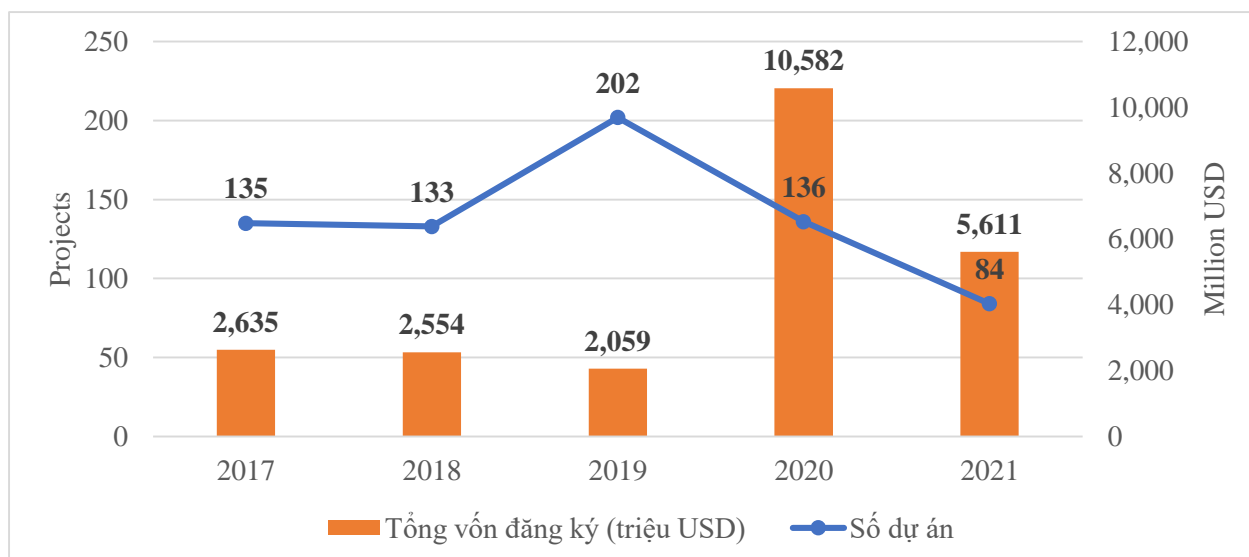


Figure 18: Number of projects and FDI inflows in the Mekong Delta by year

Source: Foreign Investment Bureau

In the first 10 months of 2021, the Mekong Delta became a bright spot in attracting FDI. In general, new capital, adjusted capital and capital contribution and share purchase by foreign investors in the first 10 months of 2021 in the Mekong Delta reached nearly 5.3 billion USD, accounting for 22% of capital compared to the whole country. In which, Long An province was the leading locality to attract new FDI, with 3.4 billion USD; the second is Can Tho City with 1.3 billion USD.

Specifically, in 2020, Bac Lieu province surpassed the 3rd position of the Mekong Delta in terms of attracting FDI, with a 4 billion USD liquefied natural gas (LNG) power plant project. By 2021, in the first 4 months of the year, Long An will have 1 new FDI project with registered capital of over 3.1 billion USD, namely Long An LNG Power Plant Project I and II (Singapore capital); Can Tho City has O Mon II Thermal Power Plant Project (with Japanese capital) over 1.31 billion USD... These are "huge" FDI projects invested in the Mekong Delta, promising to create new development power in the Mekong Delta region in investment attraction and economic development of the region.

	Number of projects	Total registered capital (Mil. USD)	Average capital (Mil. USD/project)
The whole country	34,266	404,009	11.8
Mekong Delta	1,839	33,970	18.5
Long An	1,271	12,307	9.7
Tien Giang	128	2,885	22.5
Ben Tre	64	1,583	24.7
Tra Vinh	43	3,341	77.7
Vinh Long	67	866	12.9
Dong Thap	22	233	10.6
An Giang	29	282	9.7
Kien Giang	62	4,808	77.6
Can Tho	85	2,052	24.1
Hau Giang	29	676	23.3
Soc Trang	14	229	16.3
Bac Lieu	14	4,551	325.1
Ca Mau	11	158	14.3

Table 7: Accumulation of the number of FDI projects and investment capital in the Mekong Delta compared to the whole country (projects valid until 2021)

Source: Foreign Investment Bureau

Despite the positive signals in the past few years, the Mekong Delta is still not an attractive investment destination when compared to other economic regions. In terms of accumulation, the Mekong Delta accounts for only 5% of projects and 8% of registered capital compared to the whole country. This is mainly due to the disadvantage in terms of geography and transport connectivity.

In the Mekong Delta, Long An and Tien Giang are provinces with the best ability to attract FDI because they are adjacent to Ho Chi Minh City and are currently one of the satellites of the processing and manufacturing industry in the HCMC region. In terms of the number of projects, Long An (accumulated 1,271 projects) and Tien Giang (accumulated 128 projects) still hold the highest positions in the whole region, much better than the rest of the provinces. In terms of total registered capital as well as average capital per project, Long An and Tien Giang are still among the leading groups in the region.

Meanwhile, Kien Giang attracts FDI better than other provinces thanks to tourism activities in Phu Quoc. Accordingly, the processing and manufacturing industry (25%) and the accommodation and catering services (21%) are the two industries that account for the main proportion in the structure of the province's FDI projects. In addition, Kien

Giang is also one of the provinces with the highest average capital per project in the region, at 77.6 million USD/project.

With Tra Vinh, the real ability to attract FDI mainly comes from the Duyen Hai thermal power plant complex. Accordingly, the production and distribution of electricity, gas, water and air conditioning only accounts for 10% of the number of projects but accounts for 88% of the total registered capital of the province. In contrast, the processing and manufacturing industry accounts for 80% in quantity but only 4% in total registered capital. With a large amount of capital coming from the complex of thermal power plants, Tra Vinh's average capital/project ranks second in the region, at 77.7 million USD/project.

Bac Lieu, after calling for a 4 billion USD liquefied natural gas (LNG) power plant project, made the province's total accumulated registered capital rise to the 3rd position in the whole region. Previously, the province had only 13 projects with a total registered capital of 551 million USD. The appearance of "super-projects" has made the total registered capital as well as the average capital/project of the province increase dramatically. Despite the potential for energy development, Bac Lieu currently only has 2 energy projects, but the total registered capital accounts for nearly 99% of the province. The rest, most FDI projects in the province are still in the agricultural sector (58%) with a total registered capital of more than 55 million USD.

In the economic regions, although there is no advantage compared to the Southeast region, but the Mekong Delta is a destination for investors, especially the agriculture, processing industry, and energy sectors which are strengths and potentials of the region.

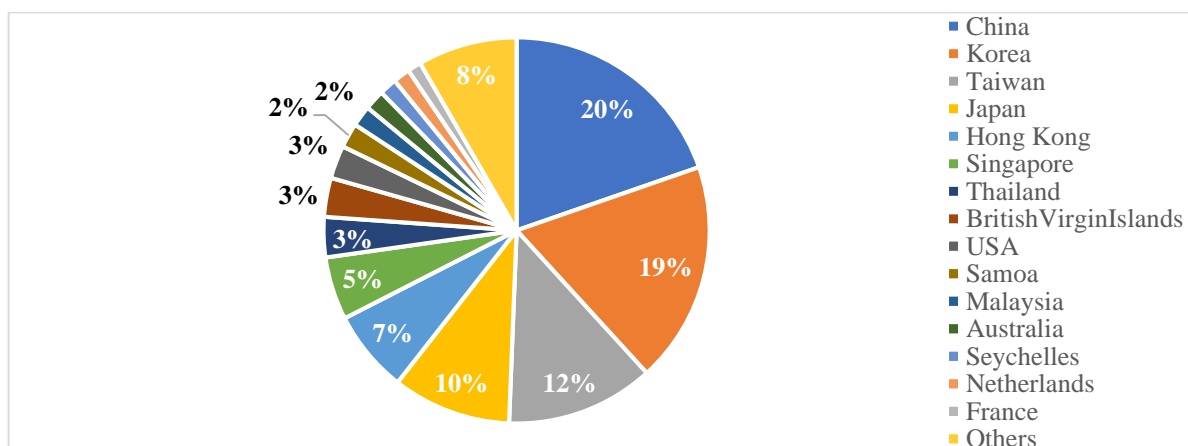


Figure 19: Countries of FDI enterprises in the Mekong Delta by number of projects

Source: Foreign Investment Bureau

Accumulated by the end of 2021, countries investing in the Mekong Delta will mainly come from the ASEAN region with China, South Korea, Taiwan and Japan accounting for more than 60% of the projects. Similar to the proportion of projects by location, the main investment countries such as China, South Korea, Taiwan, Japan, Hong Kong, Singapore... are mainly concentrated in Long An and Tien Giang.

When it comes to total investment capital, Singapore is the country with the overwhelming proportion when accounting for nearly 28% of the total registered capital of the whole region. In which, Singapore's investment capital mainly focuses on energy projects, accounting for nearly 86% of capital.

Followed by Japan and Malaysia with 11% and 9% respectively. Although China and South Korea have the leading number of projects, the total investment capital is only 7% and 8%.

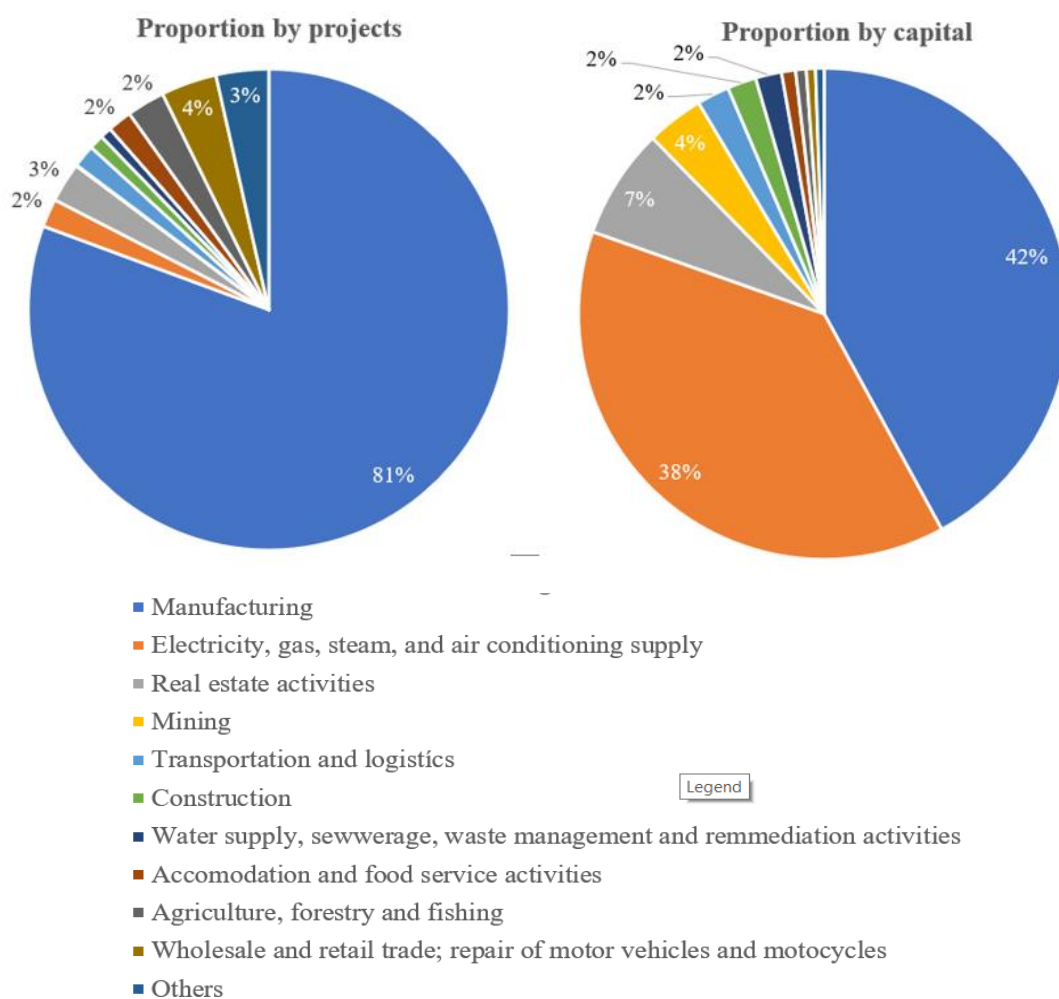


Figure 20: Proportion of FDI projects and capital by sectors in the Mekong Delta

Source: Foreign Investment Bureau

As for the field of operation of FDI projects, the manufacturing and processing industry is still the industry with an overwhelming proportion when accounting for more than 80% of the number of projects and 42% of the total capital of the whole region. Specifically, the manufacturing and processing industries are mainly concentrated in Long An and Tien Giang (thanks to the spillover effect of Ho Chi Minh city). With the remaining provinces in the region, the processing industry mainly focuses on the agro-fishery processing industry, but the growth potential of the industry has been saturated in terms of area, output, and export turnover. In which, export market prices fluctuate strongly, technical barriers are increasingly strict, but the ability to innovate and upgrade the industry is not compatible. The export market share is mainly transferred from bankrupt enterprises to existing ones that are still standing.

Producing and distributing electricity, gas, water, and air-conditioning is also one of the current outstanding industries in the Mekong Delta, accounting for 38% of the capital share of the whole region, although the number of projects is not significant. Most of them are energy projects, mainly in Ben Tre, Long An, Tra Vinh and Soc Trang.

Although agriculture, forestry and fishery is a strong industry of the Mekong Delta, investment capital in the industry is very limited, accounting for only 3% (equivalent to 47 projects) in terms of the number of projects and less than 1% (equivalent to 235 million USD) of the total capital. This comes from the industry's ability to develop, which has reached saturation because it is mainly based on the maximum exploitation of natural resources which are decreasing day by day. While the application of science and technology in agricultural production is still limited. The main reason is due to the lack of compatibility between the requirements of high-tech agriculture and the management level and skills of the workers. In particular, businesses also lack motivation to innovate agricultural production models in the context that they are relying on cheap and abundant labor.

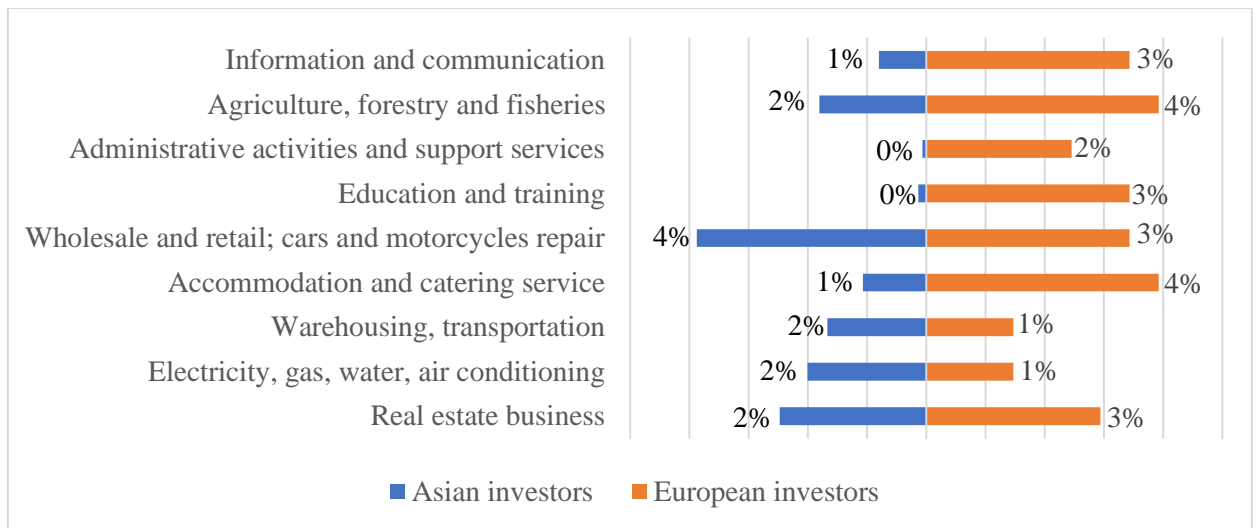


Figure 21: Proportion of investment fields of Asian and European investors

Source: Source: Calculation from data of Foreign Investment Bureau

When comparing the investment sector, the difference between Asian and European investors lies in industries with high gray matter content. Accordingly, European investors tend to focus on industries with high added value such as Information and communication; Education and training; Administrative activities and support services; Accommodation and food services. For the Agriculture, Forestry and Fisheries sector, European investors also focus on research and seed production projects rather than machining and processing.

In general, the picture of investment in the Mekong Delta shows that the most important need is investment in the development of transport infrastructure (bridges, highways), the need to invest in renovating the agricultural production model towards industry-oriented development and adapt to climate change, invest in processing agricultural and fishery products. Irrigation and salinity prevention projects, although successful to increase rice production, basically fail to add value, transform agricultural structure, and even harm the sustainability of both the economy and the environment in the future. While the remaining investment needs have not received due attention, due to both objective factors (regional attractiveness, limited central budget resources) and subjective (regional development strategy of The Mekong Delta is not clear, competition among localities), many investment activities are trade-offs between economy and environment.

Market prospect in the Mekong Delta in the near future

Through the survey process, the business situation of FDI enterprises in the Mekong Delta in the period 2015-2020 is quite favorable. Accordingly, 56% of enterprises reported revenue growth in the above period. In which, about 31% of enterprises grew below 10%; 19% of enterprises achieved growth from 10% to 20%; 6% of enterprises grew over 20%.

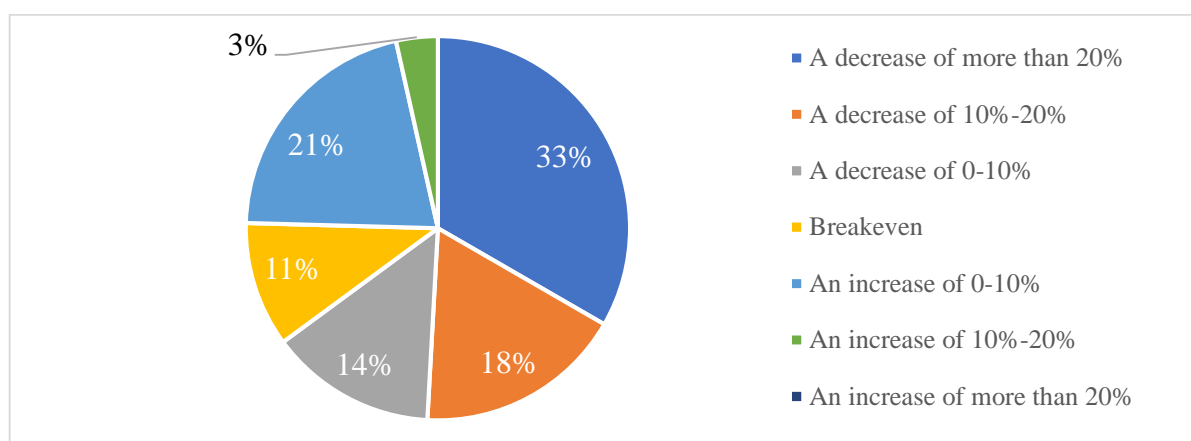


Figure 22: Growth in 2021 of FDI enterprises in the Mekong Delta

Source: Survey of VCCI Can Tho

In 2021, the economy of Vietnam in general and the Mekong Delta in particular have been heavily affected by the Covid-19 pandemic, so the business situation of FDI enterprises will also face many difficulties. According to the survey results, the percentage of businesses that lost revenue accounted for 65%. In which, there are 33% of enterprises with a decrease of more than 20% in revenue; 18% of enterprises fell between 10-20% and 14% fell below 10%. However, 24% of businesses still grasp the opportunity and have positive growth.

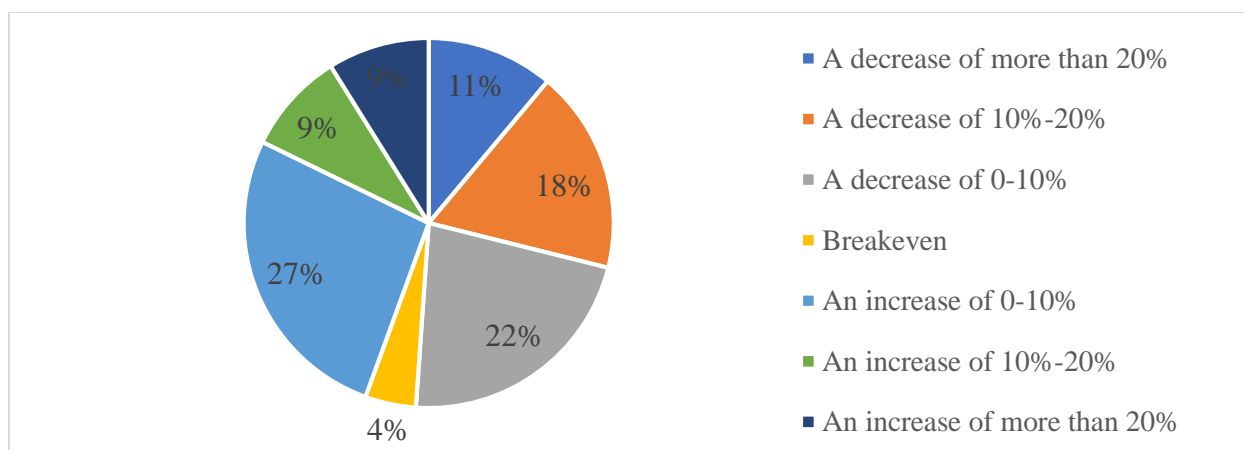


Figure 23: Expected growth in 2022 of FDI enterprises in the Mekong Delta

Source: Survey of VCCI Can Tho

Although the epidemic situation is still complicated, there are still 45% of businesses that think the market will be better in 2022. Of which, 18% of businesses are expected to grow well next year. However, about 50% of enterprises are still quite cautious about revenue growth in 2022. Businesses that expect revenue to decrease by over 20% next year mainly focus on the commercial industry/ services and garment.

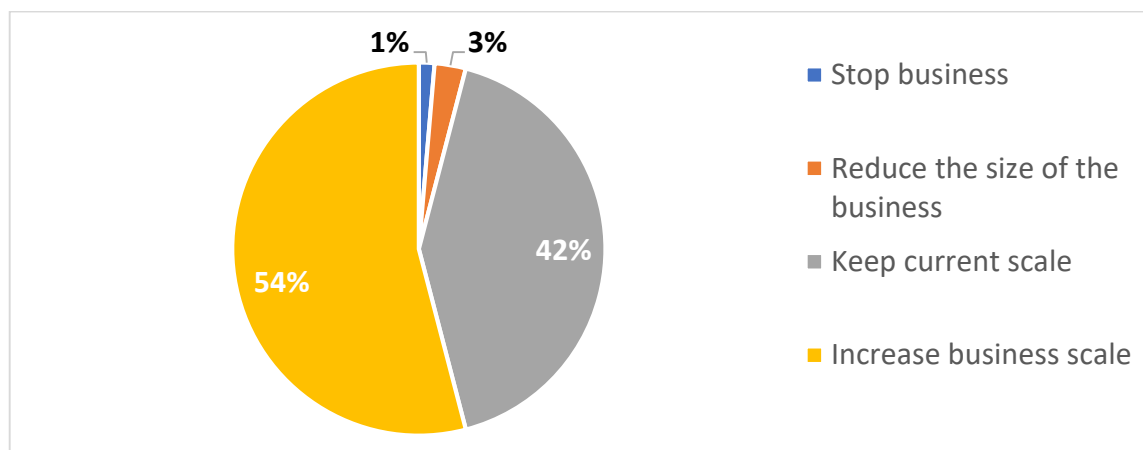


Figure 24: Business plans of enterprises in 2022

Source: Survey of VCCI Can Tho

Although the revenue growth of businesses is somewhat conservative, the business plan for 2022 shows brighter colors. Accordingly, the majority of enterprises participating in the survey have positive comments about their business plans in the near future. More than 50% of enterprises said that they would increase their business scale next year and more than 40% of enterprises still kept their current scale. Although more than 50% of businesses expect to reduce revenue in 2022, only 3% said they will reduce their scale and 1% plan to stop doing business. The fact that businesses have been able to adapt to the epidemic and Vietnam's epidemic prevention and control work is achieving good results compared to other countries have contributed greatly to the optimism in the business plan of enterprises in 2022.

Advantages and disadvantages of investing in the Mekong Delta

Advantages

In 2020, the openness of Vietnam's economy reached more than 200%, which is considered a very large openness, proving that Vietnam has deeply integrated with the world economy. With a large openness, it is inevitable that the economy will be heavily impacted by the Covid-19 pandemic, but Vietnam has shown remarkable resilience.

Vietnam is one of the few countries in the world that does not forecast a recession, although this year's growth rate was much lower than the 6-7% forecast before the crisis.

With negative growth in the third quarter of 2021, Vietnam's GDP growth rate in 2021 would be significantly reduced. However, in the World Economic Outlook report, the International Monetary Fund (IMF) still forecasts that Vietnam's growth would lead in the group of 5 Southeast Asian countries in terms of growth rate, reaching 3.8%.¹² In addition, business opportunities will have many bright spots when the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EVFTA) have officially taken effect.

In the coming time, the Government will increase investment in the Mekong Delta to deserve to be a key economic region in the South. Accordingly, the Ministry of Transport has developed five national specialized plans for the period 2021 - 2030, with a vision to 2050 on roads, railways, maritime, inland waterways and aviation with total investment is about 252,694 billion VND. Particularly in the period of 2021 - 2025, the Mekong Delta is expected to be allocated about 50,690 billion VND, accounting for 20% of the total investment capital of the whole country's transportation industry to support investment in a number of key highway projects (in the form of public-private partnership - PPP), and invest in key projects in other fields...¹³

Among the projects prioritized for investment, there are expressways such as Chau Doc - Can Tho - Soc Trang (Tran De); Can Tho - Ca Mau route; My An - Cao Lanh route; Cao Lanh - Lo Te - Rach Soi route; Ha Tien - Rach Gia route, Hong Ngu - Tra Vinh route. In parallel, it is also preparing to invest in the Ho Chi Minh City - Can Tho railway line, and to invest in the Tran De - Soc Trang port area.

Regarding inland waterway transport, the Ministry of Transport has proposed to invest in upgrading Cho Gao canal route phase 2; developing of waterways and logistics corridors in the southern region; upgrading the static height of national inland waterways; upgrading three inland waterways, namely the Muong Khai - Doc Phu Hien canal, the Ham Luong river route and the Ha Tien - Rach Gia - Ca Mau route.

¹² The IMF forecasts that Vietnam's GDP will increase the highest among the five ASEAN countries, <https://vnexpress.net/imf-du-bao-gdp-viet-nam-tang-cao-nhat-nhom-5-nuoc-asean-4371969.html>

¹³ <https://vneconomy.vn/dong-bang-song-cuu-long-chuan-bi-dau-tu-nhieu-du-an-giao-thong-lon.htm>

In addition, the Cai Lon - Cai Be irrigation system project phase 1 (total investment capital of more than 3,300 billion VND), in which there are two "super sluices" Cai Lon and Cai Be, which are currently the largest in the West in particular and Vietnam in general. In phase 2 of the project, the project will focus on solutions to transfer fresh water to U Minh Thuong area for An Bien, An Minh, U Minh Thuong and Vinh Thuan districts to create favorable conditions for agricultural production activities and drinking water of people in the project area. Dike system and works to prevent and control erosion along Cai Lon and Cai Be rivers to actively respond to climate change, sea-level rise, and natural disaster prevention. The project not only controls salinity and resolves conflicts between coastal aquaculture areas and agricultural production areas of Kien Giang, Hau Giang and Bac Lieu provinces, but also contributes to stable fisheries development in coastal areas of Kien Giang province.

Notably, the Mekong Delta Plan for the period 2021-2030, with a vision to 2050, is expected to be approved by the Prime Minister this year and is currently in the consultation phase for completion. Accordingly, at the end of 2021, the Coordinating Council for the Mekong Delta for the 2021-2025 period held an online conference under the chairmanship of Deputy Prime Minister Le Van Thanh, Chairman of the Council to aim consulted to finalize the Master Plan for the Mekong Delta in the period of 2021-2030, with a vision to 2050 - the first planning project among the six regional master plans of the country. Attending the meeting were Council members who are leaders of many ministries, agencies and 13 provinces and cities in the Mekong Delta region and experts.

The draft master plan sets out the goal that by 2050, the Mekong Delta will be a sustainable delta, a place worth living and working. It is an attractive destination for tourists and investors. The overall goal of the region's development is: Developing the region into a sustainable agricultural economic center based on restructuring the agricultural sector under natural conditions, improving agricultural value chains, and developing high-tech agriculture and a system of focal points; Forming dynamic economic corridors and urban chains, concentrating diversified services and industries, applying high technology to adapt to climate change, promoting the potential of the marine economy, enhancing economic regional and international connections; Creating a sustainable living environment, good quality of life for local people in association with the conservation of important resources and ecosystems of the region; Maintaining and

embellishing the unique and diverse cultural identities of ethnic groups; improve the quality of human resources, contribute to the long-term prosperity of the region.

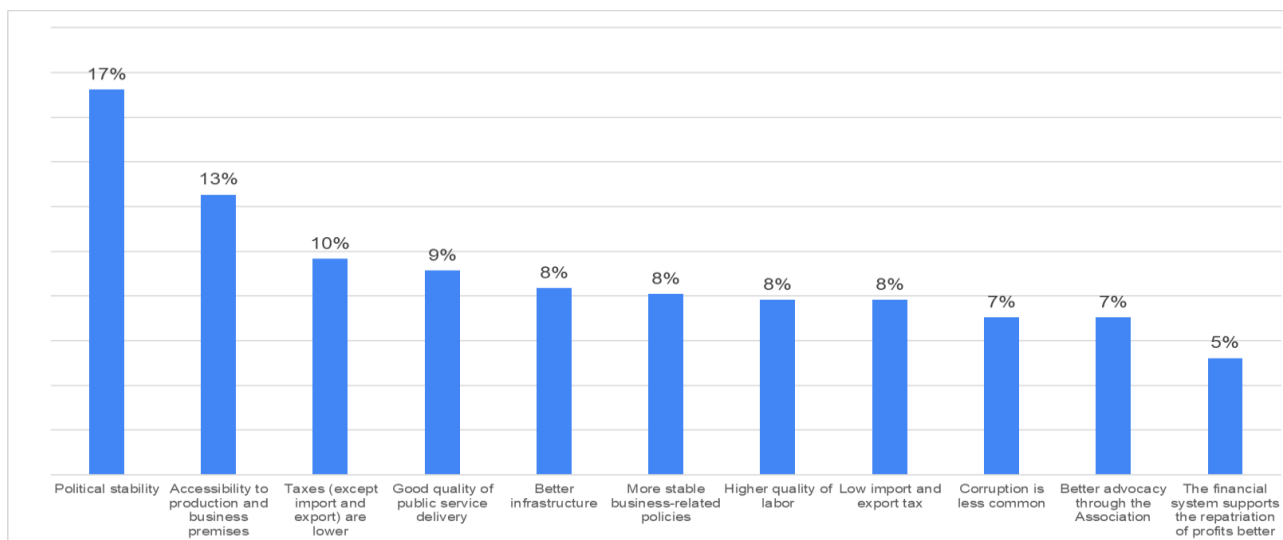


Figure 25: Vietnam's business environment compared to other Southeast Asian countries

Source: Survey of VCCI Can Tho

According to the survey results, compared with other countries in Southeast Asia, Vietnam's business environment has outstanding advantages in terms of political stability and accessibility to production and business premises. In addition, many preferential policies and investment attraction also give Vietnam a tax advantage over neighboring countries. The determination in administrative reform, notably the implementation of the PCI, DDCI, and PAR indexes, has helped improve the quality of public services in Vietnam.

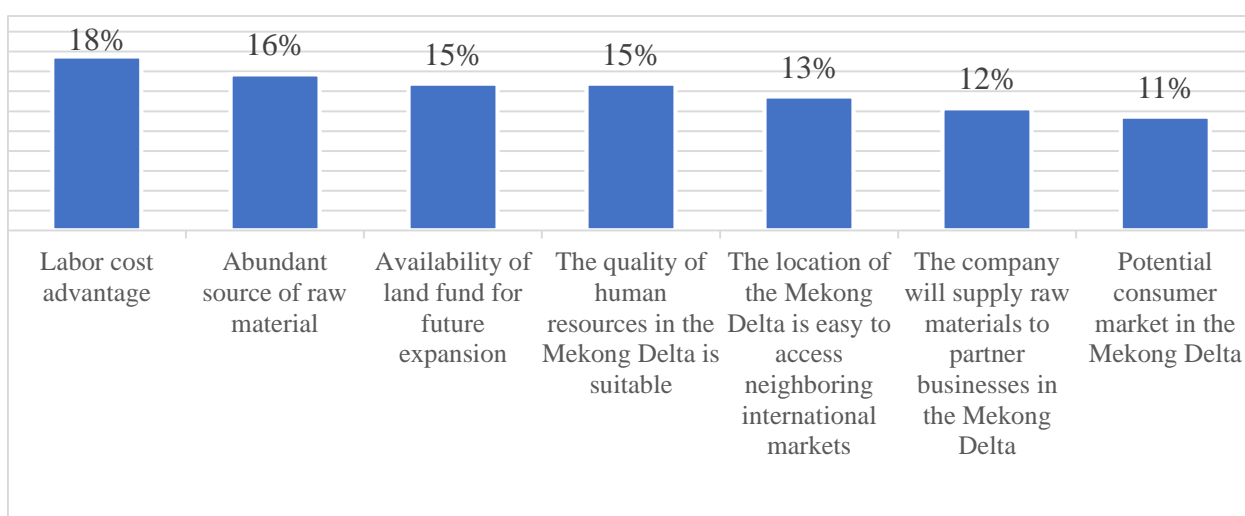


Figure 26: Advantages of attracting investment in the Mekong Delta region (% of enterprises agree)

Source: Survey of VCCI Can Tho

In terms of attracting FDI, although the Mekong Delta region is not as strong as other economic regions, it still has distinct advantages. According to a survey by VCCI Can Tho, the biggest advantage of the Mekong Delta comes from cheap labor costs and abundant raw materials when more than 18% of businesses agreed. The available land fund to expand production and business and the appropriate quality of human resources are also highly appreciated by FDI enterprises. Despite having a population of more than 20 million people, with low income, the consumption market in the Mekong Delta has not been considered potential by FDI enterprises.

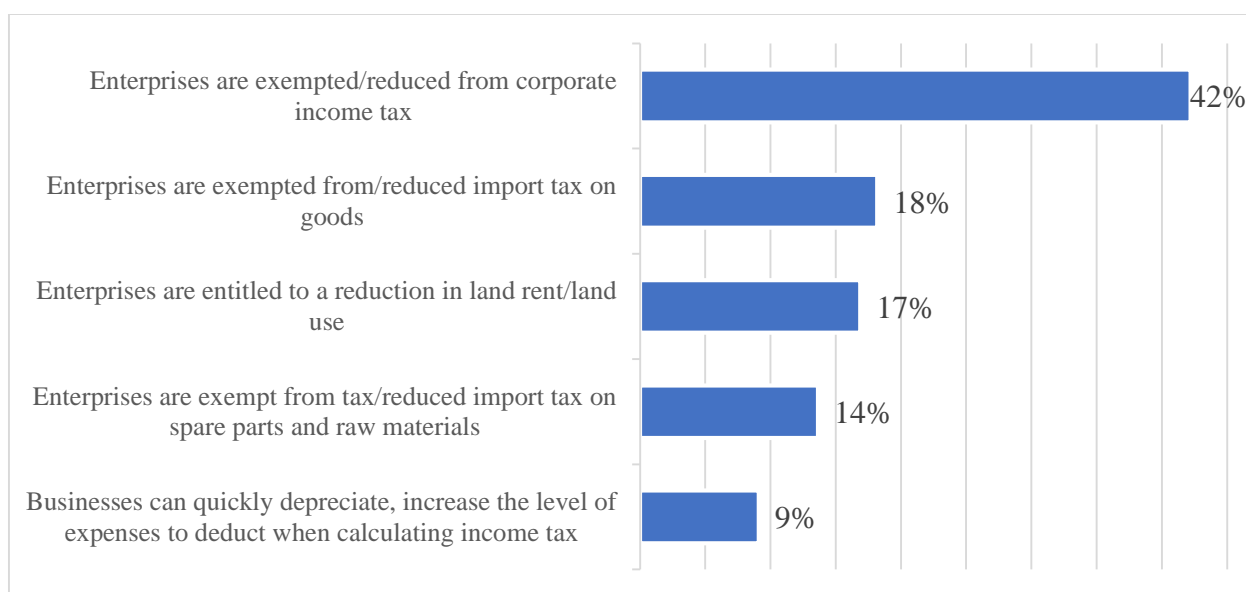


Figure 27: Enterprise investment incentives are received when investing in the Mekong Delta (enterprises agree)

Source: Survey of VCCI Can Tho

When investing in the Mekong Delta, FDI enterprises also receive many incentives, mainly focusing on corporate income tax exemption/reduction, accounting for 42% of enterprises participating in the survey. The form of import tax exemption/reduction is also one of the popular incentives that businesses receive, accounting for 18%. In addition, about 17% of enterprises reported that they received a reduction in land rental/use.

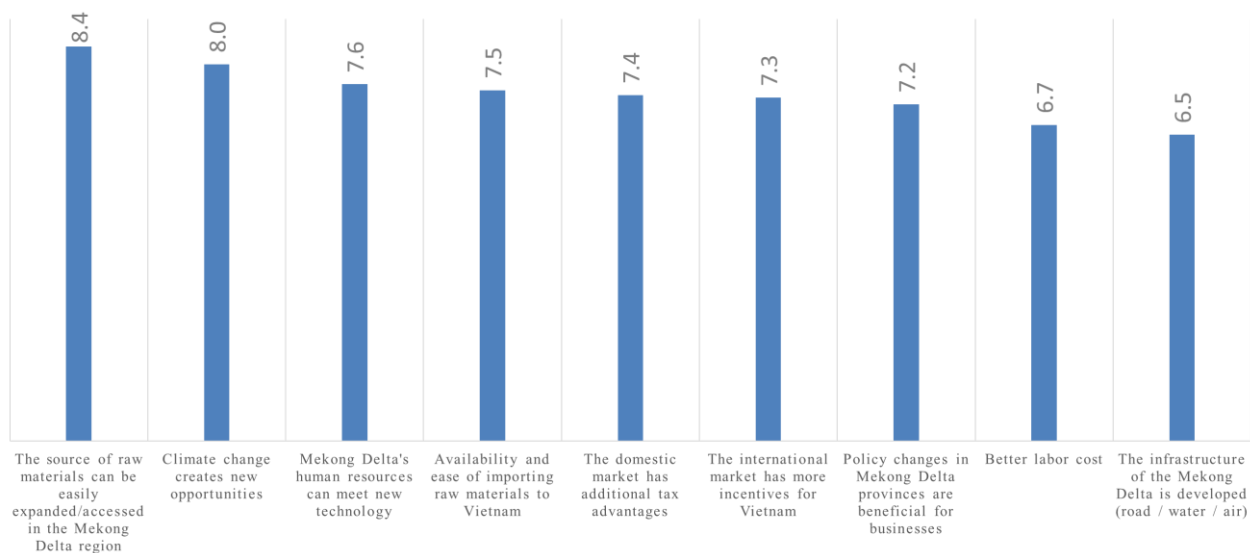


Figure 28: Administrative procedures that businesses must spend more than 10% of their time complying with in 2021

Source: Survey of VCCI Can Tho

As for the potential of the Mekong Delta in the future, the above factors will be evaluated by businesses on a 10-point scale. Accordingly, businesses believe that the abundant raw materials of the Mekong Delta will be a key factor to help them open up scale in the next 5 years. Besides, climate change is considered by FDI enterprises to create new opportunities and directions in business. According to the survey results, businesses also see positive signals about the quality of human resources in the Mekong Delta. Accordingly, the qualifications of human resources in the region will be able to meet the needs of enterprises in applying new technologies. Not only about the source of raw materials, easy access to and import of raw materials also play an important role in the vision of the business. In addition, businesses in the region realize that in the next 5 years, the tax incentives at home and abroad as well as the policies of the provinces in the region will be better.

However, the advantage of labor costs has not been appreciated by enterprises in the next 5 years. This may be due to the fact that labor costs in the Mekong Delta are currently very good and there is little room for improvement. In addition, the improvement in qualifications will also lead to a corresponding increase in labor costs. In the medium and long term, the Mekong Delta will focus on improving the quality of labor, not just competing thanks to the current low prices.

The problem of infrastructure in the Mekong Delta is also one of the persistent limitations, hindering the development of the region. This has been mentioned a lot in

the parliament as well as in the annual economic report of the Mekong Delta region of VCCI Can Tho, however, the improvement has not yet been appreciated by enterprises.

Disadvantages

Besides the potentials and advantages, the Mekong Delta still has many weaknesses, mainly focusing on troublesome administrative procedures and unsynchronized infrastructure. One of the procedures that businesses think needs to be improved the most is that the online public service system is not yet capable of responding, so it has to combine many other forms. In the current explosive technology context, the progress of digitizing administrative procedures has not yet met the expectations of businesses.

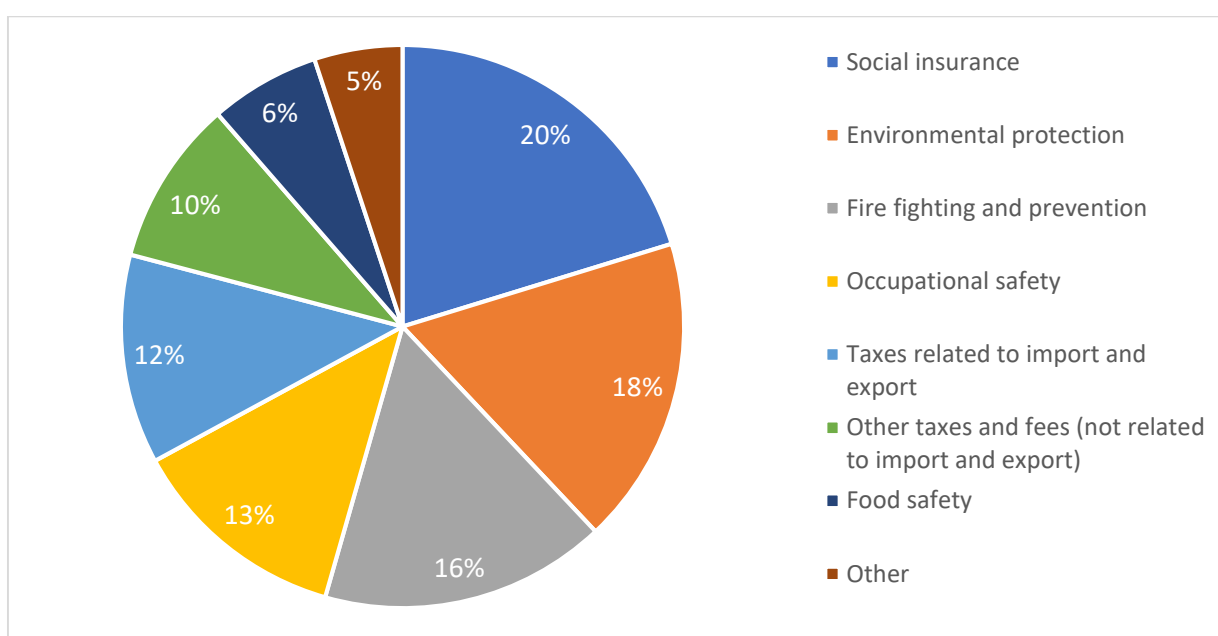


Figure 29: Administrative procedures that businesses must spend more than 10% of their time complying with in 2021

Source: Survey of VCCI Can Tho

For the group of administrative procedures that consume a lot of time, procedures related to social insurance ranked first with 20% of enterprises. Procedures in the fields of environmental protection, fire fighting and prevention, and occupational safety also take a lot of time for enterprises with the rating rate of 18%, 16%, and 13% respectively. The group of procedures for taxes, fees and charges, although lower, still accounts for a significant proportion. To improve the above situation, provinces need to be active to strengthen the provision of online public services to minimize the loss of time for enterprises.

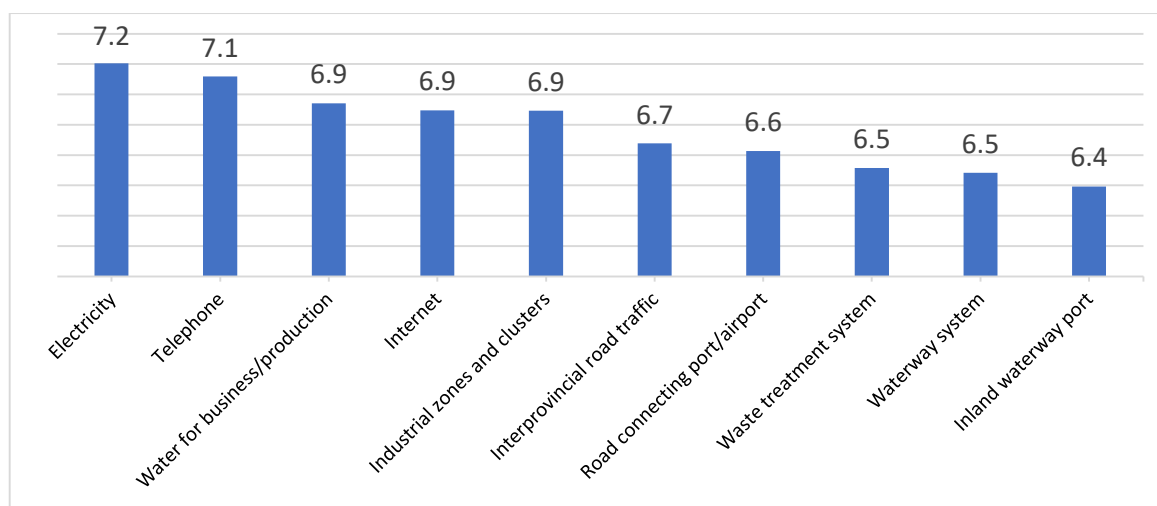


Figure 30: Quality of local infrastructure where enterprises invest

Source: Survey of VCCI Can Tho

Infrastructure quality is one of the main factors affecting investment decisions of FDI enterprises. The survey results on the quality of infrastructure at the place where enterprises invest are calculated and converted to a 10-point scale. Accordingly, basic infrastructure such as electricity, telephone, water, internet, and industrial parks All occupations received scores of good or higher. Next is the inter-provincial road infrastructure and connection to the port and airport, which are rated at 6.6 and 6.7 points.

Despite the advantage of the canal system covering the whole area, the waterway transport system as well as the waterway ports of the Mekong Delta is still quite weak. The lack of synchronous construction of irrigation works has caused the canal system of the Mekong Delta to be divided. The lack of a master plan on the waterway port and the weakly connected road transport system also prevents the Mekong Delta from taking advantage of its available natural advantages.

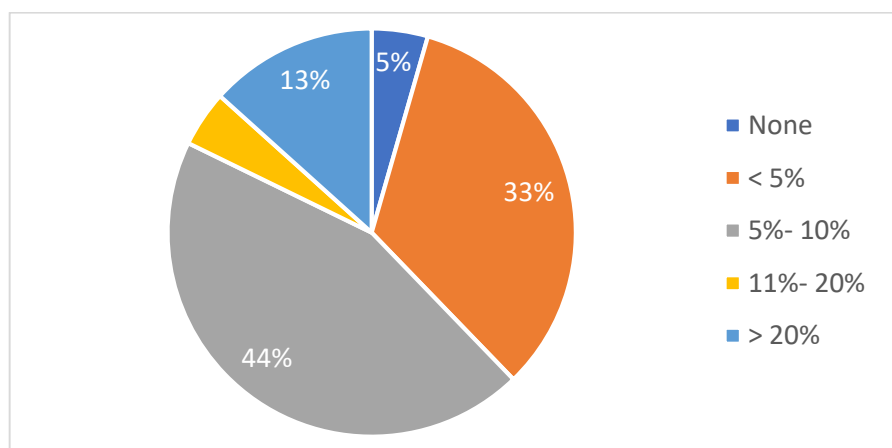


Figure 31: Expenses for labor training over total business expenses (%)

Source: Survey of VCCI Can Tho

Despite having the advantage of an abundant and cheap labor source, the qualifications are still low, leading businesses to spend a lot of money on training. Accordingly, only 5% of enterprises said that they did not pay labor training costs. The rest, up to 33% of enterprises spend less than 5% and 44% of enterprises spend 5-10% of total business expenses on training activities. Particularly, 13% of enterprises said that they spend more than 20% of their total costs on training, focusing mainly on the health and education sectors; garment; clean energy; paper recycling.

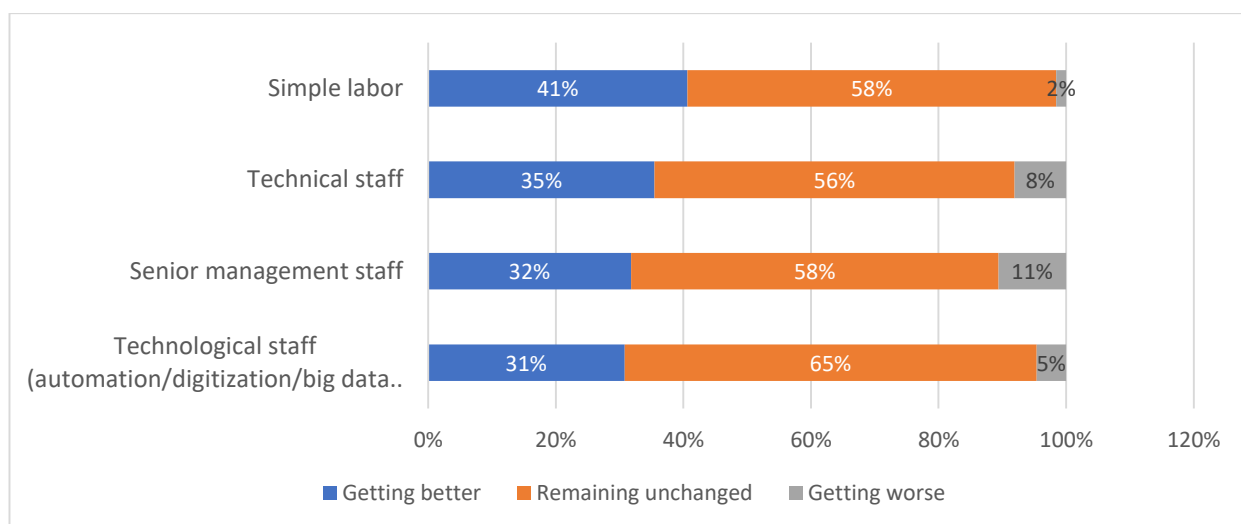


Figure 32: Labor qualifications in the Mekong Delta in the next 5 years (% of enterprises assess)

Source: Survey of VCCI Can Tho

Contrary to the current situation, most businesses believe that the level of human resources in the Mekong Delta will improve in the next 5 years. In which, the level of the simple labor group is predicted to be the most likely to improve with 41% of enterprises predicting. Next, technical staff is also expected to improve in capacity in the future, with 35% of enterprises predicting.

However, senior managers and technical personnel were assessed to have less change in capacity and improvement than the other two groups. In particular, with the development orientation in the direction of increasing the value of the region, the lack/unresponsiveness of technology personnel will cause many obstacles.

INVESTMENT POTENTIALS IN THE MEKONG DELTA

Investment policies that investors need to pay attention to

Some outstanding incentives for foreign investors in Vietnam in the EU-Vietnam Free Trade Agreement (EVFTA), which officially took effect from August 1, 2021, can be mentioned as follows:

Commodity trade

For imports from the EU, Vietnam commits to eliminate tariffs as soon as the Agreement comes into effect with 48.5% of tariff lines (accounting for 64.5% of import turnover). Then, after 7 years, 91.8% of tariff lines, equivalent to 97.1% of import turnover from the EU, will be eliminated by Vietnam. After 10 years, the tariff elimination level is about 98.3% of the tariff lines (accounting for 99.8% of import turnover). For about 1.7% of the remaining tariff lines of the EU, Vietnam applies a roadmap to eliminate import tax for more than 10 years or apply tariff quotas according to WTO commitments.

Other contents related to trade in goods: Vietnam and the EU also agreed on contents related to customs procedures, SPS, TBT, trade remedies, etc., creating a legal framework for the two sides to cooperate and favorable conditions for export and import of enterprises.

Trade-in services and investment

The commitment of Vietnam and the EU on trade in services and investment aims to create an open and favorable investment environment for businesses of both sides. The commitments in the EVFTA are more comprehensive than those in the WTO and are equivalent to the highest level of commitments in the recent EU FTAs.

The two sides also made commitments on national treatment in the field of investment and discussed the content of dispute settlement between investors and the state. Some key features of commitments in a number of service industries are as follows:

- **Telecommunications services:** Vietnam accepts the same level of commitment in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Especially for value-added telecommunications services without network

infrastructure, Vietnam allows the EU to set up 100% foreign-owned enterprises after a transition period.

- **Distribution services:** Vietnam agrees to remove the requirement of economic needs test after 05 years from the date of entry into force of the Agreement. However, Vietnam reserves the right to implement distribution system planning on a non-discriminatory basis. Vietnam also agrees to be non-discriminatory in the production, importation and distribution of alcohol. Accordingly, it allows EU businesses to maintain operating conditions under current licenses and only need one license to carry out import, distribution, wholesale and retail activities.

E-commerce

To develop e-commerce between Vietnam and the EU, the two sides commit not to impose import tax on electronic transactions. The two sides also committed to cooperate through maintaining dialogue on management issues raised in e-commerce, including:

- Responsibility of intermediary service providers for the transmission or storage of information.
- Dealing with forms of electronic communication in commerce without the consent of the recipient (e-mail offers, advertisements...).
- Protecting consumers when participating in electronic transactions.
- Bilateral cooperation in exchange of information on domestic legislation and related enforcement issues.

Thus, it can be seen that when the Agreement is signed, foreign enterprises will receive more incentives than before.

Orientation to attract investment of some provinces in the Mekong Delta

Here are some investment attraction views of the Department of Planning and Investment in some key provinces such as Long An, Ben Tre, Can Tho, Dong Thap, Soc Trang, Bac Lieu during the survey:

- Long An: build an Innovation Center into a leading model center in the region with a digital ecosystem and high-tech infrastructure. The project uses less land, develops sustainably and is a project of interest to local leaders.

- Ben Tre: boost processing-manufacturing industries; develop hi-tech agriculture; towards building Ben Tre to become a center for research and transfer of agricultural production techniques to farmers and businesses; processing high value-added products from coconuts, seafood, fruits, renewable energy, distribution center of agricultural products.

- Dong Thap: focus on attracting investment, such as encouraging investment in industrial parks and economic zones associated with supporting services; agricultural industry; processing and preserving agricultural and aquatic products; in the fields of infrastructure development, especially transport infrastructure, tourism infrastructure, renewable energy, high-quality education, specialized healthcare, tourism and resort infrastructure, complex and urban infrastructure, commercial centers.

- Bac Lieu: The new investment perspective on Renewable Energy is to determine that Bac Lieu will be a national clean energy center by 2030.

- Can Tho: pay attention to projects in the 2021-2025 period, including in the fields of urban, trade and service, logistics, tourism, etc. Continue to promote inviting businesses to invest in industrial development projects, including processing industry, supporting industry, high-tech industry...; Can Tho has approved specific policies to create a new push in actively calling for investment.

Investment potentials in the Mekong Delta in the near future

High-tech agriculture

In early October 2021, Minister of Agriculture and Rural Development Le Minh Hoan had a meeting with Mr. Pier Georgio Aliberti, Ambassador, Head of the Delegation of the European Union to Vietnam. The meeting aimed to continue to promote extensive cooperation between Vietnam and the EU in the field of agriculture, especially promoting trade in agro-forestry-fishery products after the EVFTA comes into effect.

At the meeting, Minister Le Minh Hoan asked the Ambassador to help attract EU businesses to increase investment in Vietnamese agriculture in the direction of high technology, deep processing, and application of environmentally green and sustainable standards, closely connected with local businesses and farmers. At the same time, the Minister proposed the EU Ambassador to encourage and create conditions for European FDI enterprises to export necessary machinery, equipment, technology and raw materials to Vietnam along with the investment process.

In the period 2004-2020, the Mekong Delta's agriculture contributed an average of 33.54% of the country's agricultural GDP and 30% of the region's general GDP. The average growth rate of agricultural GDP in the Mekong Delta in the 2004-2020 period reached 4.6%, higher than the growth rate of the whole country (3.76%). The Mekong Delta always ranked first in the country in terms of output of rice, brackish shrimp, pangasius and fruit, with 24.51 million tons of rice, accounting for 56% of the country's total output; 671.7 thousand tons of shrimp, accounting for 83.51%; 1.41 million tons of pangasius, accounting for 98% and 4.3 million tons of fruit, accounting for 60%.

Although the agricultural industry has many achievements, the efficiency and quality are still limited. Currently, agriculture in the Mekong Delta is still mainly based on exploiting natural resources and cheap labor. The Mekong Delta Annual Economic Report 2020 also clearly shows that the old development model of the Mekong Delta is outdated, even outdated, and therefore needs a new development model. In this new model, the application of high-tech solutions to the agricultural industry will certainly be an important priority because agricultural production and processing have always been an outstanding strength of the region.

However, the application of technology in agriculture will face many challenges when most enterprises in the agricultural sector in the Mekong Delta are small and medium-sized enterprises, so they cannot ensure a closed production model by themselves but must associate with farmers. Besides, most farmers in the Mekong Delta have small and fragmented farming areas, so it is very difficult to invest in and apply high-tech agriculture by themselves.

Investment and high-tech transformation in the aquaculture industry have rekindled in large enterprises in the Mekong Delta region, some typical examples Minh

Phu Group Joint Stock Company (shrimp, logistics) has combined technology AI technology and Blockchain platform to build a smart mobile application (Mobile app) to manage shrimp farming... Vinh Hoan Joint Stock Company (multi-industry investment) continues to develop new protein product lines, pharmaceuticals from raw fish,.. My Lan Group (shrimp, technological equipment, digital solutions) has also given simple product lines that apply AI to help farmers with weather forecasts and quality of water resources, farming recipes, big data formation, step by step digital transformation for the agricultural industry, not just the fishery industry. Or the closed model, rice consumption of Loc Troi in association with farmers has also made remarkable achievements. Although it has not yet reached the desired scale, the high-tech applications of the leading large enterprises have brought about the spillover of technology and techniques for farmers and cooperatives to do business in the value chain. agricultural. It can be seen that the role of small and medium enterprises as well as farmers in the Mekong Delta is irreplaceable in the value chain. In the new model, small and medium-sized enterprises and farmers can become the main production force so that large and leading enterprises can focus their resources on developing processes, technologies, value-added products, markets....

Given the current conditions and characteristics, the Mekong Delta needs to replicate existing effective models or find a new model suitable to the characteristics of the region. In the long term, along with the change in the global demographic structure and living standards, the world's demand for high-quality agricultural products will increase. Leading to the orientation of limiting the quantity and enhancing the quality of agricultural products for export, the port will become an important strategy for the sustainable development of Vietnam's agricultural sector in general and the Mekong Delta in particular. Therefore, in the future, the Mekong Delta has many opportunities to develop the agricultural production and processing industry, especially in the direction of high quality to meet the demand for quality, safe, and sourced food from the middle class which is increasing day by day both domestically and internationally.

Clean energy

Consulting joint venture Royal Haskoning DHV (Netherlands) and GIZ (Germany) pointed out the outstanding potentials of clean energy sources in the Mekong Delta when

90% of the days of intense sunshine a year are suitable for solar power development. The Mekong Delta is also a low and flat peninsula with strong coastal sea breezes, suitable for wind power development. In addition, the advantages of location and topography of the region also facilitate the transportation of gas from offshore to shore and the construction of large floating storages for gas thermal power.

On average, the Mekong Delta receives 2,200 - 2,500 hours of sunshine every year, so the potential for solar energy exploitation is huge. Taking advantage of the sun and wind before climate change, the Mekong Delta provinces strongly develop renewable energy. In addition, this area has a coastline and islands with a length of about 700km, a marine exclusive economic zone up to 360,000km², strong coastal wind conditions of about 5.5-6 m/s at altitude 80m should have the potential to exploit wind energy from 1,200 - 1,500 MW.

On the other hand, according to the Ministry of Industry and Trade, Vietnam is estimated to lack about 6.6 billion kWh of electricity in 2021; 11.8 billion kWh in 2022 and a peak of over 13 billion kWh in 2023. To make up for this huge production shortfall, it is estimated that about 130 billion USD in new energy investments will be needed through 2030, or the equivalent of average investment is 12 billion USD/year, of which about 9 billion USD is for power source investment and 3 billion USD is for electricity grid investment. With such great demand, Vietnam is becoming an attractive market for energy investors.

In addition, Dr. Le Anh Tuan - Deputy Director of the Institute of Climate Change (Can Tho University) said that according to the national renewable energy development plan to 2035, the whole Mekong Delta region will have over 68,600MW wind power potential and more than 31,500MW of solar power potential. Power projects are being planned in the Mekong Delta, if well implemented, will be the place to supply electricity to other regions.

In recent times, many foreign investors have left open the possibility of wanting to invest in large projects in the energy sector of the Mekong Delta. Specifically, the company of the Millennium Group of the United States wants to invest in a gas power project in Soc Trang province with a capacity of 9,600 MW, 3 times larger than the size of the LNG plant project in Bac Lieu licensed in 2020. The company is committed to

using advanced equipment, ensuring no environmental pollution. Thereby, the company asked the province to support about 200 hectares of land and necessary legal procedures. The province is in high agreement with the project and if the company chooses to invest, the province will create all conditions and support the procedures to implement the project.

Soc Trang province has also planned 20 wind power projects with a total capacity of 1,435MW. These projects are under construction and are expected to be put into operation by October 2021, the rest will be put into operation in the years 2022 - 2023. The province and the investor are implementing roads, power transmission lines to serve wind and solar power projects.

In Bac Lieu province, 9 wind power projects with a total capacity of 562MW are being implemented, and are proposing to add 2 more wind power projects with a total capacity of 200MW to the revised Power Plan VII. The remaining is proposed to be included in the Power Plan VIII with a total capacity of 9,140.6MW of power sources as a basis for implementation in the next phase. In addition, the liquefied natural gas (LNG) thermal power plant project, with a capacity of 3,200MW, with a total investment of 4 billion USD licensed last year is also being urgently deployed.

In Ca Mau, Tra Vinh, Ben Tre, An Giang, coastal and offshore wind power projects are also being urgently implemented. In An Giang, there are 10 investment projects in solar power plants with a total capacity of about 780MW. As for Ca Mau province, according to the Mekong Delta Plan for the period of 2021-2030, with a vision to 2050, Ca Mau province will become a gas-fired thermal power center of the country. Since operating in May 2007 until now, the Ca Mau 1 and 2 gas-fired thermal power plants have provided 84 billion kWh of electricity, total revenue of more than 117,000 billion VND, and contributed more than 2,900 billion VND to the local budget. Ca Mau also implemented two new gas-fired thermal power projects, Ca Mau 3 gas-fired power plant, with a capacity of 1,500MW.

With the potential for development and investment attraction of the Mekong Delta region, the Government has been and will pay more attention and investment, especially in the period of 2021-2025. Specifically, in the period of 2021- By 2025, the total state budget capital is expected to support projects in 13 provinces and cities in the Mekong Delta about 266,000 billion VND, an increase of 20% compared to the 2016-2020 period.

In addition, the state budget capital is invested Investment through many ministries such as Transportation, Agriculture and Rural Development, Health ... to implement the project works reached about 121,600 billion. Regarding official development assistance (ODA), the Government has determined to add 2 billion USD in the period 2021-2025 for the whole region. This is also a favorable condition for the region to develop its infrastructure system for socio-economic development, improving its competitiveness in attracting investment.

Logistics

Logistics situation in Vietnam

According to the statistics of the Transport and Logistics Yearbook 2018, the ratio of transportation and handling costs to the revenue of enterprises was about 4.78%, this is the highest cost in the total logistics costs of enterprises. Next, warehousing costs were 2.26%, inventory costs were 1.5%, and logistics management costs were 0.84%. In general, Vietnamese businesses spent an average of 9.37% of revenue on total logistics costs.

If counting the Mekong Delta alone, these costs are even higher because the infrastructure is still weak and not synchronized. Agricultural products in the Mekong Delta are being held back by many factors, including the burden of logistics costs. Logistics costs in the Mekong Delta are unreasonably high, up to 30% of the product cost, while that of Thailand is more than 12% and of the world is more than 14%, which makes Mekong Delta agricultural products less competitive.¹⁴

Citing the production and consumption process of pineapple (a key brand of Hau Giang), Mr. Pham Tien Hoai, Chairman of Hau Giang Business Association, General Director of Hanh Nguyen Logistics said, farmers buy input products in different places, when harvesting, they gather the goods, bring them to the barn, then sort and get them on a truck to take them to the company/factory, then irradiate, then arrive at the port, store or export ..., through many stages, so the price is very expensive. "The weight is

¹⁴ <https://baodautu.vn/dong-bang-song-cuu-long-chi-phi-logistics-chiem-30-gia-thanh-san-pham-d140842.html>

heavy but the value is low, so a ton of pineapple costs \$1,000 while a ton of Iphone costs \$2 million," said Hoai.¹⁵

	Manufacturing	Wholesale industry	Average
Shipping and handling costs over revenue	4.8%	4.75%	4.78%
Warehousing cost over revenue	1.97%	2.54%	2.26%
Inventory cost over sales	1.41%	1.59%	1.50%
Logistics management costs over revenue	0.78%	0.89%	0.84%
Total logistics costs over revenue	8.96%	9.77%	9.37%

Table 8: Logistics costs on revenue of Vietnamese enterprises

Source: Transport and Logistics Yearbook 2018

Besides, financial capacity, science and technology and human resources are also the biggest limitations of logistics service providers. Enterprises providing transport and logistics services have an organized system, the ability to link businesses is limited, about 70-75% of vehicles only transport goods one way, enterprises are often slow to apply the information technology in management and administration,¹⁶ thus making logistics costs high. This shows that domestic enterprises are suffering from quite high logistics costs when supplying goods to the market.

Potential of logistics industry in the Mekong Delta

Over the past time, despite the attention to investment and development, the transport infrastructure and logistics system of the Mekong Delta region have not been synchronized. The existing logistics center of the region is quite small, under 10 hectares and mainly serves a number of businesses in industrial zones or a number of provinces and cities.

Currently, in terms of roads, the Mekong Delta has formed longitudinal axis routes connecting the southwestern provinces with Ho Chi Minh City and the Southeast provinces; horizontal axis lines connecting the region. By the end of 2020, the national highway system in the region will have a total length of about 2,688 km, an increase of 52% compared to 2002. Regarding inland waterways, the total length of the inland

¹⁵ <https://tienphong.vn/chi-phi-logistics-de-nong-san-dbscl-post1327068.tpo>

¹⁶ Logistics Viet Nam Report 2020

waterway network in the whole Mekong Delta region is more than that of 2002. 6,100km; of which the central government currently manages 2,990 km.

Regarding maritime, up to now, the transportation industry has developed a system of 12 seaports with 37 wharves with a total length of 7,642 meters, 23 buoy berths and 16 transshipment anchorages and storm shelters. Many seaports and ports have been built such as Cai Cui port (Can Tho); Vinalines Hau Giang general port; Tra Cu port (Tra Vinh) can accommodate ships up to 20,000 DWT; My Thoi port (An Giang) for ships up to 10,000 DWT...¹⁷

However, the logistics system of the Mekong Delta only meets 20-25% of the region's total sea transport demand. The largest port in the region, Cai Cui, has the capacity to receive ships of over 20,000 DWT, but due to the limitation of the Hau river channel, it has not been exploited to its full capacity. As for the airline, the Mekong Delta currently has 4 airports, but it does not contribute much to logistics activities. Specifically, Can Tho International Airport has a new exploitation efficiency of 28% of its design capacity, and Ca Mau and Rach Gia airports have not been upgraded.¹⁸

According to statistics of Saigon Newport Corporation (Saigon Tan Cang Corporation), the total demand for transportation of rice, seafood and fruits in the export industry in the Mekong Delta region is about 17-18 million tons/year. Because the logistics system in the Mekong Delta has not been able to meet the requirements, about 70% of exported goods still have to be transported to Cat Lai (Ho Chi Minh City) and Cai Mep (Ba Ria-Vung Tau) ports by road. Enterprises have to bear higher transportation costs from 10 to 40% depending on the route. In addition to high costs, overcrowding occurs frequently on transport routes connecting Ho Chi Minh City to provinces in the Mekong Delta.

Regarding the potential for logistics development, the Mekong Delta has a system of long coastlines, natural ports, and convenient rivers, but it has not been taken full advantage and exploited effectively. Accordingly, the obvious strength of the Mekong Delta is the port system stretching across the Hau and Tien rivers; 5 road corridor routes connecting the delta with the Southeast region and the whole country. The waterway

¹⁷ <https://vneconomy.vn/dong-bang-song-cuu-long-chuan-bi-dau-tu-nhieu-du-an-giao-thong-lon.htm>

¹⁸ <https://haiquanonline.com.vn/nut-that-ha-tang-logistics-o-dong-bang-song-cuu-long-144520.html>

network here is also long and of higher quality than other regions in the country with a 28,000km long river and canal system; of which 23,000km is capable of transportation, there are 2 arterial waterways from Ho Chi Minh City to Kien Giang, Ca Mau and Quan Chanh Bo canal for large ships entering and leaving the Hau River...¹⁹

However, so far, large ships unable to pass through Dinh An estuary into the Hau River are a major bottleneck, causing congestion in the transport of goods, especially agricultural products for export, and hindering the development of the whole Mekong Delta. This issue is also one of the notable issues related to the specific mechanisms and policies for Can Tho City that the Government submitted to the National Assembly at the first extraordinary session of the 15th National Assembly. Accordingly, the specific pilot mechanism and policy for Can Tho City has the content of preferential policies for dredging projects of Dinh An and Hau river channels for ships with a tonnage of 10,000 tons or more to enter ports. of Can Tho City. This is considered a problem not only of Can Tho city but also of special significance for the whole Mekong Delta, because when Dinh An channel is opened, it also means the transportation of agricultural products of the Mekong Delta by waterway will be smooth.

According to Mr. Le Tien Cong, Deputy General Director of Can Tho Port Joint Stock Company (the owner of Cai Cui port, Hoang Dieu port), said that currently, ships entering the Hau River have 2 channels, both of which cannot receive incoming traffic with a large tonnage of 10,000 tons or more. Specifically, the main channel is Quan Chanh Bo canal, which can only go one way, while Dinh An channel is a secondary channel, but natural sedimentation makes it impossible for large ships to pass. For many years now, only ships, ships and barges of 3,000 tons or less have passed through Dinh An channel. While ships from 3,000 tons to less than 10,000 tons must pass through Quan Chanh Bo canal, the canal can only go one way, so the waiting time for ships is very long.

According to Mr. Chu Van An, Deputy General Director of Minh Phu Seafood Corporation, one of the large-scale seafood exporters of the Mekong Delta: “We have two factories in Ca Mau and Hau Giang. From Ca Mau to Ho Chi Minh City, it costs us 11 million VND/container and from Hau Giang to Ho Chi Minh City it costs 7 million

¹⁹ Logistics Viet Nam Report 2021

VND/container. Thus, with carrying 6,700-7,000 containers/year to the port in Ho Chi Minh City, the logistics cost of transporting goods is tens of billions of VDN. If a logistics center is built in Can Tho, goods can be exported directly from the Mekong Delta. Enterprises do not have to bring goods to Ho Chi Minh City, saving a huge amount of costs”.

It can be seen that the needs of enterprises as well as the attention of the Government for the development of the logistics service industry in the Mekong Delta are very large and urgent, especially logistics aimed at serving agricultural and aquatic products of the region. In addition to the main logistics services such as transportation, warehousing, and goods preservation, most essential services (cold storage, irradiation, steaming for fruit products) also create many potentials and opportunities for logistics enterprises.

PART III: LEARNING AND CONNECTING WITH ENTERPRISES

CONNECTION DEMAND OF MEKONG DELTA ENTERPRISES

Characteristics of enterprises participating in the survey

VCCI in Can Tho conducted a survey to collect opinions of enterprises in the Mekong Delta and received 60 responses from enterprises. Most of the participating enterprises are large-scale, operating in many fields, and spread across provinces. Locating enterprises by locality is only relative because most businesses operate in many localities where there are farming areas, raw materials, labor areas, favorable conditions for accessing land and soil.

According to the survey results, 85% of enterprises participating in the survey are import and export enterprises. The main export market is ASEAN with 54.9%, followed by the US market with 52.9%, and China with 41.2%. Some other major markets are the EU, the Netherlands and Canada, all accounting for 31%. Thus, the Dutch market is a market with great potential for businesses in the Mekong Delta in the near future when taking advantage of the advantages on the basis of the EVFTA Agreement.

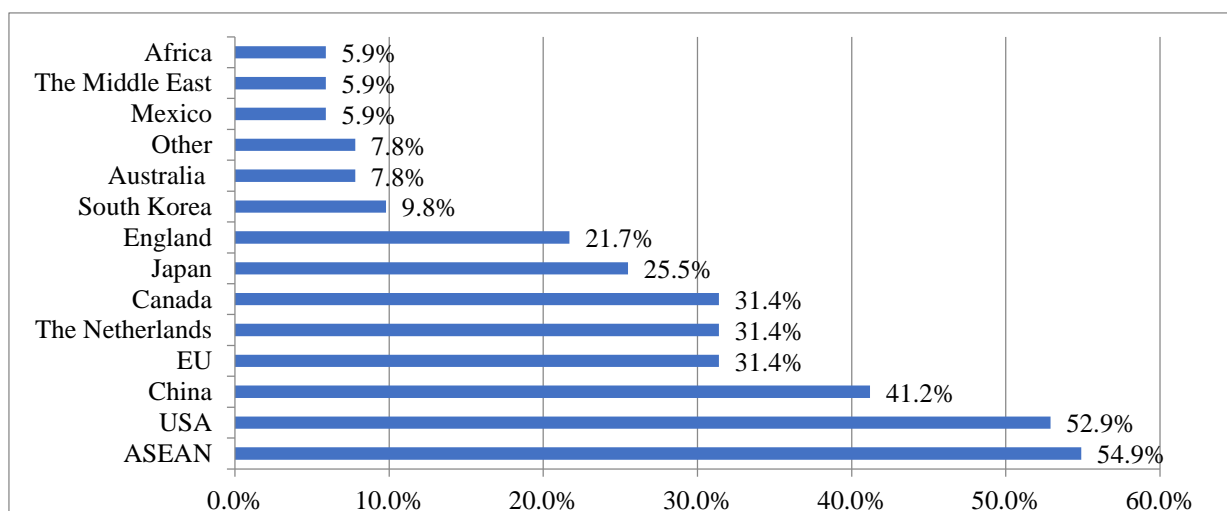


Figure 33: The main export market of enterprises

Source: VCCI Can Tho

Trade between Vietnam and the Netherlands is constantly growing in terms of turnover of advantageous products in Vietnam and the Mekong Delta.²⁰ With the strength of technology and capital, as a country with characteristics affected by climate

²⁰ The Netherlands is one of the 5 EU countries that import Vietnamese seafood products: The Netherlands is in the top 5 EU countries importing Vietnamese seafood, the growth rate of 2015-2019 is 20% (report on EU seafood market and Vietnam's seafood trade 2015-2019, Vasep, 2020), and at the same time, textiles and footwear, the EU is one of the three major markets of Vietnam (Source of General Department of Customs 2021).

change, the investment capital of Dutch enterprises in the Mekong Delta region can be promoted well based on providing business solutions or climate change response.

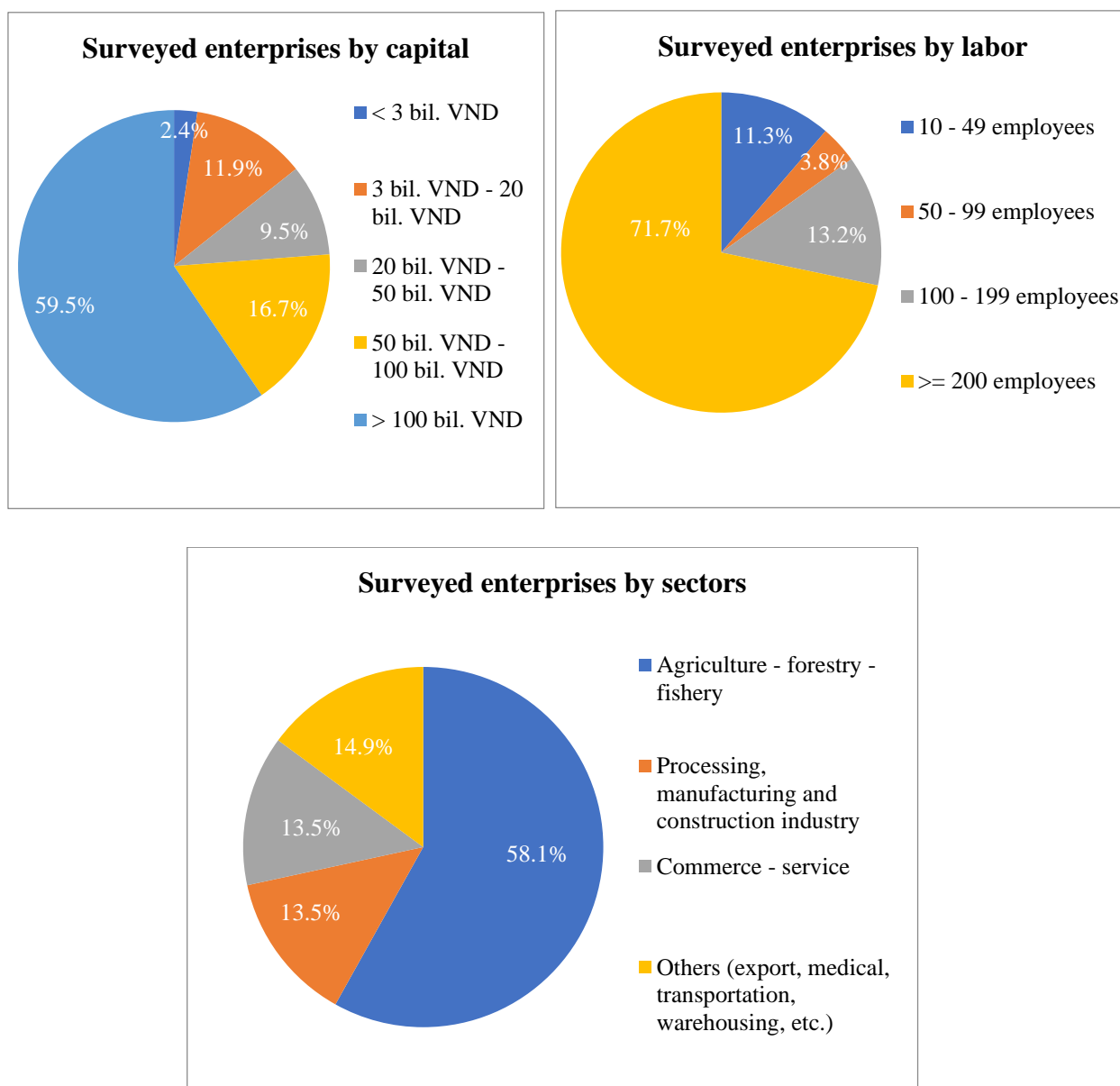


Figure 34: Characteristics of surveyed enterprises

Source: VCCI Can Tho

Regarding the average size of employees of enterprises participating in the survey, the largest proportion is enterprises with a size of 200 employees or more with 71.7% and the lowest is enterprises with a size of 50 to 100 employees with 3.8%. Regarding investment capital, the group of enterprises with capital scale of over 100 billion VND accounted for the largest proportion (59.5%) and the lowest was the group of enterprises with capital scale of less than 3 billion (2.4%).

Enterprises participating in the survey were also divided by industry group, in which the agricultural, forestry and fishery industry accounted for 58.1%, the processing

industry, manufacturing and construction group accounted for 13.5%, and the service - trade group accounted for 13.5% and other sectors (medical, transportation, warehousing, etc.) accounted for 13.5%.

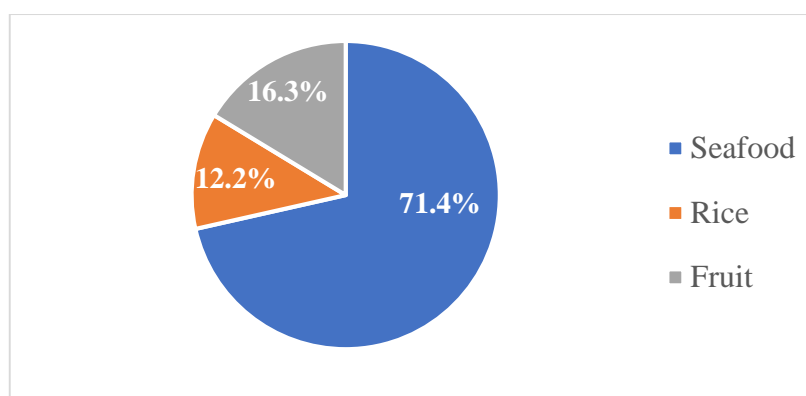


Figure 35: Structure of the agricultural - fishery industry group

Source: Mekong Delta Enterprise Survey 2021

In the field of agriculture - fishery, the fishery industry accounted for the highest proportion of 71.4%, the rice industry 12.2% and the fruit industry 16.3%. Statistics on sub-sectors are relative because most of these enterprises have the common characteristic of being multi-sectoral businesses, being both agro-fishery enterprises and large processing enterprises in the region to take the initiative in partly sourcing raw materials.

The majority of enterprises participating in the survey are enterprises with large labor scale and investment capital, so the ability to recover and reproduce after the COVID-19 epidemic is quite fast due to the large supply market with good growth. By the end of 2021, the main export markets were also recovering, the vaccination rate on a large scale and the post-covid support packages have been deployed to create the basis for pushing up export prices, the Horeca channel (the distribution channel for the products and services used at hotels and restaurants) were gradually reopening. At the same time, the trend of favoring deep-processed products would be an opportunity for Mekong Delta enterprises to transform and upgrade new product lines.

The needs of enterprises

Group of seafood processing industry

In the first 9 months of 2021, Vietnam's seafood exports to the EU reached 154.8 thousand tons with a value of 742 million USD, up 3.1% in volume and 6.5% in value

over the same period last year. 2020, accounting for 10.9% in volume and 12% in value of seafood exports of the country. Vietnam's seafood has been exported to 24/27 EU markets, in which the Netherlands, Germany, Belgium, Italy and Spain are the markets with the highest export value, respectively.

As a strong industry of the Mekong Delta, enterprises in the industry are constantly innovating and have many needs to connect with domestic and foreign businesses. According to a survey by VCCI Can Tho, 42% of businesses have a need for cooperation in the field of logistics.²¹ In the current period, logistics is considered as a bottleneck of the Mekong Delta region, causing many difficulties for export agricultural products. Longer transportation time, resulting in increased costs also reduces the competitiveness of agricultural products in the Mekong Delta. The trend of increasing sea transport has developed from 2019 up to now.²² Particularly in 2021, the announcement of financial results of the leading seafood export enterprises showed an increase in revenue but a decrease in profit mainly related to the pandemic, which created a big barrier in shipping logistics, so the data about the desire to cooperate occupies a large proportion.

In addition, products and services in the aquaculture industry have also received much attention, with more than 25% of businesses wishing to cooperate. The process of aquaculture from hatchery, water treatment, wastewater, feed and other products ... in the Mekong Delta region has not yet met the needs of businesses.

Water treatment industry

The enterprises participating in the survey also highly appreciated the importance of water treatment techniques (groundwater, surface water), waste treatment, and soil restoration. Currently, the challenges of climate change have more or less affected the raw material areas in the Mekong Delta. Some enterprises have been building and perfecting waste treatment systems and are willing to cooperate with foreign enterprises to build a complete system towards sustainable development.

²¹ Article 233 of the Commercial Law 2005 stipulates: "Logistics service is a commercial activity whereby a trader organizes the performance of one or more jobs including receiving goods, transporting, storing, storing, and handling goods. Customs clearance, other paperwork, customer consultation, packaging, marking, delivery or other services related to goods as agreed with the customer for remuneration."

²² Source: Drewry Shipping

According to the Vietnam Pangasius Association, the aquaculture industry depends greatly on the quality of the water source of the raw material area such as preserving, balancing or creating balance conditions between chemical components as well as quality. nature of water. Organic waste from food forms sediments below the oxygen level in the water can contaminate the source. Consider further the status of residential water use in relation to agricultural production in general, poses competition for water resources. Although the Mekong Delta has an interlaced river system with a length of 6,700 km, not everywhere can use surface water for daily life because of salinity and alum contamination.

In the Mekong Delta, the water supply for urban areas is taken from the Tien and Hau rivers and groundwater. Total water supply capacity is 1,182 million m³/day, of which 73% is using surface water. Currently, the whole region has 224 surface water plants and 126 underground water plants. In general, water plant technology has an outdated design. Mining capacity is only about 70% of the design. Some buildings are degraded, so the loss rate is high (25% average loss). Regarding rural water supply, the whole region has 4,200 rural water supply works, 90% of which is underground water exploitation, and 10% of surface water.

According to the General Statistics Office, by 2021, the Mekong Delta will have 21.43% of villages with a common domestic wastewater drainage system, lower than the Southeast (24.52%) if compared with the same level of general population, it's lower than the national average (34%). Concerns about untreated domestic wastewater also raise doubts about the quality of water sources for production activities. Although enterprises engaged in export activities have complied with strict farming standards in terms of raw material areas (ASC, BAP, ...), aquaculture areas are required far from residential areas to access international markets, for businesses serving the domestic market, this will also be a concern that should be paid attention to.

Group of rice and fruit industries

The Mekong Delta is also the granary of rice and fruit trees of the country. The raw material areas are concentrated in An Giang, Dong Thap and Kien Giang with many economic models of cooperation between businesses, farmers and cooperatives. The large sample field model in the Mekong Delta has a total participating area of nearly

184,000 hectares by mid-2020, the highest level in the country, with the largest number of contracted areas in the country. However, the model is still gradually completing the methods of cooperation between enterprises and farmers and cooperatives.

According to the Ministry of Agriculture and Rural Development, rice export volume and value in the first 11 months of 2021 reached 5.7 million tons with 3 billion USD, increased by 0.8% in volume and 7.3% in value compared to the same period in 2020. The Philippines is Vietnam's largest rice consuming market in the first 10 months of 2021 with 39.1% market share. Second is the Chinese market, followed by Ivory Coast.

Markets	December 2020	+/- compared to 11/2020 (%)	2020	+/- compared to 2019 (%)	Proportion (%)
<i>Total</i>	274,411,812	4.93	3,269,245,926	-12.71	100
China	147,083,364	2.86	1,839,855,024	-25.71	56.28
ASEAN	20,849,414	-19.88	288,256,427	27.31	8.82
USA	16,324,121	2.91	168,824,664	12.54	5.16
EU	19,221,722	47.96	158,016,881	6.76	4.83
Thailand	8,202,085	-47.05	157,156,882	109.7	4.81
South Korea	10,045,013	-2.23	142,976,649	8.46	4.37
Japan	9,442,148	-9.67	127,668,223	4.3	3.91
Taiwan (China)	9,303,827	68.88	94,474,250	28.79	2.89
The Netherlands	8,941,804	76.68	82,394,500	3.43	2.52
Australia	6,422,792	-24.79	64,334,836	43.85	1.97

Table 9: Vietnam's fruit and vegetable exports in 2020 (USD)

Source: Calculation from data published on January 13, 2021 by the General Department of Customs

Incentives from the EVFTA Agreement are being effectively utilized when rice exports to the EU reach about 54 thousand tons, equivalent to 38 million USD, increased by only 0.8% in volume but up to 21.6% in export value compared to the same period in 2020. Enterprises are catching up with the trend of producing high-quality varieties (fragrant rice, long-grain rice, specialty rice) towards the high-end market. Among EU member markets, Vietnamese rice is exported mainly to the following countries: Germany (reaching 10 million USD), the Netherlands (reaching 6 million USD), Italy (reaching 6 million USD) and Poland (reaching 4 million USD).

For the fruit and vegetable industry, the export turnover of vegetables and fruits to the EU reached 173 million USD, increased by 7.6% over the same period in 2020. The EU is Vietnam's fourth largest fruit and vegetable export market, accounting for 5.3%

of the total export turnover of this item. Among EU member markets, Vietnam's vegetables and fruits are exported mainly to the following countries: the Netherlands (reaching 71 million USD), France (35 million USD) and Germany (20 million USD).

Business strategy Mekong Delta still focuses on multi-markets, mid- to high-end products, from processed goods to fresh products, exporting vegetables and fruits to large markets such as China, Southeast Asia, the rest to high-end markets like the United States.

Fruit processing clusters were formed in localities with large fruit material areas in the Mekong Delta, including Tien Giang, Vinh Long, Hau Giang, Soc Trang, Ben Tre, Dong Thap... The development of processing enterprises has led to the development of supporting services for packaging, fertilizers, drugs, biological products, specialized transportation, and consulting, which has been formed quite fully with the participation of foreign investors to create professional distribution network throughout the region, promoting the ability to increase productivity and quality according to market requirements.

The field of processing and preservation technology is also of interest to many businesses, wishing to connect and cooperate. Currently, the technology of preserving agricultural products in the Mekong Delta has not been focused, making the loss rate from harvest to consumption quite high. Competitors like Thailand and other countries in the ASEAN region have very competitive packaging and preservation, especially in the context of the global market's high demand for quality. Therefore, good product preservation will be a competitive advantage for Mekong Delta enterprises because the quality of Vietnamese products is not inferior to similar products in the world.

In addition, due to the negative impacts of climate change, agricultural enterprises are also very interested in soil treatment and restoration technology, landslide treatment technology and technology to prevent alum and salinity (14.9% of enterprises) and 8.5% of enterprises have demand for water treatment.

Other industry groups

According to the survey results, 42.6% of Mekong Delta enterprises want to connect with Dutch enterprises in logistics activities. Besides wanting to cooperate with Dutch businesses, 12.8% of Mekong Delta businesses also want to receive support from

the Dutch Government in completing more infrastructure, help develop the logistics of the region.

According to VCBS Vietnam's Logistics 2021 industry report, "the explosion of the e-commerce market during the pandemic drastically changed people's shopping habits, thereby placing a great demand on logistics infrastructure, goods handling center due to the characteristics of using warehouse space and logistics is much larger than the traditional trade channel. Increasing the market share of retail chain businesses (Bach Hoa Xanh, Co.op Mart, Vinmart,...) helps promote the demand for warehouse infrastructure and logistics services".

At the same time, the increasing trend of renting outsourced warehouse services is due to the current scarcity of clean land fund for warehouse expansion and professional warehouse services, so large Vietnamese logistics companies; for example, Tan Cang Corporation announced an investment strategy to expand this field. Hanh Nguyen Co., Ltd. in Hau Giang (as mentioned before) was established as a pioneer domestic enterprise in the Mekong Delta with a high consensus of support from local leaders in providing international quality cold storage services for fruits products, aiming to lift the barrier of regional logistics. The growth of the agricultural sector in the region with expanded international trade opportunities, a domestic market of nearly 100 million people, and room for new investors is huge.

According to statistics, the ratio of export / domestic trade in the agricultural and aquatic products industry is very small, most of the domestic market still plays an important role. Based on the announcement of the General Statistics Office in 2021 on the current state of Vietnam's roads, the ratio of highways/area, the Mekong Delta has the lowest ratio, only better than the Central Highlands economic region. Desiring to cooperate with Dutch businesses, 12.8% of Mekong Delta enterprises also want to receive support from the Dutch Government in completing infrastructure, helping to develop regional logistics.

Cooperation in investment in modern exploitation technology, automation and green technology in port operations and logistics services, and at the same time contribute to reducing emissions in logistics chains and supply chains of enterprises in the Mekong Delta. Warehousing and storage of goods, machinery and equipment and

other value-added logistics services for agricultural products for export are now also the desire of businesses in the region.

The survey results also show that 10.6% of businesses want to connect with the Dutch energy industry. The Mekong Delta is a potential region with many favorable conditions for the development of the energy industry, but this industry requires high investment in capital, technology and infrastructure. Therefore, promoting the energy industry will help businesses develop green, more environmentally friendly, and energy-saving production.

In addition, some businesses are also looking for partners to cooperate in providing primary plastic resins, mechanical machinery, mechanical equipment, and traffic safety and inspection equipment.

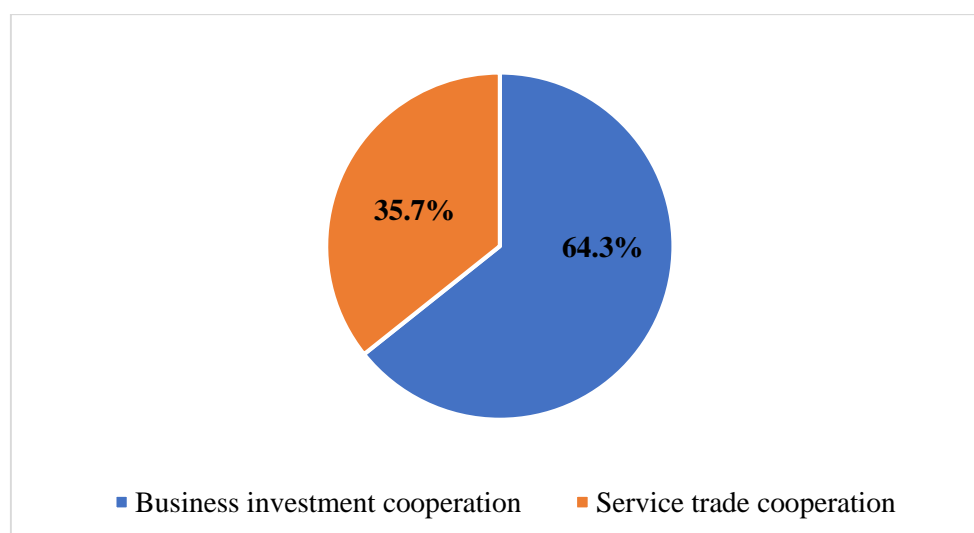


Figure 36: Cooperation forms of Vietnamese enterprises

Source: Survey of VCCI Can Tho

Regarding the form of cooperation, 64.3% of enterprises want to cooperate in the form of business investment and 35.7% in the form of commercial cooperation. Most of the enterprises in the Mekong Delta are mainly small and medium-sized enterprises, with limited capital, scale, technology and management level, so business investment cooperation is the fastest and most effective solution to help the enterprises increase their competitiveness in the current context.

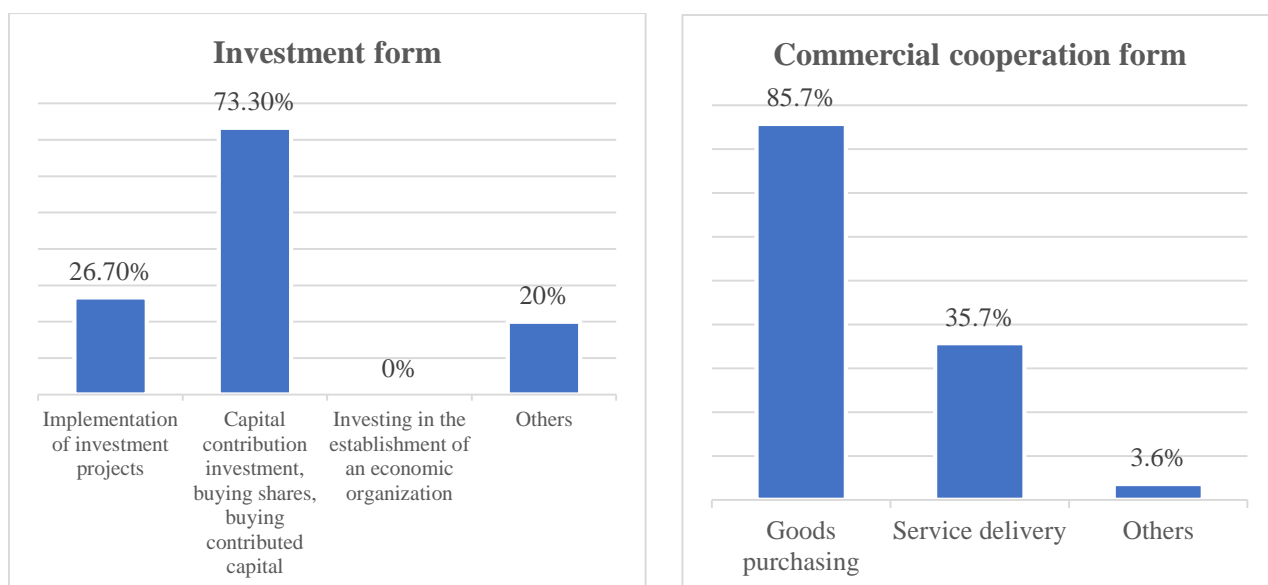


Figure 37: Desired forms of business cooperation

Source: Mekong Delta Enterprise Survey 2021

For the form of investment cooperation, 73% of enterprises want to invest, contribute capital, buy shares, buy capital contribution; 26% of enterprises want to co-invest in implementing investment projects and 20% of enterprises want to invest in establishing economic organizations.

For the form of commercial cooperation, 85% of enterprises want to buy, sell and exchange goods with Dutch enterprises; 35% of enterprises want to provide services from Dutch enterprises.

Some difficulties when making enterprises connections

- Vietnamese products must compete with other markets such as seafood products (Bangladesh, India, Ecuador); rice (Thailand, China, Indonesia); vegetables (Thailand, Malaysia, Philippines, ..).

- Enterprises in the region are small compared to other countries in the region; management qualifications still needs to continue to be upgraded; The advantageous industry is mainly based on exploiting resources.

- The Dutch market or the EU market are both fastidious markets, requiring environmental criteria, product quality assurance, food hygiene and safety and labor, while businesses have faces many difficulties when working with partners in these markets on prices and output.

■ The impact of climate change is a challenge for raw material areas to serve the export needs of enterprises, and will hurt businesses, the areas of raw materials, infrastructure, and workers' life.

TRADE PROMOTION STRATEGY BETWEEN DUTCH AND MEKONG DELTA ENTERPRISES

Possibility of cooperation between Dutch enterprises and Mekong Delta enterprises

Opportunities for cooperation between Vietnamese enterprises and Mekong Delta enterprises in business, investment and trade cooperation with the Dutch market are present. Enterprises in the Mekong Delta face opportunities since the new generation of trade agreements not only with the European market, but also other markets. In addition, CPTPP, RCEP open up the possibility of growth in many strong industries in the region. Dutch enterprises investing in Vietnam will benefit from these strengths.

Promotional organizations Ministries, sectors and localities annually conduct trade promotion programs, organize domestic and international fairs and exhibitions for businesses, especially small and medium-sized enterprises, focusing on taking advantage of New Agreement. The professional association promotes its strong support capacity and has accompanied in participating in effective promotion solutions to the world's large-scale fairs.

Vietnamese businesses quickly adapt to the trend of B2B online business activities, gain market access, promote and provide information about not only the region's advantageous industries but also supporting industries for the region such as transportation, trade, etc.

The negotiation activities of Vietnam's ministries and sectors, which have experience, are trying to achieve harmonization of technical standards and related laws for the Dutch market and major markets of the United States, China, South Korea, etc. to ensure smooth business operations through digitized trade and investment administrative procedures.

Warnings about barriers to human resource access, business environment, international trade, and political issues that may affect businesses have been improved through action programs in national and local levels.

The Mekong Delta enterprises themselves, through other independent surveys by VCCI Can Tho on business assessment, affirmed that in the near future, branding is important and will be invested to expand the market.

Lessons from international competition and changes in the epidemic in recent years have posed a problem for businesses in the region to be more proactive in business solutions, along with the participation of local authorities in loosening regulations on mechanisms and policies to unleash the huge potential in the businesses.

The lessons of international competition and the fluctuations of the epidemic in recent years have posed the problem of forcing many businesses in the region to be more proactive in business solutions, along with the participation of local authorities in untying physical conditions. mechanism to unleash the huge potential in enterprises.

Recommendations and proposals of businesses

Mekong Delta enterprises wish to cooperate to take advantage of the mutual strengths between Vietnam and the Netherlands for mutual development. Enterprises believe in serious and sustainable cooperation with Dutch business partners.

It is indispensable for the participation of state management agencies on transparency of investment and development plans in the Mekong Delta, along with conditions for Mekong Delta enterprises and investors, foreign trade enterprises to participate fairly. Appropriate policies are aimed at expanding business cooperation in sectors with strengths of Dutch enterprises.

The State quickly promotes investment in infrastructure and logistics of the Mekong Delta region to strengthen trade and business activities in the region, linking with other economic regions in the country, as well as in connecting the seaport center present in the Southeast region.

Cooperation activities between the Mekong Delta and the Netherlands are strengthened by organizing the promotion of building business networks, organizing

domestic and international fairs and exhibitions, B2B online applications, providing new information on EU and Dutch market conditions in the context of uncertainty in order to support exporters.

The EU market in general and the Netherlands in particular are potential markets, it is time for ministries, sectors, localities and businesses to coordinate in building an overall strategy and action plan to promote new trade and investment.

PART IV: THE EXPORT MARKET OF VIETNAMESE AGRICULTURAL PRODUCTS – THE POTENTIAL FOR DUTCH ENTERPRISES

THE EXPORT MARKET OF VIETNAMESE AGRICULTURAL PRODUCTS IN THE PERIOD OF 2015-2020

Import and export turnover in the period of 2015 - 2020

The import-export turnover of Vietnam in the period 2015 - 2020 tends to increase, and there is always a trade surplus. Although in 2015 the trade balance had a deficit of 3.54 billion USD, but then recovered and always reached a trade surplus until 2020. Vietnam's trade balance increased by 117% after five years. Export turnover increased by nearly 43%, while import turnover grew at a lower rate of 36.9%.

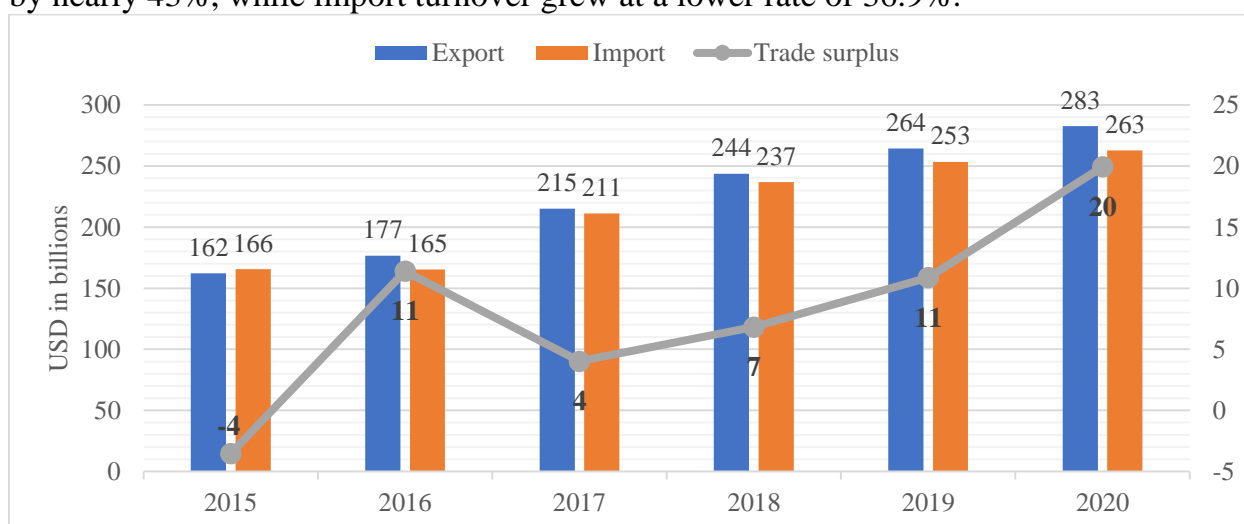


Figure 38: Import and export turnover of Vietnam in the period of 2015-2020

Source: General Statistics Office

In the export basket of Vietnam, if aquatic products vegetables and rice (the main group of products of the Mekong Delta) are separated, the export turnover of these three products in general has increased over the years, of which seafood is the product that brings the highest export value, with a growth of 28% after 5 years, reaching an export turnover of 8.41 billion USD in 2020. Every year, pangasius export turnover of the Mekong Delta accounts for 95% of pangasius export turnover of the country and more than 60% of shrimp export turnover of the country, with shrimp being a product that brings high added value to businesses and localities.

Vegetables, fruits and rice have a lower export value than seafood, with an export turnover of about 1.8 billion USD to the highest level of 3.8 billion USD annually. However, vegetables and fruits have the highest growth rate among the three products, increasing by 77.5% in the period 2015-2020, this is also a potential product to bring high export value in the coming time. Annually, the Mekong Delta produces about 4.3 million tons of fruits and vegetables, accounting for 60% of fruit production and providing nearly 70% of export fruits of the country. Typical export fruit products are produced concentrated in the region such as longan (Tien Giang, Vinh Long), oranges (Vinh Long, Hau Giang), mango (Tien Giang, An Giang, Dong Thap), pomelo (Ben Tre, Vinh Long), dragon fruit (Long An, Tien Giang), pineapple (Long An, Tien Giang, Kien Giang).

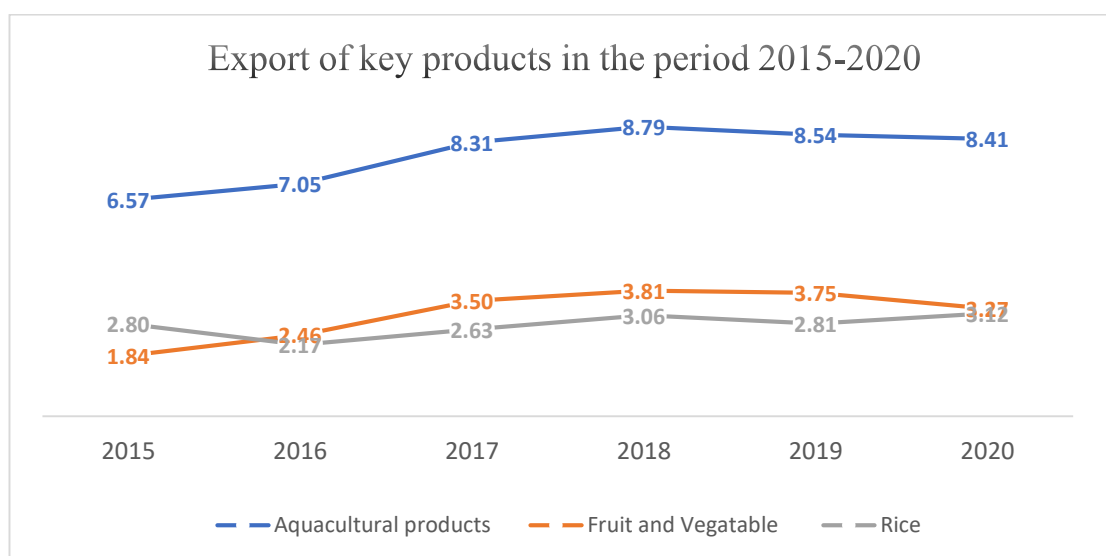


Figure 39: Export turnover of key products in the Mekong Delta in the period 2015-2020

Source: Statistical Yearbook of the provinces

Rice is a key commodity of the Mekong Delta with the role of both ensuring national food security and bringing export value to the region. In 5 years, rice export turnover has increased from 2.8 billion USD to 3.27 billion USD, up 11.3%, which is the lowest growth of the 3 commodities. Particularly, the Mekong Delta annually has regional rice export turnover accounting for 80% of the country's export turnover.

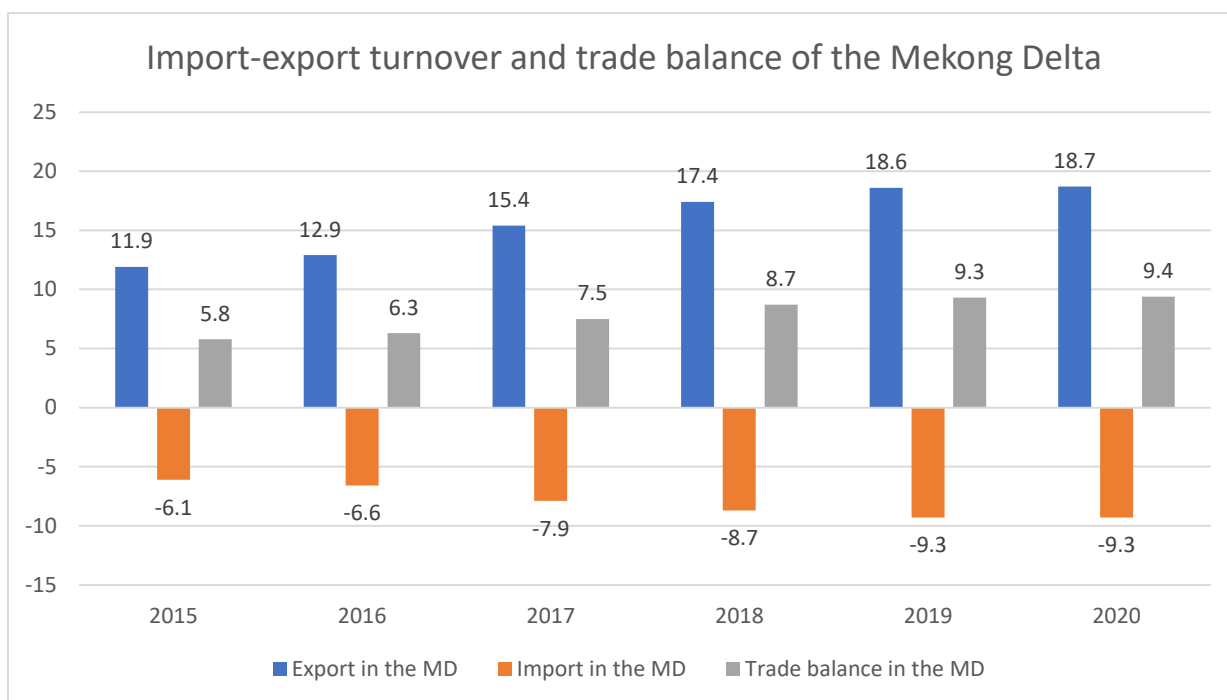


Figure 40: Import-export turnover and trade balance in the Mekong Delta region

Source: Statistical Yearbook of the provinces

Particularly in the Mekong Delta, the trade balance is always in surplus and has been steadily increasing over the years from \$5.5 billion in 2015 to \$9.4 billion in 2020, an increase of 37% after 5 years. In which, imports increased more than exports, up 48%, while exports increased by 43%. In 2020, the export turnover of the whole region reached the highest level in 5 years, with exports reaching 18.7 billion USD and imports reaching 9.3 billion USD. However, the percentage of the country's exports is on a decreasing trend.

Import market

In the period 2015 - 2020, Asia is Vietnam's main market with a share of 50.8%, of which China accounted for 16%, followed by the Americas with 26%, of which the US accounted for 22.5%, the lowest. is the African market, accounting for only 1% of the proportion of Vietnam's export market. Particularly, the EU market is Vietnam's third largest import market, although the proportion of EU imports into Vietnam has decreased by 5% after 5 years. However, this market still has an import turnover of more than 54%, from 12 billion USD in 2015 to 18.5 billion USD in 2020.

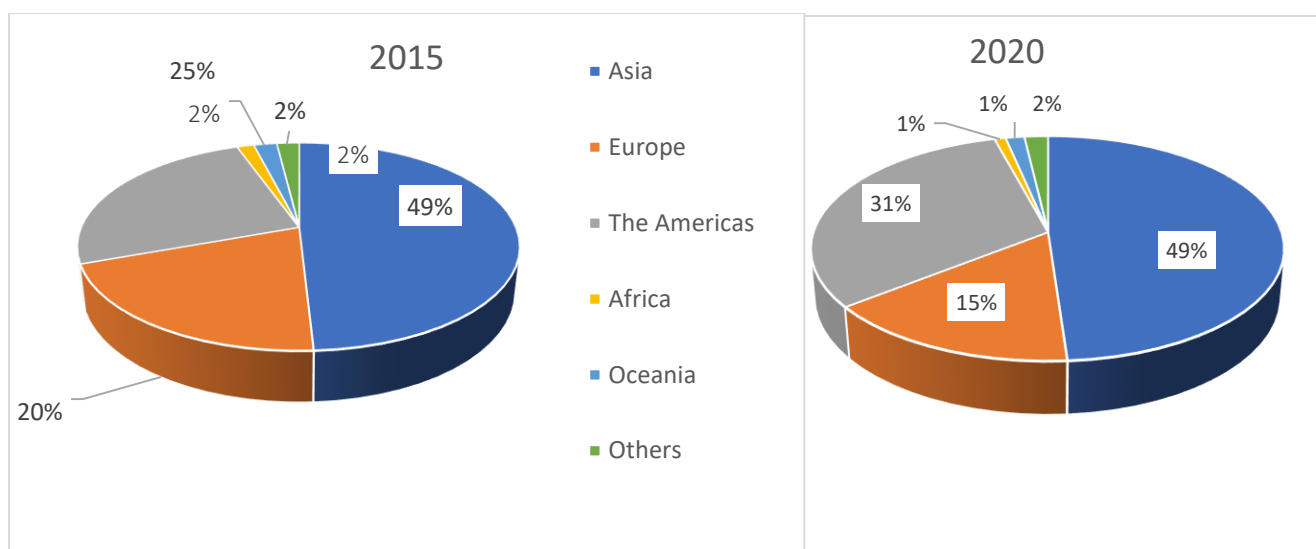


Figure 41: Vietnam's import-export market 2015-2020

Source: Ministry of Industry and Trade

Aquatic products: In 2020, especially for seafood products, Vietnam exports to more than 160 markets around the world, of which the top 10 markets include: the US, EU, Japan, China, Korea, ASEAN, Australia, UK, Canada, Russia, accounting for about 92-93% of Vietnam's total seafood exports. In the top 6 major markets (USA, EU, Japan, China, Korea and ASEAN). In recent years, exports to the EU have slowed down, to ASEAN and South Korea have been stable, while exports to China have grown the most, while exports to the US and Japan have also maintained positive growth. The proportion of seafood exports to the EU has slowed down because exporters think that profits from this market are not high because the EU market's high-quality standards increase the cost of goods, but the selling price is still low. is not high.

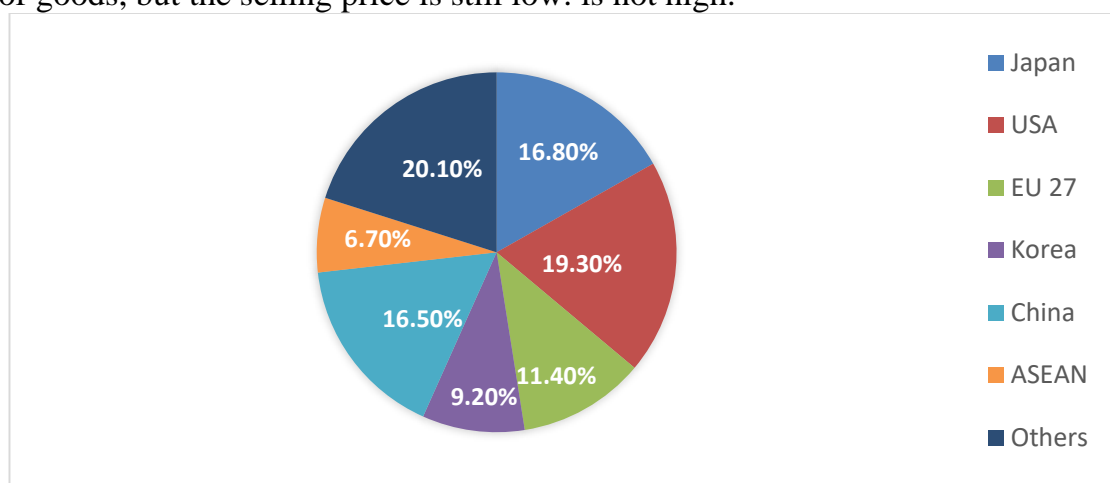


Figure 42: Seafood export market in 2020

Source: General Statistical Office

Fruits and vegetables: The share of Vietnam's fruit and vegetable export market has changed dramatically, while in 2015, Asia accounted for 47%, by 2020, China alone will account for 56.3 %. Europe and America (mainly the US) experienced significant declines, commensurate with the 2020 rates of 4.5% and 5.2% in 2020, while in 2015 it was 17% and 22% respectively.

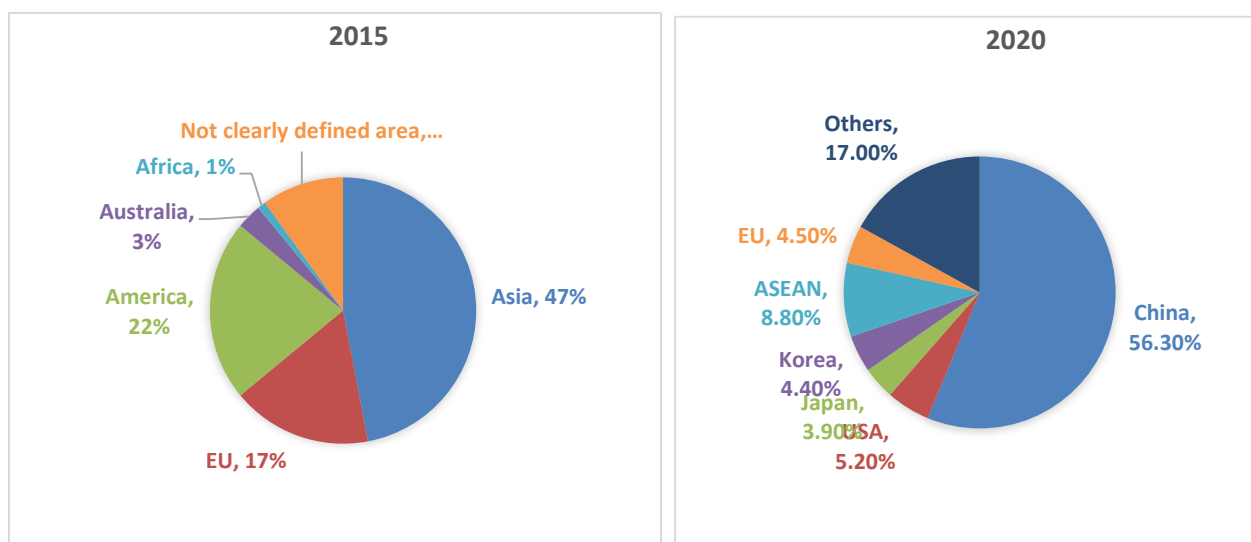


Figure 43: Vietnam fruit and vegetable export market 2020

Source: General Statistical Office (GSO)

Rice: China and the Philippines are still the two main rice import partners of Vietnam in the period of 2015 - 2020. However, the ratio between the two markets in this period almost swapped positions. In 2015, exports to China accounted for 31%, the Philippines accounted for 16.67%, in 2020, exports to China will decrease to 14.84%, to the Philippines will increase to 33.85%.

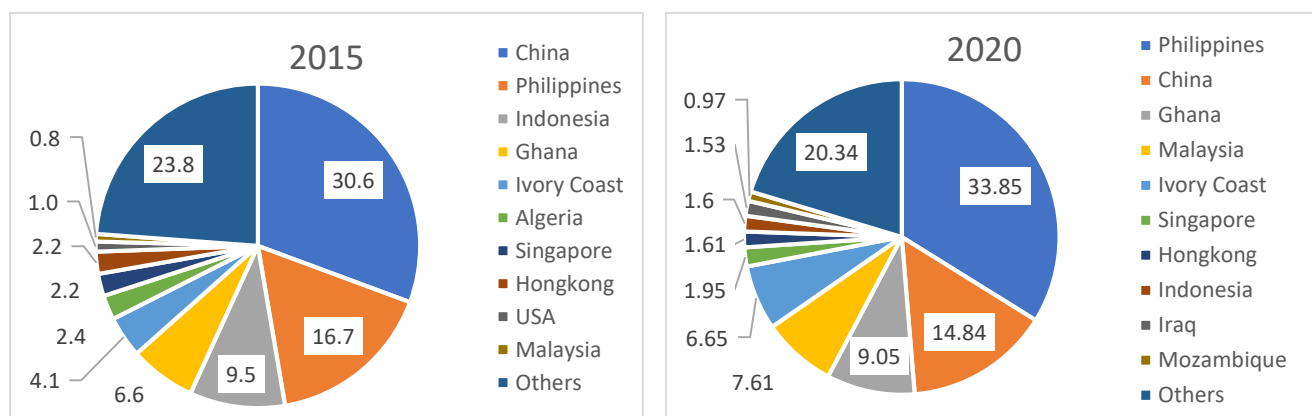


Figure 44: Rice export market 2015-2020

Source: GSO

Characteristics of key industries of the Mekong Delta.

The Mekong Delta has favorable natural characteristics for agricultural production activities. However, in recent years, under the impact of climate change and human intervention such as building dikes to prevent floods, cultivating three crops of rice and increasing production, it has degraded soil quality and eroded nutrients. from land.

The rapid increase in extreme events of climate change in the past decade in the Mekong Delta has led to water scarcity due to saline water in the dry season, the area of saltwater intrusion is getting deeper and deeper, besides the causes of water pollution. In climate change, the widespread exploitation of aquifers and lack of planning are believed to be the main causes of human contribution. Lack of clean water, saline water, degraded soil quality and contamination with pesticides, heavy metals... become challenges for safe agricultural production of the Mekong Delta as well as to meet agricultural export standards products for sophisticated markets.

Water contaminated with pesticides not only affects agricultural production but also adversely affects aquaculture, leading to disease outbreaks and residues of banned substances in products (because water sources for aquaculture are still commonly used today with irrigation systems for agricultural production).

Infrastructure and irrigation investment in service of agricultural production have not been mastered and have not been met. The works are coping and fragmented, so they are not synchronized, causing difficulties and increasing costs for farmers. manufacturing. Rural infrastructure is not synchronized and is still poor, which limits product quality as well as increases costs for businesses, which means reduced competitiveness of enterprises. According to the survey results of import-export enterprises conducted by VCCI Can Tho, 50% of enterprises have difficulties related to

the transportation of raw materials from the place of production to the factory and from the factory to the port.

The lowland production areas and outdated agricultural production practices are limitations for the application of new technologies in agricultural production in the Mekong Delta. This is a challenge for changing production models in line with new requirements and under the pressure of climate change as well as the severe effect from the Covid-19 pandemic.

Basic requirements for the Mekong Delta in the coming time:

Raw material area

- Seeds are clean and suitable for climate change conditions of the Mekong Delta
- Water source is enough for production and safe for aquaculture and seafood processing (not contaminated by pesticides and environment)
- Changing farming practices and habits of farmers. Planning of irrigation systems that are naturally favorable and resilient to climate change

“There are 59.5% of import-export enterprises think that the price of raw materials will increase and 43% believe that there will be a shortage of raw materials in the near future, 31% believe that the quality of raw materials will be worse. The reason is the impact of the pandemic on the production process and characteristics of the Mekong Delta (as described above). Meanwhile, only 14.3% believe that the quality of raw materials will be improved.”

Source: Enterprise survey results of VCCI CT

Processing/manufacturing stage

- Application of science and technology in processing and production
- Enhance innovation in production to develop value-added products
- Improve the quality and skills of employees (thinking skills, technology skills, technical skills, etc.)
- Applying technology to cut costs (increasing due to the impact of external factors, especially in the context of the current outbreak and prolonged epidemic)

Output (market)

- Researching FTA agreements to take advantage of opportunities to increase output and export value of strong products.
- Improve capacity and foreign language skills for import-export staff in enterprises and promotion agencies.
- Value-added products following the trend of green and organic consumption instead of raw products

Other factors

- Capital to help businesses recover from the pandemic and invest to innovate and adapt to climate change
- Digital transformation to enhance the competitiveness of enterprises in the production and business process.
- Green energy, renewable energy.
- Management of input products for aquaculture, aquaculture production and agriculture.

Assessment of key sectors of the Mekong Delta

Agriculture in the Mekong Delta has contributed an average of 33.54% of the country's agricultural GDP and 30% of the region's general GDP in the period 2004-2020. The average growth rate of agricultural GDP in the Mekong Delta in this period reached 4.6%, higher than the growth rate of the whole country (3.76%). In 2020, the production value of agriculture, forestry and fishery in the region accounts for 45.08% of the whole country with an average growth rate of 4.17%/year and increases in all 3 areas of fisheries, agriculture and forestry. . The Mekong Delta always leads the country in production of rice, brackish water shrimp, pangasius and fruit, with 24.51 million tons of rice (accounting for 56% of the country's total output), 671.7 thousand tons of shrimp

(83.51). %), 1.41 million tons of pangasius (accounting for 98%) and 4.3 million tons of fruit (accounting for 60%)²³.

Aquaculture group: Aquaculture has developed strongly, becoming a production industry with high economic efficiency, changing the economic structure of the Mekong Delta, contributing to job creation, hunger eradication and poverty alleviation. The farming area in 2020 is 806,000 hectares, the output is 3,215 thousand tons in 2020. There are 2 products that account for the majority of the country's seafood exports coming from the Mekong Delta, which are catfish (pangasius) and shrimp. Dong Thap, Can Tho, and An Giang are localities with favorable conditions for pangasius farming, accounting for about $\frac{3}{4}$ of the catfish production of the whole region. In 2020, pangasius farming area is 5,700 ha and output is 1.56 million tons, export turnover is 1.54 billion USD. Brackish water shrimp farming reaches about 742 thousand hectares, mainly in the provinces with brackish water conditions such as Long An, Tien Giang, Kien Giang, Ca Mau, Soc Trang, Ben Tre, Tra Vinh and Bac Lieu, accounting for 92.6% of the area. farming area of the whole country, the output reached about 782 thousand tons, accounting for 84.2% of the production of the whole country. Shrimp export turnover reached 3.37 billion USD, of which the Mekong Delta contributed more than 80%. However, the shrimp industry is currently facing difficulties related to the control of inputs such as raw materials (currently exporting enterprises can only control 40% of raw materials), and supporting products such as food, biological products are still heavily dependent on imports, unstable power infrastructure and high prices... In addition, under the impact of climate change, increased temperature, abnormal rain and sunshine lead to changing climate conditions affecting aquaculture in the Mekong Delta. Small scale and traditional farming method, the farming households have not joined the chain, so the process is not standardized, affecting the quality, on the other hand, it is

²³ According to Directorate of Fisheries: <https://tinyurl.com/4mwcyjpa>

impossible to develop the farming area due to saline intrusion which is a limitation of the catfish farming industry.

Labor resources for industry development are still weak and lacking, most of them are unskilled and unskilled workers, especially foreign language skills (for export transactions), and the use of machinery is available. new technology. Job stability is not yet available due to harsh working conditions (for workers) and lack of opportunities to learn and develop personal capacity (for qualified workers working in factories in Vietnam). provinces or farming areas in remote areas, far from cities).

Besides the above difficulties, changing production methods, standardizing products to meet food safety and hygiene standards and meeting sustainable development goals are the biggest challenges of the Mekong Delta's fisheries sector.

Rice industry: Vietnam is one of the top 3 rice exporting countries in the world, however, in the rice export market, the price and output still depend on the import partner.

Due to the fragmented land characteristics, the application of science and technology is still limited, the production methods and thinking of farmers have not kept up with the development trend of the market, leading to poor rice quality. This is a big challenge in the context of deep integration and export promotion based on current product quality. The phenomenon of saline intrusion into the area is increasing, seriously affecting the cultivated area and rice quality. This reduces the competitiveness of the industry and puts pressure on changing mindsets about “food security”, production methods and rice varieties of the Mekong Delta.

Fruit and vegetable industry: Although Vietnam's fruit and vegetable industry has made great changes and has made great strides in production and export, the fruit and vegetable industry of Vietnam in general and the Mekong Delta in particular is still still struggling in difficulties and facing many upcoming challenges. One of the outstanding

challenges of the industry today is the planning stage at the regional scale, adapting and tolerant varieties to climate change conditions and farming methods, and post-harvest preservation... although there are still many difficulties. Despite the challenges and challenges, the fruit and vegetable industry in the Mekong Delta is expected to have a great development and make many breakthroughs in the coming time thanks to the opportunities brought by the FTA and the driving forces to promote the application of science and technology. techniques and high technology in the process of production, processing and export.

Over the past time, the area of fruit trees in the Mekong Delta has continuously increased, up to now it is estimated at about 358,000 hectares, the average fruit output is about 4.3 million tons, accounting for 60% of the country's fruit output.

Although the fruit industry of the Mekong Delta has made strong strides, it has not yet escaped from the traditional farming practices of Mekong Delta farmers such as growing crops according to movements, spontaneously, and lack of understanding of the market, abuse of pesticides in the cultivation process, lack of knowledge and qualifications in the production process and no close association with enterprises and partners in the production chain to ensure safety standards for users. as well as strict export standards. The main cause of this limitation is due to low level of labor and human resources, limited ability to absorb and apply science and technology, fragmented land, and incomplete infrastructure for the production process. (Irrigation system, irrigation water ...), traffic from the planting site to the production plant, the market is still unsatisfactory (large trucks cannot enter the production site), the output market is unstable...

The move of export enterprises in the Mekong Delta

To better understand the dynamics of exporting enterprises in the Mekong Delta, VCCI in Can Tho conducted a quick survey of agricultural and aquatic product exporters in the region at the end of October 2021.

Internal difficulties of enterprises in the Mekong Delta.

- ***Lack of high-quality human resources:*** one of the difficulties in the new context is that the current workforce has not yet met the job requirements. Especially management workers, skilled workers in refrigeration and mechanics are very few (for the seafood industry), so when machines need to be repaired and maintained, they must hire workers from Ho Chi Minh City. Ho Chi Minh City, sometimes seriously affect the production schedule. The Covid-19 pandemic has made the shortage of labor resources even more difficult, leading to reduced capacity, inability to fully and timely fulfill orders signed with partners, as well as not can receive more new orders.

The ability to endure, cope with and adapt to events, poor risk management: Most businesses in the Mekong Delta could not implement the "3 spot" model under Directive 16 during the recent Covid-19 epidemic. Most went bankrupt or ceased operations due to their small size, limited risk tolerance, and insufficient capital and resources to maintain production. In addition, these enterprises also do not have the conditions and infrastructure to implement the model as prescribed. The planning and management of risks of natural disasters, floods or other impacts from climate change have not been focused and implemented by enterprises.

- ***Lack of capital:*** Most Mekong Delta enterprises belong to small and medium-sized enterprises (SMEs) and micro-enterprises (MSMEs), businesses with a background of family and business households, weak in management capacity and lack of capital. Especially in the current context, lack of capital is one of the difficulties mentioned most by enterprises in the survey.

- ***Insufficient capacity to participate in the global value chain:*** Mekong Delta agricultural products do not have many value-added products, or the proportion is still low. Over the past years, Vietnam's agriculture in general and the Mekong Delta in particular has achieved many remarkable achievements such as becoming one of the major agricultural exporters in the world. However, the majority of agricultural and

aquatic products of the Mekong Delta are still exported in raw form or with limited processed content, and most of them are unbranded, so the quality and export value are lower than similar products of the Mekong Delta. many other countries.

The ability to absorb and apply technology in production and business is still limited: Due to the characteristics of enterprises in the Mekong Delta, most of them are SMEs; weak financial potential; low-skilled workers; Due to the lack of skills in the labor force, the absorption of knowledge and application of science and technology is still slow.

- *Lack of legal capacity and understanding of international practices*: As analyzed above, due to the small scale, Mekong Delta enterprises developed from family businesses, traditional business models, and management methods, unprofessional business organization. As a result, most businesses do not have a legal department, nor do they have the habit of researching and studying the law when signing contracts or negotiating business. This brings many legal risks, especially in the context that Vietnam has deeply integrated, and many FTAs have taken effect. This is shown by the fact that 41% of enterprises participating in the survey have difficulties in understanding international law and negotiating logistics services... Besides, businesses also point out a number of other obstacles such as: lack of market information (mainly Europe), often in violation of European Commission (EC) yellow card and fishing regulations.

Advantages and disadvantages (objective) of enterprises in the Mekong Delta.

Advantages

The survey that VCCI Can Tho carried out was in October 2021, right at the time when the Mekong Delta provinces had just said to loosen the distance after 3 months of implementation, so the market assessment of enterprises was somewhat gloomy. Among the advantages mentioned by enterprises, only 19% of enterprises surveyed said that the source of raw materials and the stable market and customers were the two biggest advantages. Meanwhile, up to 35% of businesses said that "normally, or this time is not

favorable. Besides, 7.5% receive support from VCCI Can Tho as well as take advantage of opportunities from FTAs (4.8%).

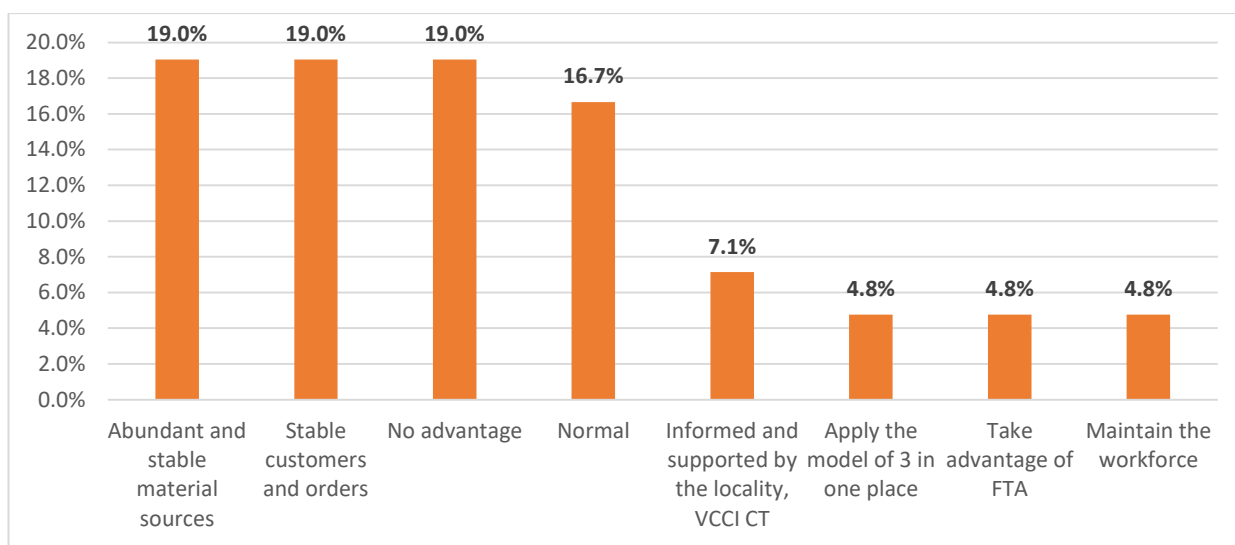


Figure 45: Advantages of enterprises in the Mekong Delta

Source: Survey of VCCI Can Tho

However, the favorable conditions of the Mekong Delta cannot be denied, contributing to the potential and strengths of the Mekong Delta in recent years.

- Local, abundant raw materials

Also, according to the survey results of VCCI Can Tho in October 2021, the input materials of Mekong Delta import-export enterprises are mainly distributed in the Mekong Delta region (accounting for 95.2%), at the same time, enterprises also buy input materials from other areas (accounting for 19%) to match production and business products, taking advantage of competitive advantages.

- Support activities for import and export promotion are relatively effective

In order to learn about the effectiveness of local import-export support activities over the past time, VCCI Can Tho recorded many evaluations from businesses based on such contents as providing market information, building business relationships; supporting policies, import-export orientation; administrative procedures, import and export procedures, ...

In general, businesses consider support activities to be relatively effective with most businesses rating it as normal (57% selected) and good (9.5%). Similar to the above trend, the effect from supporting policies, import-export orientation is also considered normal by most enterprises with the rate of 64.3%, good 11.9%. The efficiency of administrative and import-export procedures is rated by the majority of enterprises as normal, accounting for 69% and good accounting for 16.7%.

In addition, the enterprise also said that, over the past time, local agencies as well as VCCI Can Tho have carried out many activities to support import-export enterprises in the region such as: organizing seminars, training courses, etc. provide useful information about Free Trade Agreements (FTAs), markets, experience in finding partners, expanding import-export activities in a useful way, and solving difficulties and problems arising for businesses... In particular, VCCI Can Tho has established an online FTAs consulting portal²⁴, where import-export businesses can answer their problems and difficulties in the process of exporting goods completely free of charge by leading experts in the industry.

Difficulties

When asked about the difficulties in the past time, more than 66% said that their biggest difficulty is the rising costs, which greatly affect the business. Specifically, high input costs reduce competitiveness such as high transportation costs; train fares increase with other fees such as parking fees; compensate or cancel the contract for not meeting the order schedule; transportation costs to the port; International freight rates to markets as far away as the United States and Europe increased by 5-7 times compared to before the epidemic, and it was also difficult to get a place on the ship to close orders. Compared with other rice exporting countries in the region such as Thailand, Cambodia, etc., the freight rates from Vietnam increased sharply and the trip was reduced.

²⁴ <http://vccimekong.com/vi/thong-tin-chung-ve-ftas>

In addition, 19% of businesses participating in the survey also assessed that the distance due to Covid-19 caused many difficulties. The prolonged social distance makes the movement of goods within the country difficult because the travel conditions between localities have not been unified. The travel of employees carrying out export procedures, inspection and receipt of goods is also greatly affected. At the same time, the waiting time to complete the export documents is also significantly affected, along with the frequent delay of the ship, the lack of space, the lack of empty containers, etc. The epidemic has disrupted production for more than 2 months, affecting overall production and delivery schedule at the end of the year. Enterprises have to spend a lot of money to implement "3 on the spot". In addition, businesses also said that the source of raw materials could not meet orders and foreign markets due to increasingly high international standards while the quality of Vietnamese agricultural products was low, uneven, and drug residues were high. High plant protection (9.5%), scarce supply (7%)...

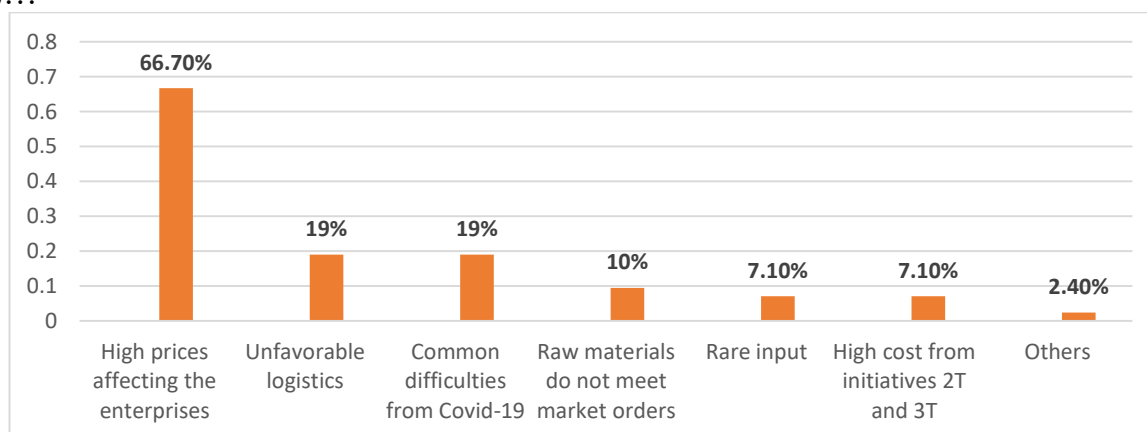


Figure 46: Difficulties of Mekong Delta Enterprises

Source: Survey of VCCI Can Tho

In detail in the import-export process, 50% of enterprises faced difficulties due to increased costs related to international freight, increased fuel and 16.7% of enterprises encountered difficulties due to many regulations in customs procedures. Export procedures of other countries and management agencies in Vietnam have many

similarities, and lack of empty containers. There are 14.3% lack of raw material supply and difficulties with local regulations on epidemic prevention.

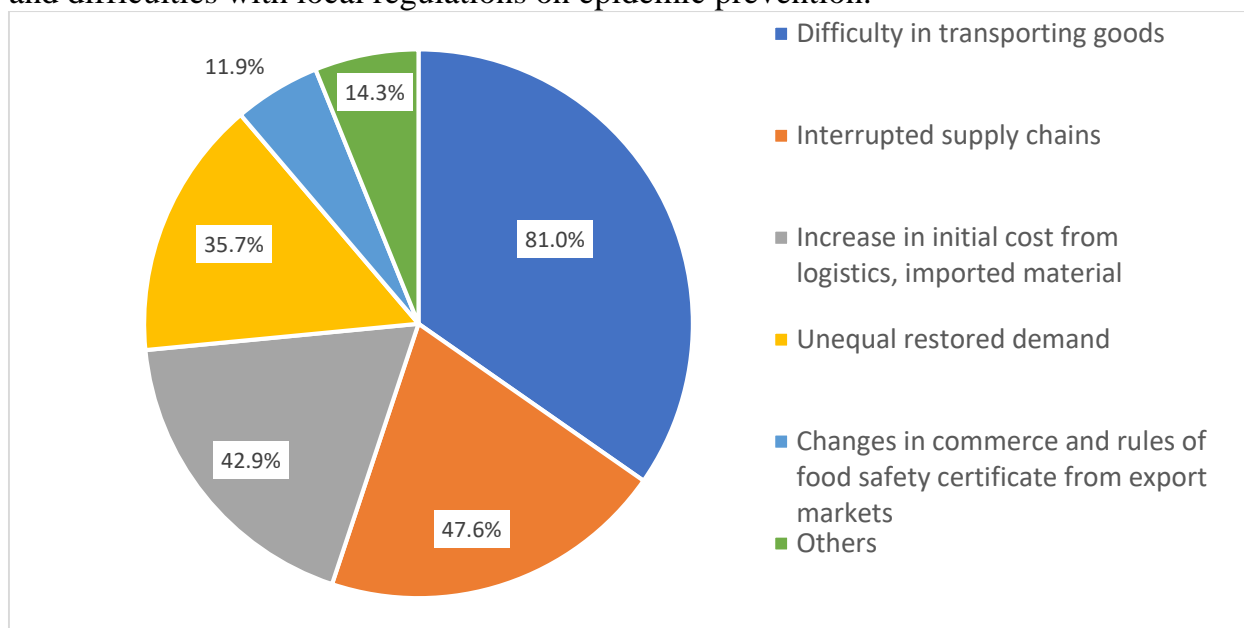


Figure 47: Impact of Covid-19 on businesses

Source: Survey of VCCI Can Tho

The survey also assessed the impact of the pandemic on import-export enterprises. 81% of businesses said they had difficulty in transporting goods. Difficulties in supply chain interruption and high input costs (such as logistics, imported materials) are agreed by many businesses, accounting for 47.6% and nearly 43%, respectively. The pandemic also led to market demand that has not been uniformly recovered, with 35.7% of businesses choosing. In addition, businesses participating in the survey also added that they faced difficulties in epidemic prevention and control regulations such as Directives 16, 3 in place, 1 route and 2 destinations, and Resolution 128/CP, which increased costs. Business activities, epidemics have reduced the number of workers eligible to participate in production, not enough to meet production, the state's preferential policies require many conditions, making it difficult for many businesses to access.

Transport infrastructure in the Mekong Delta plays an important role in the production and business activities of import-export enterprises and has a significant

impact on the competitiveness of import-export enterprises. Regarding this problem, 40.5% of enterprises said that it was normal, while 35.7% of enterprises said that they faced many difficulties. Specifically, the transportation of export goods is very passive in terms of both means and freight rates. Infrastructure, roads, ferry bridges limit the circulation of goods, the shortage of containers at the port disrupts the delivery schedule, businesses have to reduce the number of new sales because it takes a long time to process old orders. The transportation of goods is delayed due to crowded, narrow, rough roads and frequent traffic jams. Traffic routes connecting to the seaport of Ho Chi Minh City are often congested. The seaport, especially Cat Lai, often operates in an overloaded situation.

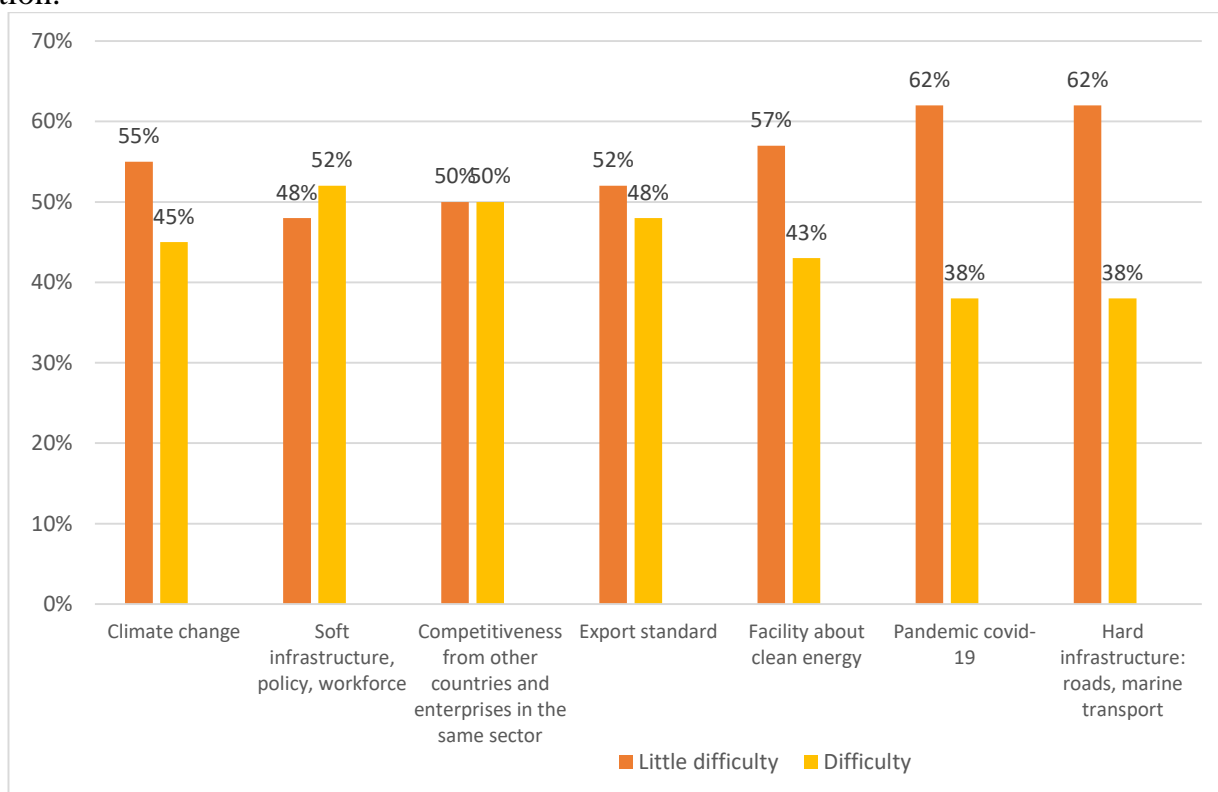


Figure 48: Forecast of challenges and difficulties in the coming time

Source: Survey of VCCI Can Tho

In addition to the difficulties that businesses have been facing, businesses also make forecasts about upcoming difficulties and challenges. The majority of enterprises see few difficulties and challenges in the future, 48-62% of enterprises perceive it as having little difficulty, the rest less than 50% of enterprises think that there will be

difficulties. Specifically, the element of soft infrastructure is considered by many businesses to be the most difficult, 52% of them choose the difficult level; Competitive factors from other countries and enterprises in the same industry were also rated as difficult by 50% of enterprises. Remaining factors about the covid pandemic; Hard infrastructure (road/shipping/inland port...), energy infrastructure only 38% of enterprises chose the difficult level (the percentage of enterprises choosing the lowest level).

EXPORT TRENDS OF AGRICULTURAL PRODUCTS IN THE MEKONG DELTA PERIOD 2021 -2025

Opportunities and challenges for Mekong Delta agriculture in the new context

Extensive integration (FTA): In 2007, Vietnam officially became a member of the World Trade Organization (WTO), opening a new stage for the process of international economic integration. Up to now, Vietnam has become one of the economies with a large openness, reaching 200% of gross domestic product (GDP) with 15 free trade agreements (FTAs) joined and 02 FTAs being negotiated²⁵.

Actively participating in the negotiation and signing of FTAs has opened up many opportunities for Vietnam, especially its key export industries, especially the strong products of the Mekong Delta to markets in the FTA. However, we also face challenges from increasingly higher market standards, a broader range of commitments, which require the effort and focus of the whole economy to be able to exploit maximize benefits from FTAs.

As of November 2021, Vietnam is negotiating a Free Trade Agreement with the European Free Trade Area (EFTA) and an Economic and Trade Cooperation Agreement between Vietnam and Israel.

About the opportunity

²⁵ As of November 2021, Vietnam is negotiating a Free Trade Agreement with the European Free Trade Area (EFTA) and an Economic and Trade Cooperation Agreement between Vietnam and Israel

Participation in FTAs brings three main opportunities for the Mekong Delta agricultural sector. Especially for CPTPP and EVFTA.

The first is to expand export markets with strategic products and have advantages thanks to commitments to cut tariffs; diversify the supply of input materials for agricultural production thanks to the reduced import tax rates.

Cut tariffs of countries in the CPTPP:

- Canada: Tariffs will be eliminated on rice as soon as the CPTPP comes into effect.

- Japan: Agricultural products will be eliminated 78% of export turnover, 91% of seafood export turnover.

- Chile will eliminate taxes on most agricultural and aquatic products with export strengths of Vietnam as soon as the Agreement comes into effect; Peru removes taxes on all seafood products of Vietnam.

Cut tariffs on key products of the Mekong Delta in the EVFTA: 99% of import tax lines between the two sides will be eliminated within 7 to 10 years. For processed fruit and vegetable products, water, As a result of Vietnam, the EU committed to eliminate tariffs as soon as the Agreement took effect. For milled rice, un-milled rice and fragrant rice, the EU applies tariff quotas; broken rice exports to the EU will be eliminated tax according to the roadmap; Products from grain rice will also be brought back to the EU tax rate of 0% within seven years. With seafood, about 50% of the EU's tariff lines for Vietnamese seafood will be eliminated, the remaining 50% will be eliminated in a three-to seven-year roadmap. Exported seafood that enjoys tax rates as committed in EVFTA instead of GSP tax as before will bring many benefits because the tax rate in EVFTA is for the vast majority of export products while GSP is only for a few types of products. certain products.

The second is to diversify potential foreign investment markets for Vietnamese businesses, increase opportunities to attract investment options from abroad and have better access to technology, improve management capacity, enterprise's ability to innovate. especially, low-tech industries such as agriculture in the Mekong Delta will absorb new science and technology, change traditional ways of doing things, and improve efficiency.

The third is to improve product quality and meet domestic demand by cutting Vietnam's import tax and complying with SPS and TBT regulations. In the long term, this is an opportunity to build a smart, standardized and internationally integrated agriculture. In fact, the quality standards for agricultural products entering the markets are getting higher and higher, the regulations on SPS, TBT or the requirements for sustainable development, ensuring the regulations on environment, labor ... in new generation FTAs such as CPTPP and EVFTA create new standards for production and business and raise Vietnamese agricultural products to new standards (whether businesses like it or not). Vietnamese enterprises not only have the opportunity to exploit the absolute value of exports, but through these markets will obtain a "Certificate" proving the level of agricultural production, the level of association of commodity groups. of VN can go to any market in the world. From there, expand the process of organizing production, creating livelihoods and long-term profits for each stage in the commodity production chain.

The fourth is the improvement of the law to be compatible with the commitments in the FTAs, creating a standard, clear and transparent business environment for the agricultural industry.

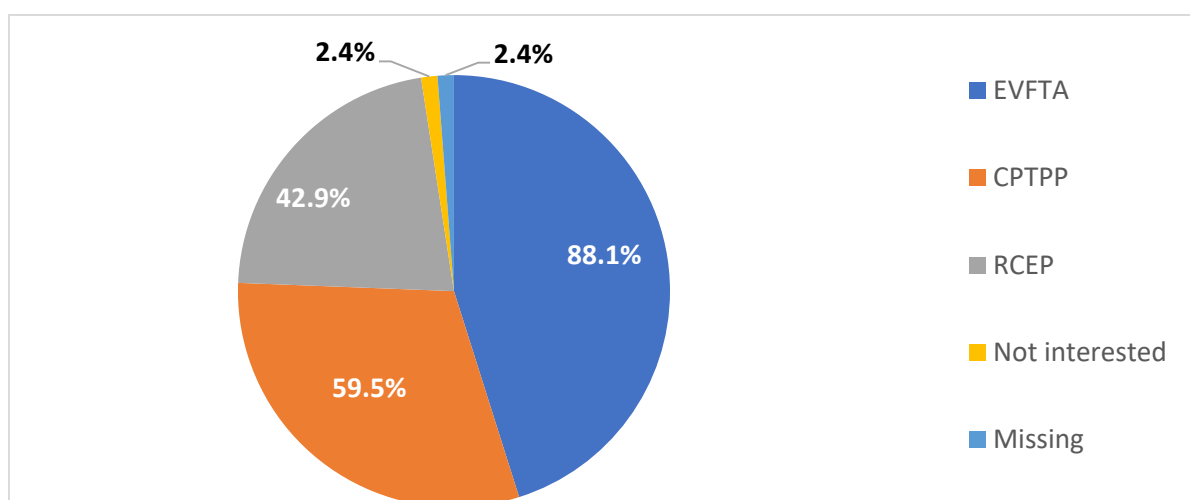


Figure 49: FTAs that import-export enterprises in the Mekong Delta are interested in

Source: Survey of VCCI Can Tho

According to the survey results of VCCI Can Tho, the EVFTA is the most interested in the Mekong Delta import-export enterprises with the rate of 88%, followed by the CPTPP with the rate of 59.5%, and then the RCEP with the rate of 42.9%. The

main reason businesses are interested is because FTAs offer them many opportunities. Among 81% of enterprises seeing the benefits brought by FTAs, up to 91% said that they enjoy preferential tariffs; 76.5% market expansion; nearly 65% said that new policies were issued to promote import and export; the participation in the agreement helps to link and take advantage of the origin in the production chain, the price chain is agreed by more than 47% of enterprises; At the same time, FTAs also help businesses improve technology with 29.4% choosing.

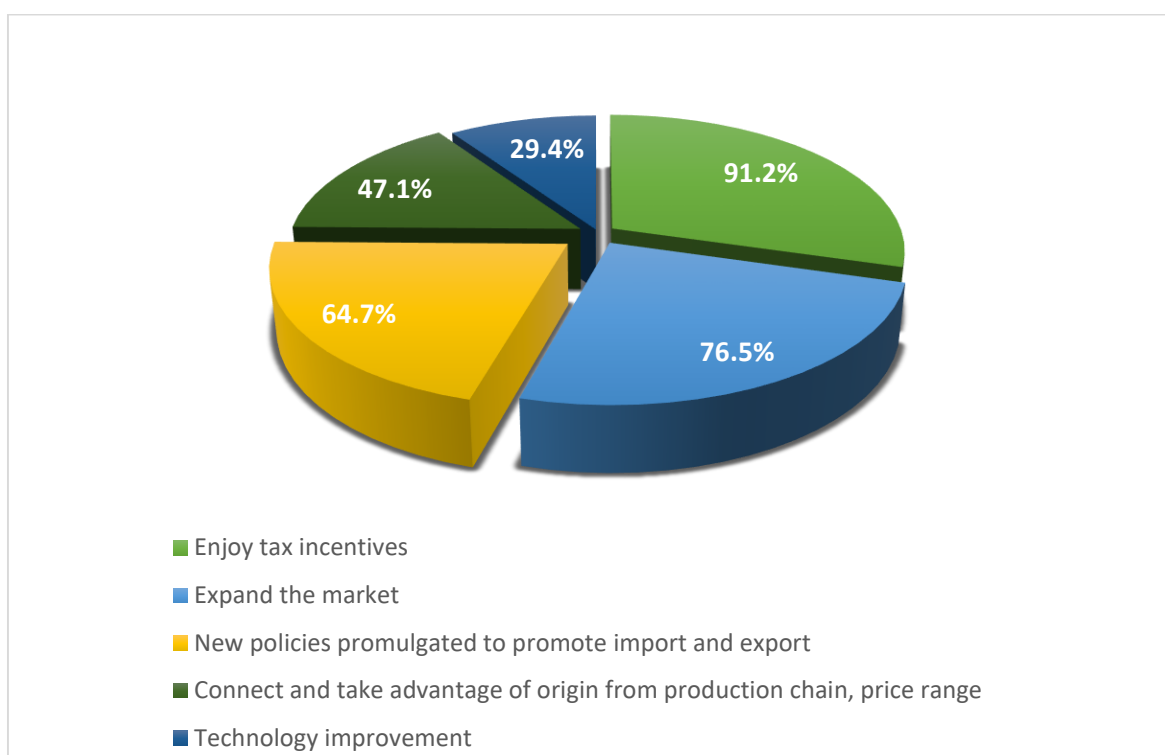


Figure 50: Benefits of FTA for Mekong Delta enterprises

Source: Survey of VCCI Can Tho

The survey results also show that 81% of businesses believe that FTAs bring benefits to businesses. Of these, up to 91% said that businesses enjoy tax incentives; 76.5% of enterprises have the opportunity to expand the market; nearly 65% said that new policies were issued to promote import and export; the participation in the agreement helps to link and take advantage of the origin in the production chain, the price chain is agreed by more than 47% of enterprises; At the same time, FTAs also help businesses improve technology with 29.4% choosing.

About the challenge

Firstly, Vietnam's agricultural products face increasing competition from imports due to the gradual reduction of tax barriers, while it is difficult for Vietnam to use non-tariff barriers as a protection measure due to its legal capacity. limited scientific evidence.

All ASEAN countries have tax rates on agricultural products almost 0% since 2013 in AFTA. In the EVFTA, Vietnam commits to eliminate import taxes for 48.5% of tariff lines, equivalent to 64.5% of EU export turnover as soon as the EVFTA Agreement comes into effect. Then, after 7 years, 91.8% of tariff lines, equivalent to 97.1% of export turnover from the EU, have been eliminated from import tax by Vietnam. After 10 years, this level of elimination is 98.3% of tariff lines and 99.8% of EU export turnover, respectively. About 1.7% of the remaining tariff lines of the EU apply the import tax abolition process longer than 10 years or apply TRQ according to WTO commitments.

In the CPTPP, Vietnam commits to a common tariff for all CPTPP countries. Accordingly, Vietnam will eliminate import tax for 66% of tariff lines as soon as the Agreement comes into effect and 86.5% of tariff lines after 3 years from the date of entry into force of the Agreement. The remaining items have a tax reduction schedule mainly from 5 to 10 years.

In addition, the management and enforcement of food hygiene and safety regulations in the country have not achieved the expected results and have not met the increasing demands of domestic consumers. This leads to the risk of losing the domestic market when agricultural products from Canada or Japan are of high quality and reliability with competitive prices. In addition, many export agricultural products of Thailand currently have both these advantages compared to the Mekong Delta and are currently penetrating strongly into the domestic market. Competitive pressure will cause some industries to shrink production such as livestock and sugar cane.

It can be seen that FTAs have a deep level of tax reduction for agricultural products. Tax incentives bring opportunities for consumers to choose from a wide range of products in the domestic market, but also create great competitive pressure for agri-

businesses in the domestic market to standardize their products. in terms of quality, price, design.

Second, market standards and regulations are getting higher and higher, integrating product standards, and regulations on traceability of importing countries are getting stricter and higher when tax reduction poses difficulties. difficulty in accessing markets for agricultural products. The Mekong Delta has a high proportion of agricultural products, which will be subject to strict regulations on SPS, TBT, especially food hygiene and safety issues from raw materials to farming, harvesting and processing. The market standards for residues of banned substances (food preservatives, pesticides, antibiotic residues ...) in countries under EVFTA, CPTPP or other FTAs are getting higher and higher, the risk of agricultural products being returned is increasing. in return, losing export rights or increasing inspection frequency due to failure to meet high market regulations.

Third, the challenge comes from the mandatory compliance with other regulations on intellectual property, labor, information transparency, ensuring sustainable development... Agricultural enterprises must comply with regulations of the Government. Importing countries, not only ensure the quality of food hygiene and safety, but also include standards of social responsibility, labor, gender, etc. These compliances apply to the whole chain, not just one stage in the agricultural supply chain. produce.

Small-scale enterprises in the Mekong Delta, the use of raw materials and investment in production may not be synchronous, not meeting environmental standards (such as water source, economical use of energy, etc.)²⁶; do not pay enough attention to ensuring a working environment for women or employ underage workers under the Conventions signed with the International Labor Organization (ILO)²⁷ ... These violations may only occur at one stage in the supply chain, but can pose risks to the

²⁶ The contents/topics related to “environment” are included in specific commitments such as: Multilateral Agreement on the environment; biodiversity and alien organisms; climate change; protect the ozone layer; fishing; environmental goods and services; corporate social responsibility; voluntary mechanism for environmental protection; eco-labels... leading to non-compliance or non-acceptance of requirements set forth from FTAs, infringing export products will be sued and brought to international arbitration.

²⁷ If a country maintains low labor standards, and wages and working conditions are not established on a negotiated basis, it is said to have lower production costs than countries with high labor standards. This leads to unequal competition based on cheap labor rights.

entire chain and cause agricultural products to be fined or banned from being imported into FTA markets.

Besides, the source of raw materials for seafood production is one of the highly challenging issues when the regulations on IUU fishing that EU countries apply are very strict. In the CPTPP, countries commit to eliminate subsidies for fishing activities that are determined to have an adverse impact on fish stocks that are already overfished; eliminate all forms of subsidies for illegal, unregulated and unreported fishing vessels.

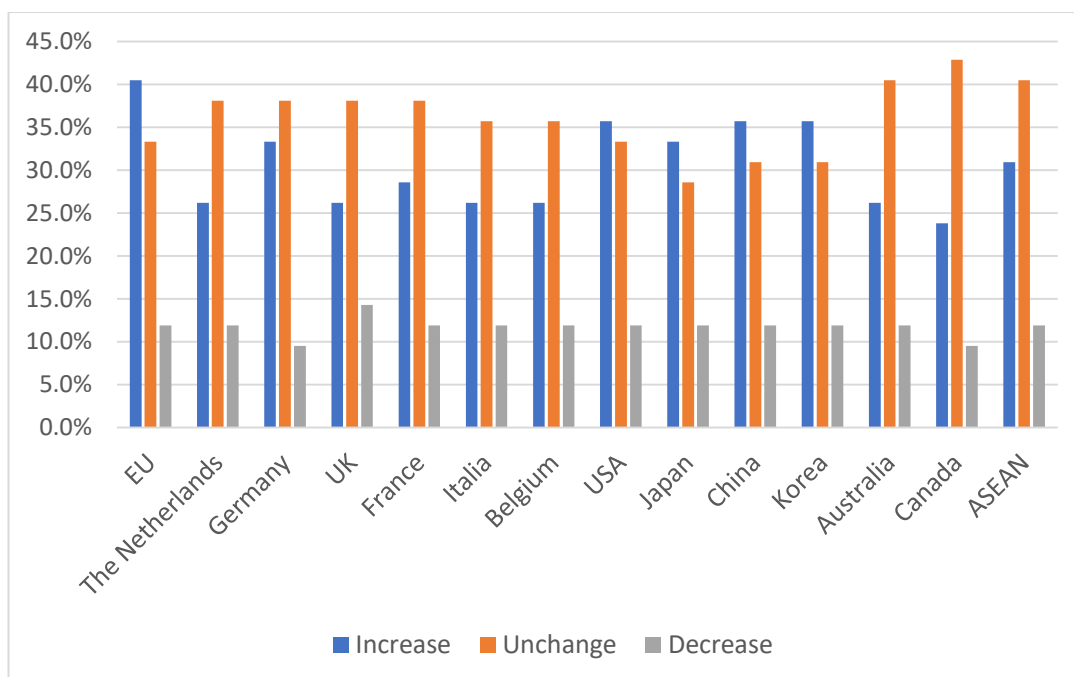


Figure 51: Forecast of import and export of Mekong Delta enterprises under the impact of FTAs

Source: Survey of VCCI Can Tho

Recognizing the opportunities and challenges brought by FTAs, 40.5% of Mekong Delta import-export enterprises participating in the survey forecast that import-export demand in the European market will grow, 33.3% are expected to grow. unchanged, on the contrary, there is 12% forecast to decline. Particularly for specific markets such as the Netherlands, Germany, UK, France, Italy, and Belgium, 26% of businesses think they will grow, 38% think they won't change, and 12% think they will decline. For the Asia region, including the markets of Japan, Korea, and China, 36% of businesses forecast an increase, 31% said it would be stable, and 12% said it would decrease. In addition, for ASEAN, 40.5% of businesses believe that Vietnam's key products,

especially agricultural and aquatic products, will keep their prices unchanged, 31% think they will increase and 12% think they will decrease. Details are illustrated by the chart below.

Climate change is getting more and more serious

It is forecasted that by 2050, the average annual temperature will increase by 1-2 degrees Celsius²⁸. Increased temperature and drought will affect life, production and business activities and especially the farming and production industries. and processing agricultural, forestry and fishery products of the whole country in general and the Mekong Delta in particular. By 2100, sea level will rise by about 1m (under high emission scenario) - If sea level rises by 1m without effective preventive measures, about 40% of the Mekong Delta, 11% of The area of the Red River Delta and 3% of the area of other coastal provinces will be flooded. Flooding will make nearly 50% of the agricultural land in the Mekong Delta flooded and no longer suitable for farming. Saltwater intrusion reduces the arable land area, from which the coefficient of land use can be reduced from 3-4 times/year to 1-1.5 times/year.

In addition, climate change will cause consequences such as: inadequate infrastructure, damage caused by climate change, landslides, migration due to underemployment, etc. the more severe.

However, the Mekong Delta is affected by climate change, which is an inevitable trend, so it is necessary to exploit the opportunities, the Mekong Delta region as well as businesses need to actively turn challenges into opportunities. Specifically, the strong industries of the Mekong Delta need to actively innovate by restructuring the agricultural sector in the direction of adaptation and "favorable nature", focusing on researching varieties suitable for drought and salinity conditions, enhancing multi-stakeholder collaboration between business, government, research institutions and the community. Promote business cooperation opportunities for innovative products for

²⁸ UNICEP: <https://tinyurl.com/yn249mdu>

climate change adaptation and resilience of businesses in the region with the outside and the world.

Forecast from Mekong Delta enterprises

Also, in the survey results of VCCI Can Tho for import-export enterprises in the Mekong Delta this time, when asked about "forecast of challenges that import-export enterprises will face?". Difficulties (including very difficult levels, many difficulties and difficulties) in soft infrastructure are chosen the most by enterprises with the rate of 52.4%, export standards are also a challenge for import-export enterprises in the region. In the coming time, corresponding to 52%, the next difficulty is the competition of countries and enterprises in the same industry, corresponding to the rate of 50%, especially infrastructure and clean energy are also problems. 43% of businesses see difficulties in the coming time.

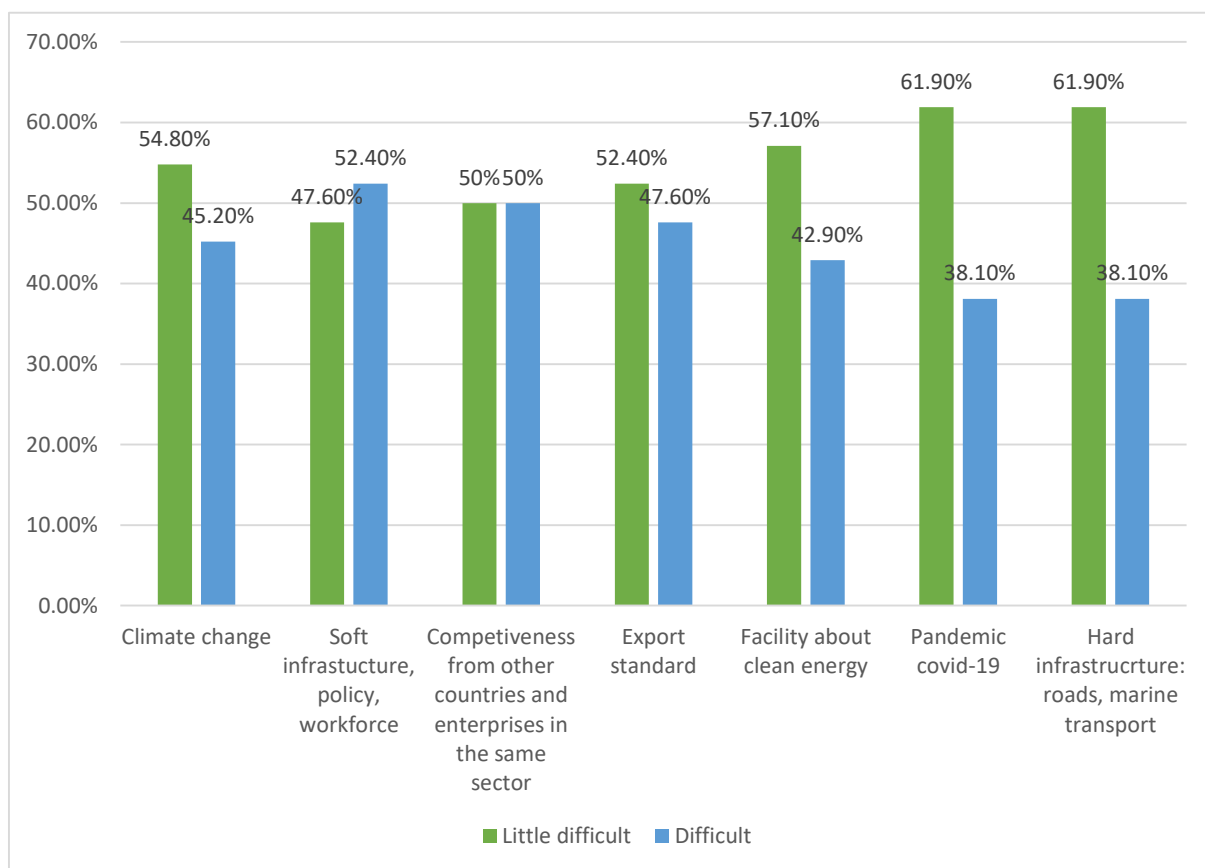


Figure 52: Forecast of challenges and difficulties of enterprises in the Mekong Delta
 Source: Survey of VCCI Can Tho

From the internal difficulties and challenges that the Mekong Delta has been and will be facing, the import-export enterprises in the Mekong Delta forecast upcoming difficulties, which are reflected in the survey content that VCCI Can Tho conducted in October, 2021. Accordingly, the most mentioned difficulty by enterprises is soft infrastructure (policies, human resources...) with the rate of 52%, the next difficulty chosen by 50% of enterprises is the competition of countries, businesses in the same industry will be increasingly harsh, climate change and clean energy infrastructure will also be challenges for businesses with 45% and 43% respectively. Hard infrastructure such as transport infrastructure, ports or the Covid-19 pandemic, although they are the most mentioned difficulties at the moment, the percentage of businesses choosing is the lowest among the mentioned difficulties, because businesses believe that these difficulties will be gradually overcome in the near future.

Problems for the Mekong Delta region

What should the Mekong Delta do to maximize opportunities and manage risks, overcome challenges from FTAs, taking the EVFTA as a typical example²⁹

As analyzed on opportunities and challenges from FTAs, in order to maximize the opportunities that FTAs bring, as well as limit risks and obstacles from FTAs, businesses and local authorities It is necessary to have synchronous strategies and actions, and specifically as follows:

EVFTA is considered as a "highway" bringing the Mekong Delta's goods to the Western market with great advantages when agricultural products enjoy many tax incentives; creating conditions for businesses in the region to easily access advances in science and technology from advanced countries, thereby boldly innovating, creating breakthroughs and bringing the key industries of the Mekong Delta out than.

In recent years, the Netherlands has always been one of Vietnam's leading trading partners in the European Union (EU) because it is a gateway market and one of the

²⁹ Within the scope of this report, the research team considers the case of the EVFTA separately and selects the Netherlands as a typical FTA and partner to analyze specific actions in exploiting the advantages of the FTA as well as limiting the risks that FTAs can bring

largest transshipment hubs in Vietnam. Europe, helping to connect ports and industrial zones with Europe. Goods imported into the Netherlands, in addition to serving the domestic consumption of this market, also a large amount of goods are re-exported to other EU countries. In 2010, two-way trade between Vietnam and the Netherlands only reached 2.2 billion USD, in 2015 it increased to 5.5 billion USD and in 2019 reached 7.5 billion USD. In 2020, despite facing many difficulties due to the impact of the Covid-19 pandemic, which reduced trade between the two countries in the first half of the year, for the whole year of 2020, two-way trade turnover between Vietnam and the Netherlands still increased by 1.5% compared to 2019, to \$ 7.7 billion thanks to a breakthrough in the period from August 2020 - the time after the EVFTA took effect. In which, export turnover to the Netherlands increased by 1.7% compared to 2019 to nearly 7 billion USD and import turnover decreased slightly by 0.6% to 657 million USD³⁰. Vietnam's trade surplus with the Netherlands also increased sharply, from 1.2 billion USD in 2010 increased 5.5 times, to 6.4 billion USD in 2020. In the first months of 2021, along with the effects. With the positive effects of the EVFTA Agreement, trade activities between Vietnam and the Netherlands continue to achieve positive results even though businesses still face difficulties due to the impact of the Covid-19 epidemic and freight rates. continued to rise to record highs.

It can be seen that the exploitation of advantages from the EVFTA has been focused and achieved positive results at the national and regional levels. Although the results of two-way trade between Vietnam and the Netherlands after the EVFTA comes into effect are positive, in order to better take advantage of opportunities from EVFTA, the Mekong Delta needs to pay attention to the following activities:

The EVFTA (as well as other new generation FTAs) has a deep and wide scope of commitments in many fields, especially with many new commitments compared to traditional FTAs. Understanding to exploit commitments well is not easy, requires concentration, time and approach. In order to make good use of commitments as well as avoid risks due to lack of understanding about commitments, authorities in the Mekong Delta need to focus on propaganda that is instructive, "hands-on terms" so that businesses can understand. clearly and well apply the commitments of the Agreement.

³⁰ [https://www.customs.gov.vn/Lists/ThongKeHaiQuanLichCongBo/Attachments/1430/2020-T12T-5N\(VN-CT\)-final.pdf](https://www.customs.gov.vn/Lists/ThongKeHaiQuanLichCongBo/Attachments/1430/2020-T12T-5N(VN-CT)-final.pdf) và [https://www.customs.gov.vn/Lists/ThongKeHaiQuanLichCongBo/Attachments/1431/2020-T12T-5X\(VN-CT\)-final.pdf](https://www.customs.gov.vn/Lists/ThongKeHaiQuanLichCongBo/Attachments/1431/2020-T12T-5X(VN-CT)-final.pdf)

Currently, many opportunities in FTAs have been missed because businesses do not know or understand well about FTA commitments such as commitments on tariffs, market opening for goods, rules of origin, goods and other non-tariff measures. This leads to a limited ability to meet the quality standards of the importing country. Therefore, to make effective use of new-generation FTAs, stronger solutions are needed, in which the State should soon review and finalize legal documents, continue to improve the institution and business environment; Local concerned agencies need to strengthen communication and information on the market, orient enterprises in production and business, and help improve the capacity of enterprises.

According to the assessment of import-export enterprises in the Mekong Delta in the survey of VCCI Can Tho in October 2021, the percentage of enterprises assessed the provision of market information, business association, support policies, and import-export orientation of the agency, local authorities are poor and “very poor” is higher than “good”. In addition, in the EVFTA, the tariff commitment for Vietnam is very large, so the State and businesses need to proactively make changes to create impetus for businesses to access new markets and diversify partners, trade and investment. In particular, it is necessary to focus on implementing reforms in the field of procedures, guiding with strategies, criteria and a methodical implementation roadmap. At the same time, it is necessary to review the compatibility with FTA commitments and consult fully with relevant stakeholders, especially businesses, in order to create more favorable conditions for businesses to access and benefit. However, only 16.7% of Mekong Delta import-export enterprises rated administrative procedures, import-export procedures as good.

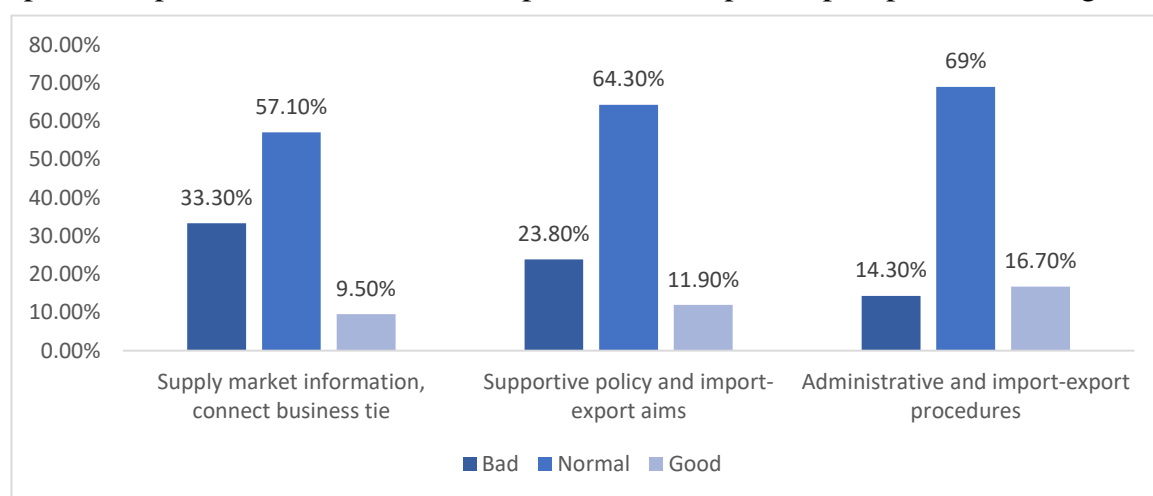


Figure 53: Evaluation of the support level of local trade promotion agencies

Source: Survey of VCCI Can Tho

In addition, local authorities need to periodically review and review documents and policies related to business operations to make timely recommendations and proposals to competent state agencies.

For businesses, it is necessary to actively research the market fully to exploit the advantages and needs of each market in the EVFTA and limit violations according to market regulations, avoiding defense lawsuits. trade leads to countries setting up non-tariff barriers, affecting Vietnam's ability to promote trade to new markets.

It should be noted that, within the EU, each country's needs are different for goods and services. It is very important to understand the markets to properly approach and take advantage. Typically, in the Dutch market, agricultural and aquatic products are benefiting from EVFTA with an export tax rate of 0% or very deep reduction, but the export turnover of agricultural and aquatic products to the Netherlands in 6 the first month of 2021 only reached 345.7 million USD, down 4.9% over the same period last year and accounting for 8.9% proportion of total exports to the Netherlands. Currently, the Netherlands is the largest export market of Vietnam's cashews, vegetables and seafood in the EU with a turnover of 53% for cashew nuts and vegetables, accounting for nearly 21% of seafood products in total exports. to the EU. However, in the first 6 months of 2021, the export turnover of vegetables and fruits to the Netherlands decreased by 8.9% year-on-year to 38.8 million USD, while seafood exports only increased slightly by 4.8%. In addition to the causes due to the impact of the Covid-19 epidemic, difficult transport activities as well as the impact of the IUU "yellow card" on the export of exploited seafood, the export of agricultural and aquatic products to the Netherlands. In the past 6 months, there have also been many obstacles before stricter control measures for imported food under the new EU regulation 2020/2236, effective from April 21, 2021. In addition, the requirements on quality and food safety of the EU in general and the Netherlands in particular are very strict, the standards are also increasing, the frequency of monitoring and inspection is also higher than other markets. Therefore, Mekong Delta Import-Export Enterprises need to change production, standardize value chains to meet the strict requirements set by EU countries, improving product quality, focusing on sustainable development and social values.

One of the challenges mentioned by import-export enterprises in the Mekong Delta in the survey of VCCI Can Tho in October 2021 is the competition of "rival" countries

that export to the Netherlands, including India, Ecuador and the Philippines. According to Eurostat data, in the first four months of 2021, the average import price of staples such as shrimp and tuna from the Netherlands from these markets was lower than the average import price from Vietnam. Meanwhile, the Netherlands also imports the main group of vegetables and processed products from markets in the Americas such as Peru, Chile, Brazil, the United States or Costa Rica thanks to price competition and shipping time. especially for fresh fruit products. Therefore, in order for Vietnamese agricultural and aquatic products to penetrate and gain a foothold in the Dutch market in particular and the EU in general in the coming time, it requires Vietnamese enterprises in general and the Mekong Delta in particular to make efforts to improve the quality of products. product quality and solve problems to be competitive on price.

In addition, it is necessary to regularly update measures and regulations on legitimate trade remedies applied by the EU, such as IUU, anti-dumping, subsidies... Improving social responsibility, focusing on in the implementation of the EVFTA's regulations on sustainable development such as labor standards, environmental protection, biodiversity conservation, etc., because these are issues of concern to the EU. In addition, it is necessary to be proactive and prepare to deal with trade remedy lawsuits by monitoring market conditions, prices and trading conditions. Vietnam has been warned by the European Commission (EC) with a yellow card for not complying with the Regulations against illegal, undeclared and unregulated fishing (IUU) since October 2017. This incident means that seafood exported to the EU will be controlled 100% instead of checking for probabilities.

So far, the EU has conducted many anti-dumping lawsuits and has become the place to apply these measures to Vietnam's exports. For example, the Turkish Ministry of Commerce initiated an anti-dumping investigation on fully stretched yarn products originating from or imported from Vietnam and Korea in June 2021, the Canadian Border Agency (Canada) CBSA officially initiated the anti-dumping and anti-subsidy investigation on upholstered seats from China and Vietnam in December 2020 and announced the initiation of anti-dumping investigation on reinforced concrete products. (Concrete reinforcing bar – HS code: 7213.10, 7214.20, 7215.90, 7727.90) originating from Vietnam and some countries...

The Netherlands is one of the countries with the world's leading developed logistics system; plays the role of both the largest market for Vietnam's exports in the EU, and an important gateway to transship Vietnamese goods to the European market. Mekong Delta import-export enterprises also realize the importance of the Netherlands, although currently only 50% of enterprises participating in the survey have business with the Netherlands (mainly exporting agricultural and aquatic products), but there are up to 66.7% of businesses want to do business and 52.4% have a need to cooperate in production and technology transfer with the Netherlands in the near future. Specifically, the business area is interested in cooperation as shown in the chart below.

BUSINESS COMMENTS

According to the survey results of Mekong Delta import-export enterprises by VCCI Can Tho, in order to enhance competitiveness and take advantage of opportunities from FTAs, businesses wish to be supported:

- Provide information about the market, business partners selectively (right objects), have specific support programs and business matchmaking, intensive training on import and export (with 75% of businesses in Vietnam). Enterprises want to be trained on EVFTA; 55% on RCEP; 45% on CPTPP) for small and medium enterprises looking to export.

- Organize industry fairs in the region as well as Europe, set up organizations to provide exhibition services on behalf of (after the pandemic), or in other forms to bring Vietnamese goods abroad. as professionally as possible.

- Facilitating procedures so that businesses have more time to focus on recovery and development after the Covid-19 pandemic.

- Upgrading and improving transport infrastructure, connecting traffic to facilitate the circulation of goods. At the same time, research to invest in international ports in the Mekong Delta region, how to encourage shipping lines to bring empty containers to the port area in the region in the near future.

- The government, functional agencies, and businesses need to link and coordinate with each other to plan and orient the material and production areas, so that businesses can set strategies together with farmers to build a chain of production links. Sustainable production and consumption, thereby increasing the value of agricultural and aquatic products in the Mekong Delta, gradually participating in the global value chain.

- It is necessary to strengthen communication about the negative effects of climate change, and at the same time strengthen measures to manage and control the use/purchase of pesticides, contributing to limiting environmental pollution, water sources for irrigation and farming. aquaculture for the Mekong Delta region.

PART V: INTERESTS OF NETHERLANDISH ENTERPRISES IN THE MEKONG DELTA

OPERATION SITUATION OF NETHERLANDISH ENTERPRISES IN THE MEKONG DELTA

Status of attracting FDI in the Netherlands

In recent years, the Netherlands has always been one of the leading trades and investment partners of Vietnam in the European Union (EU). This is not only a gateway market but also one of the largest transshipment hubs for goods entering Europe, helping to connect ports and industrial zones with Europe. Since the free trade agreement between Vietnam and the EU (EVFTA) took effect in 2020, many business cooperation and investment opportunities between Vietnam and the EU have opened up in the coming time.

Although heavily affected by the 4th wave of the COVID-19 pandemic, the situation of attracting foreign investment to Vietnam still increased compared to the same period in 2020. According to data of the Foreign Investment Department - Ministry of Planning and Investment, as of December 20, 2021, the total foreign direct investment capital into Vietnam in the year reached 31.15 billion USD, up 9.2% over the same period in 2020 with 1,738 New registration projects. Accumulated up to now, Vietnam has a total of 34,527 valid projects with a total registered investment capital of more than 408.1 billion USD, in which, investment capital from South Korea accounted for the highest proportion of 18.3%, equivalent to 74.7 billion USD, followed by capital from Japan, Singapore accounted for 15.8%, equivalent to more than 64 billion USD, and capital from Taiwan, Hong Kong, China, Thailand, Malaysia ...

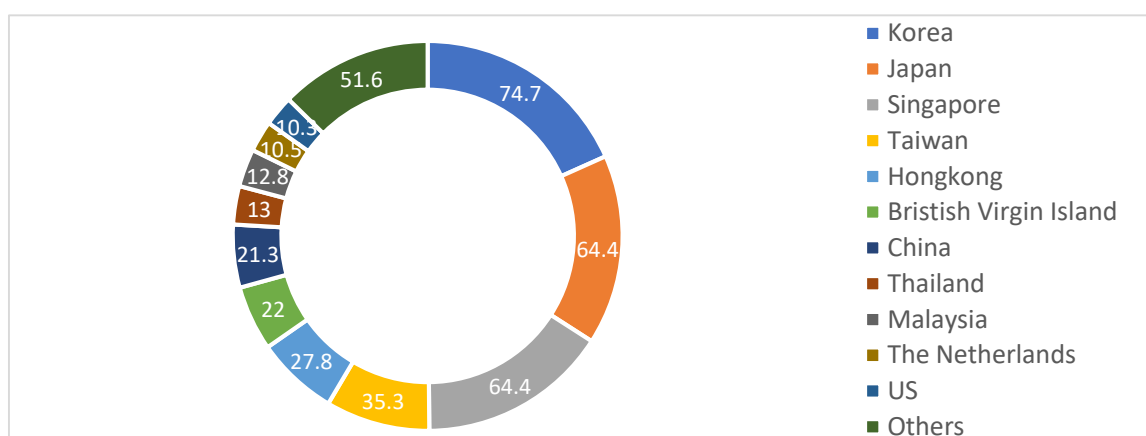


Figure 54: Accumulation of FDI in Vietnam by partner 2021 (billion USD)

Source: Foreign Investment Department – Ministry of Planning and Investment

The Netherlands alone is the 10th largest investor in Vietnam, accounting for 2.5% of the total accumulated FDI in Vietnam with 381 projects, equivalent to nearly 10.5 billion USD. Although accounting for a small proportion of total foreign investment in Vietnam, the Netherlands is the largest European investor in Vietnam. In the period 2015-2021, the number of investment projects from the Netherlands increased by 33% from 255 projects to 381 projects, while the total registered investment capital increased by 21% from \$8.26 billion to 10.47 billion. This shows that there are more investors interested in Vietnam, although the amount of investment capital is not as high as 6 years ago.

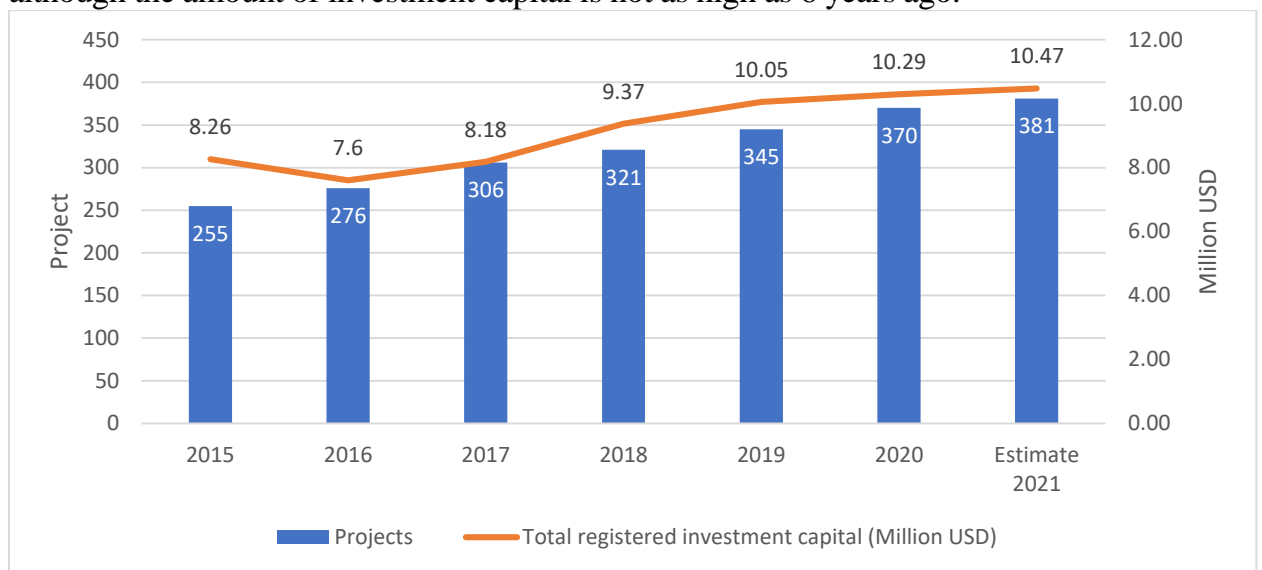


Figure 55: Accumulation of Dutch investment in Vietnam

Source: Foreign Investment Department – Ministry of Planning and Investment

The average project size of the Netherlands in 2021 is nearly 27.5 million USD/project, higher than the national average of 11.8 million USD/project. Of the 17 main investment sectors of the Netherlands in Vietnam, the processing and manufacturing industry accounted for the highest proportion as of November 2020, accounting for 41.3% of the total investment capital (117 projects with capital amount. 4.3 billion). Next is the production and distribution of electricity, gas, and air conditioning, accounting for 29.5% of the total investment capital of the Netherlands (3 projects with a total registered capital of 3.06 billion USD). The rest are real estate and mining businesses³¹. Dutch investors are distributed in 32 localities across Vietnam,

³¹ <https://fia.mpi.gov.vn/Detail/CatID/95f75c5b-b0bf-40a3-b486-2cc4e2d5cc01/NewsID/9b142bf4-a39a-4ffa-91ff-1a23f6d7697b/MenuID/50557cad-3121-46e2-8449-37bfb0a04483>

with Quang Ninh being the province with the highest investment capital of 2.14 billion USD (20.6% of the total Dutch investment capital) – Thermal BOT Mong Duong 2 power; Next is the city. Ho Chi Minh City invested 1.88 billion USD (18% of total investment capital) with 155 projects, typically the Intel Products Co. Ltd project with registered capital of 1.04 billion USD. The third place is Ba Ria Vung Tau with 1.7 billion USD (accounting for 16.5%), corresponding to 10 projects. Typical is the Smart Logistics Center project in Cai Mep Ha.

The Mekong Delta region has its strengths in agriculture, fisheries and food and food processing. Currently, there are more than 20 Dutch enterprises investing and doing business in the region with a registered capital of nearly 140 million USD, mainly investing in the fields of agricultural products, food processing and manufacturing. Dutch projects are concentrated in Long An, Tien Giang and Ben Tre provinces thanks to their location adjacent to Ho Chi Minh City and being one of the processing industry satellites for the largest economy in Vietnam, and the central provinces of the Mekong Delta such as Can Tho, Vinh Long and Hau Giang.

Operational status of Dutch investors in the South

Surveyed business information

With the desire to learn about the business performance and future investment needs of Dutch enterprises in the Mekong Delta and neighboring provinces, VCCI Can Tho conducted a quick Survey in November 2021. The survey was sent to more than 100 enterprises with investment capital from the Kingdom of the Netherlands or Dutch business owners concentrated in the provinces of the Mekong Delta, Ho Chi Minh City and the Mekong Delta. Ho Chi Minh City and neighboring provinces such as Binh Duong and Dong Nai. After 1 month of implementation, VCCI Can Tho has collected 24 votes, reaching 24% response rate. Due to the impact of the Covid-19 epidemic and the end of the year, as well as the time to deploy the survey to FDI enterprises and the short time to collect, most businesses are focusing their resources on production, business, not enough time to survey businesses outside the area and far away.

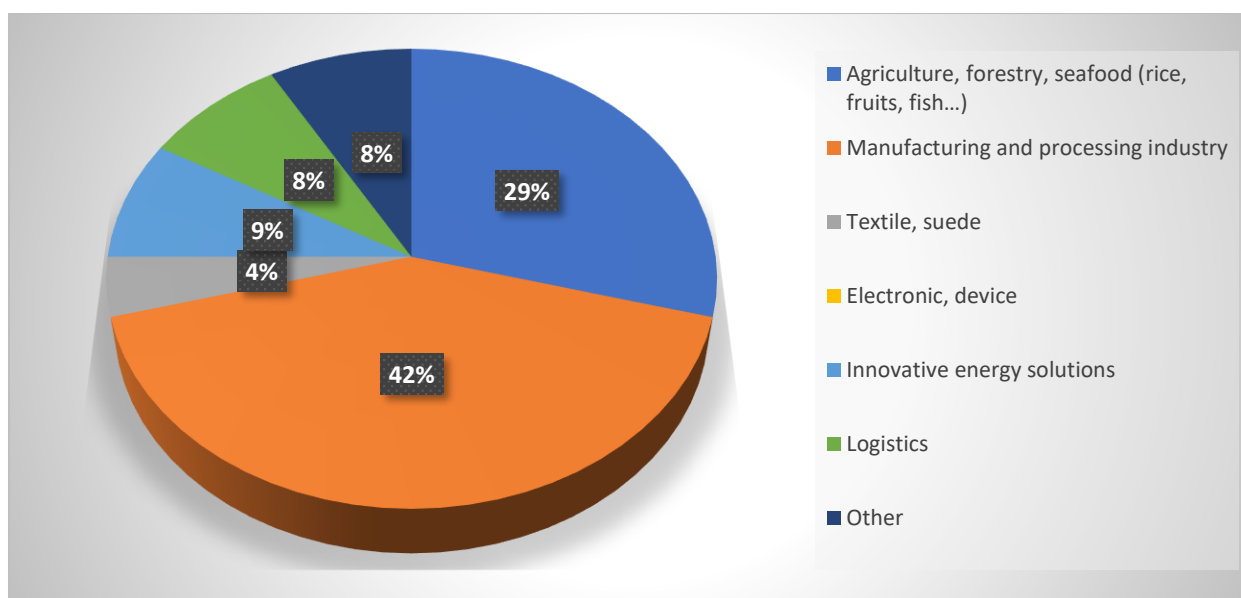


Figure 56: Enterprises participating in the survey by sectors

Source: Survey of VCCI Can Tho

There are 67% of enterprises responding to the survey operating in the Mekong Delta, the rest in Ho Chi Minh City. Ho Chi Minh City, Binh Duong, Dong Nai and Hanoi. The main business fields of enterprises are processing and manufacturing industry in the fields of processing animal feed, cattle, poultry, aquatic feed, production of materials, fertilizers, plastic boxes; knives and scissors (accounting for 42%), followed by the field of agriculture, forestry and fishery (mainly agricultural products), accounting for 29%, the field of renewable energy and logistics, warehousing has a proportion of survey participants. similar products accounted for 8.33%, handicrafts and traffic safety equipment accounted for 9%, textiles and garments only accounted for 4.17%.

Active market

Domestic market

According to the survey results, 67% of Dutch enterprises investing in production in Vietnam operate production and business to serve import-export and the Vietnamese market. Specifically, 67% supply to the domestic market (Vietnam) with products such as: warehousing and logistics services; build; machinery and mechanical equipment; distribution of specialty chemicals and food ingredients; agricultural materials; activated carbon – soil improvement, sterilization, deodorization; tropical fruits, accounting for 37.5%, while 62.5% are both sold domestically to the Vietnamese market and exported products such as aqua feed (shrimp, fish), tropical fruits, agricultural products, black pepper, skullcap, cinnamon bark; food, non-woven fabric rolls, PE plastic network,

production of cutlery, common metal products, production of rubber thread, elastic thread, rubber band, plastic, plastic bags, handicrafts; medicine,...

Export market

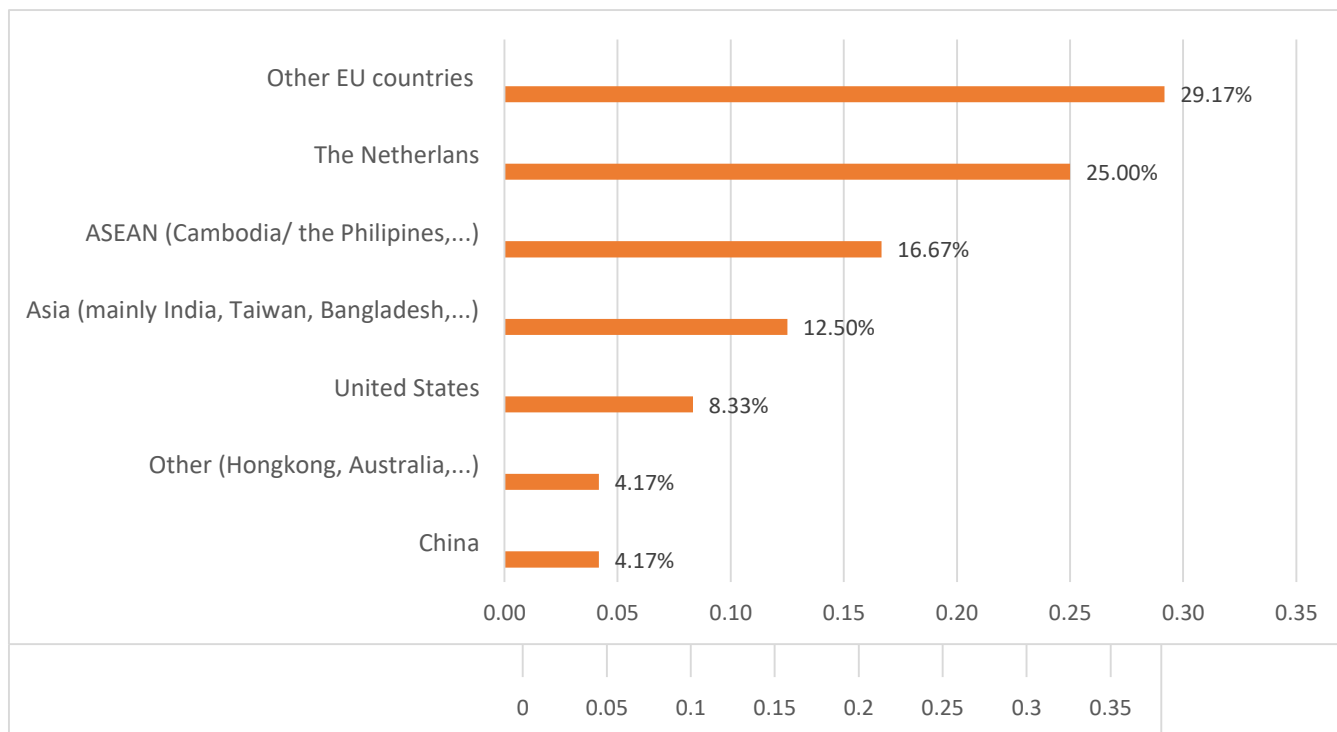


Figure 57: Main export markets of Dutch FDI enterprises

Source: Survey of VCCI Can Tho

The main export market of Dutch enterprises (with export participation according to the survey results) is Europe, accounting for 54%, of which the Netherlands accounts for the highest proportion in the bloc with 25%. The next market is ASEAN countries such as Cambodia, the Philippines ... accounting for 16.67%, Asia accounts for 12.5%, the rest about 16.7% are countries such as the United States, China, Hong Kong, Australia, etc.

Import market

Almost the same trend as exports, Dutch FDI investors import materials and machinery from the host country into Vietnam for production. The results from the survey show that more than a quarter of enterprises (27.3%) choose to import from the Netherlands with items such as animal feed, aquatic products, lead and zinc, and handicrafts. China is the second most chosen country by enterprises in terms of import market, accounting for 18.2%, the rest more than 54% of enterprises choose countries such as Japan (importing machinery and mechanical equipment), South Korea. (primary

resin), Asia, Australia, Europe, ... (agricultural products such as cloves, cinnamon, nutmeg and furniture, ...).

Input sourcing

When analyzing the input supply of Dutch FDI enterprises, it can be seen that most businesses diversify their partners to purchase raw materials from many different components such as Dutch FDI enterprises in Vietnam, FDI in other countries, other, domestic enterprises and imported from foreign suppliers. Specifically, with the input proportion < 20% of the total input cost, more than 77% of enterprises choose suppliers that are Dutch FDI and foreign FDI, while domestic suppliers have 63.6% enterprises selected, and foreign suppliers (importers) had 59.1% of enterprises selected. Other input proportions are not much chosen by enterprises. Very few Dutch investors allocate input supply to one type of supplier with a high proportion of >20%. Domestic suppliers selected by Dutch FDI are suppliers of 50-80% of input materials for the reasons that the prices of Vietnamese suppliers are more competitive and convenient when comparing purchases. products from other types of partners (accounting for 13.6%). With a ratio of >80% of the total input cost, only the foreign supplier (imported) is selected the highest 22.7% and the domestic supplier is selected in the second position, accounting for the second position, 13.6%.

<i>Ratio</i>	< 20%	from 20 – 50%	from 50 – 80%	> 80%
Dutch FDI enterprises in Vietnam	77.3%	9.1%	4.5%	9.1%
Other foreign FDI enterprises in Vietnam	77.3%	9.1%	4.5%	9.1%
Vietnamese domestic partners (enterprises, individual business households... Vietnam without foreign capital)	63.6%	9.1%	13.6%	13.6%
Overseas supplier (import)	59.1%	9.1%	9.1%	22.7%

Table 10: Distribution of input suppliers of FDI enterprises

Source: Survey of VCCI Can Tho

Competitive price is the main reason for Dutch FDI enterprises to choose Vietnamese raw materials, accounting for 52%, convenience and quality are the reasons why FDI enterprises choose, respectively. 14% and 10%. The reasons for better quality,

not available from other sources, better sales/after-sales policy/warranty/... are also interested by Dutch FDI enterprises, but account for a low percentage with less than 10% for Dutch FDI enterprises. each reason.

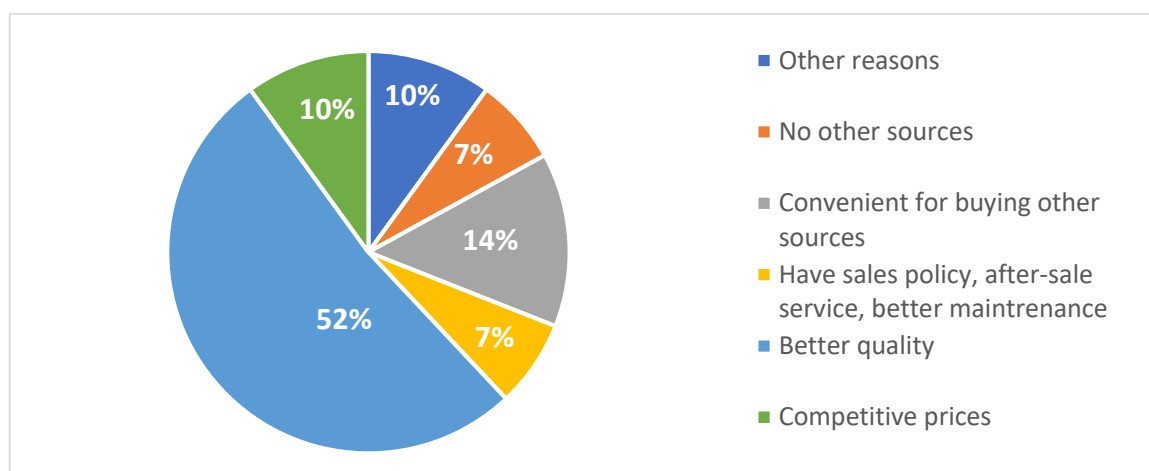


Figure 58: Reasons why Dutch FDI enterprises choose input materials from domestic enterprises in Vietnam

Source: Survey of VCCI Can Tho

According to the survey results, in the period 2015-2020, the production and business situation of Dutch FDI enterprises is stable and developed, which is shown through data on business indicators of enterprises. Firstly, in terms of revenue targets, 73% of enterprises have increased and stable revenue, of which 23% increased. Although the proportion of enterprises with stable and increasing total revenue accounts for the majority, the number of new orders and the volume of import and export orders of enterprises decreased more than the increase, equivalent to 18% (increase) respectively, 32% (decrease) and 23% (increase) and 36% (decrease). But in return, the percentage of businesses keeping their selling prices stable, despite the difficult economic context and being affected by the Covid-19 epidemic, is quite high, accounting for 68%.

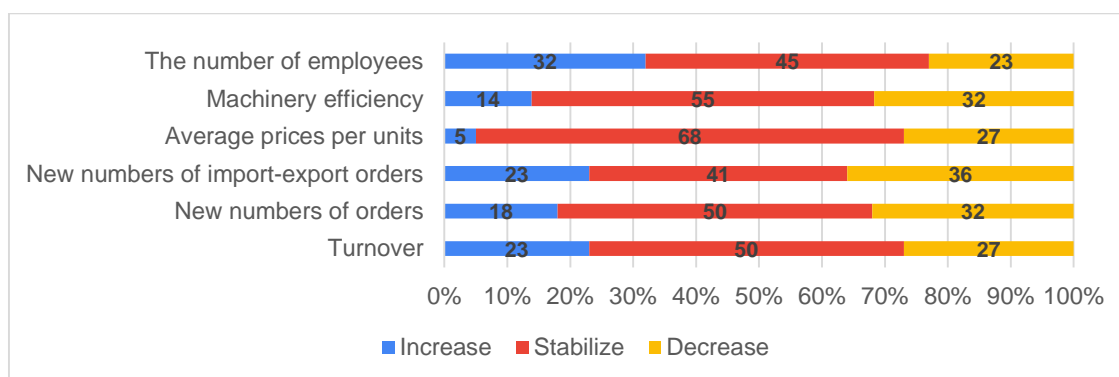


Figure 59: Performance of Dutch FDI enterprises in the period 2015-2020

Source: Survey of VCCI Can Tho

Secondly, related to resources, 77% of Dutch FDI enterprises have stable and increasing number of employees, equivalent to 45%; 32%, only 23% had a decrease in the number of employees. In addition, related to the efficiency of using machines, 14% of enterprises said that the efficiency of using machines increased, 55% stably and 32%.

Advantages and disadvantages of investing and doing business in the Mekong Delta

To better understand the advantages and disadvantages of Dutch FDI enterprises in Vietnam in general and the Mekong Delta in particular, thereby providing support and policy recommendations to the central and local governments, the research team presented this content in the survey. The results of enterprises' responses show that the factors contributing to the formation of competitive advantages of the Mekong Delta to attract investors in the past such as preferential policies, labor resources, and friendly work environment no longer appreciated by many businesses as before.

Advantages

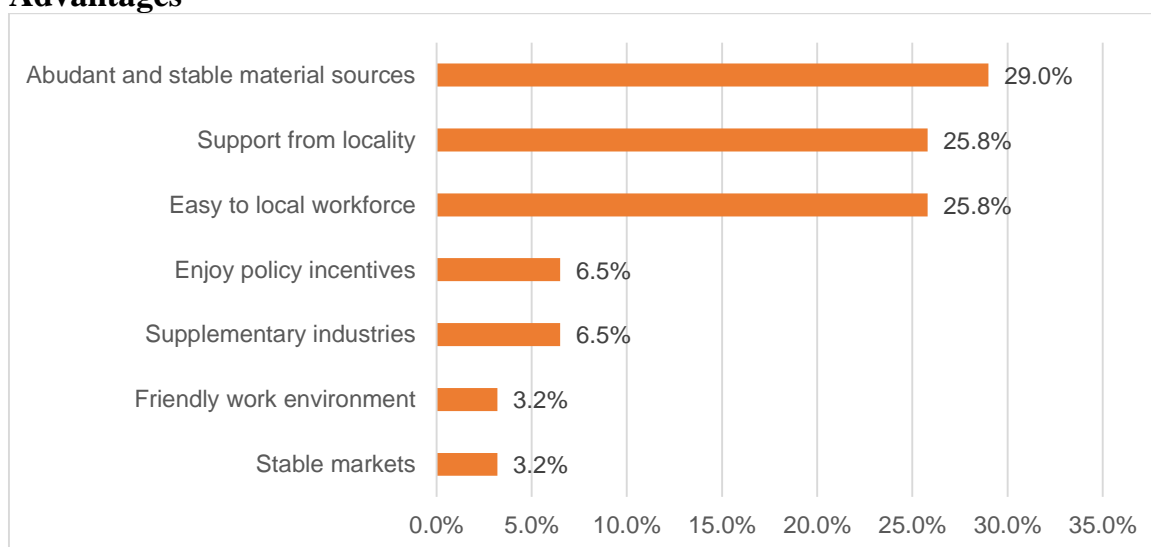


Figure 60: Advantages of doing business in the Mekong Delta

Source: Survey of VCCI Can Tho

Among the favorable factors of the Mekong Delta, the abundant and stable source of raw materials was chosen the highest by Dutch FDI enterprises with the rate of 29%, followed by easy access to local human resources and support from the Netherlands local and central government with the rate of 25.8%. Friendly environment and stable market are two factors chosen by enterprises, accounting for at least 3.2%, enjoying

many preferential policies and supporting industries are not considered favorable by many businesses. the rate is only 6.5%.

Disadvantages

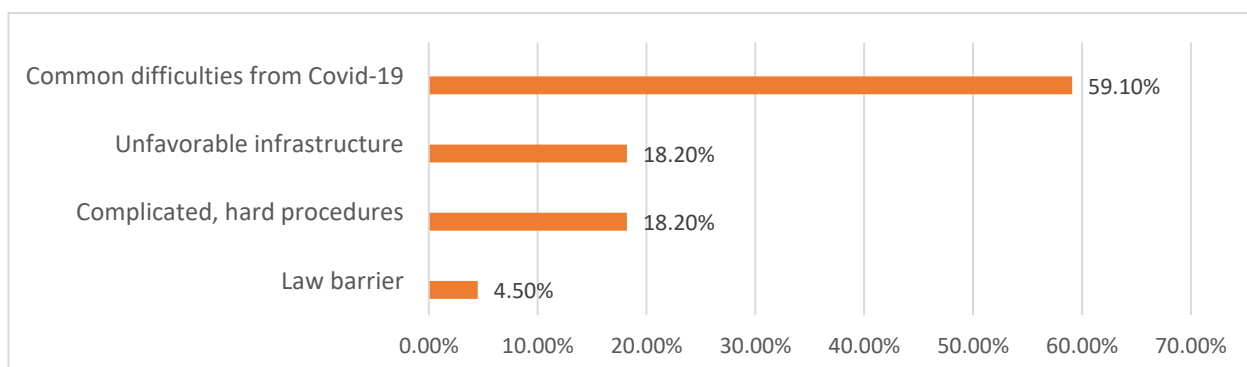


Figure 61: Difficulties in doing business in the Mekong Delta

Source: Survey of VCCI Can Tho

During the 4th outbreak in Ho Chi Minh City. In Ho Chi Minh City, the Eastern provinces and the Mekong Delta, when it comes to difficulties, the difficult factor from the Covid-19 epidemic situation is rated the most by businesses with the rate of 59.1%. Specifically, the epidemic lasted too long, which also affected the number of orders dropped sharply in the past 2 years and directly affected the sales of businesses. Difficulties in transporting goods, labor shortage and rising input prices, especially logistics and agricultural products, and labor shortage are also concerns for businesses. Some businesses had to close their factories for 6 months after shutting down, changing industries when the current business sector faced difficulties. The epidemic makes the business of enterprises unstable and anxiety also occurs. In addition, 18.2% of enterprises said that investment procedures are cumbersome and rigid, import tax procedures are also complicated, causing difficulties for businesses. During the epidemic period, there were many regulations and documents issued that overlapped and took effect immediately, which made it difficult for businesses. However, this situation has been gradually removed and overcome. Infrastructure limitations, legal barriers are also considered by enterprises to be difficult and hinder their business activities, respectively, in the order of choice of 18.2% and 4.5%.

Feelings about the local business and investment environment

The reality of attracting foreign investment capital into Vietnam has still achieved many remarkable achievements despite the negative impact of the Covid-19 epidemic.

When asked about their perception of the local business and investment environment in which enterprises are investing in Vietnam, up to 45.8% of enterprises rated the investment - business environment as good, through which businesses enterprises are more likely to develop more favorably, 12.5% of enterprises said that in general the investment and business environment is favorable, while 8.3% of Dutch enterprises shared that they received attention. and support from the State and local authorities. Content such as knowledgeable and competitive workforce, geographic location and potential market, stable political and security situation are also positive perceptions that businesses give.

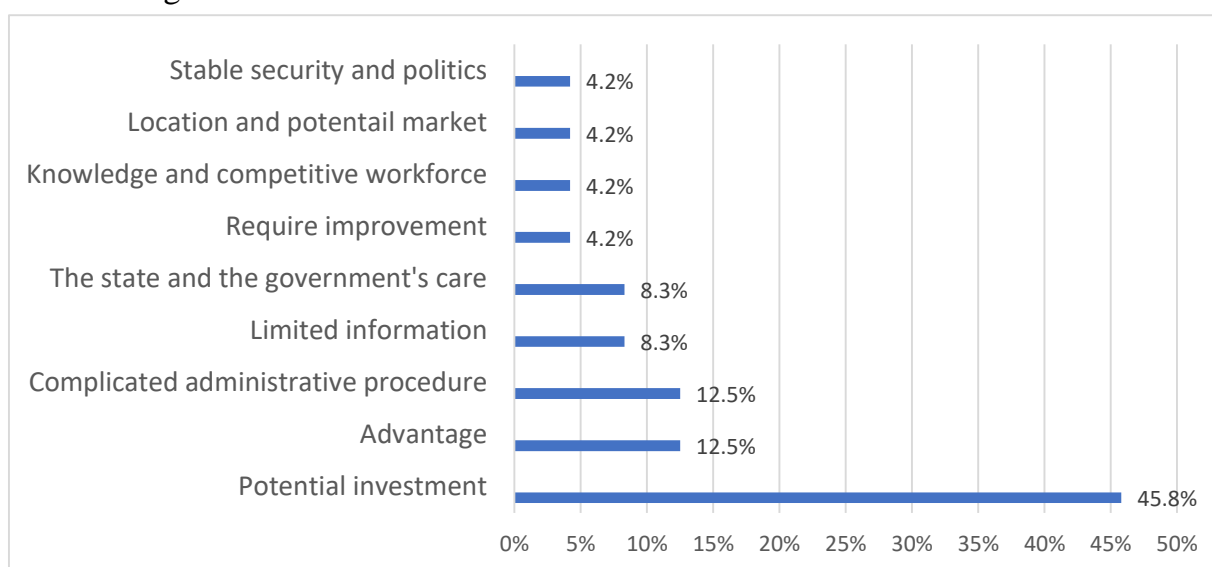


Figure 62: Perception of the local business and investment environment

Source: Survey of VCCI Can Tho

On the other hand, 12.5% of enterprises said that administrative procedures were cumbersome. The data available at the unit must be reported in too many stages and take a long time to implement. The business said that this is a matter that has lasted for many years and has not improved much so far. At the same time, finding information is still quite limited and difficult, with 8.3% of businesses choosing.

INTERESTS OF DUTCH ENTERPRISES

Due to the impact of the Covid-19 pandemic, the foreign investment picture has changed. In 2020, Vietnam has become a bright spot in attracting FDI flows, for the first time, our country entered the top 20 leading countries in the world in terms of FDI attraction. In 2021, also due to the complicated developments of the pandemic and anti-epidemic measures, investment and business cooperation activities of foreign

enterprises in Vietnam face many challenges and risks while keeping businesses, while avoiding supply chain disruptions.

Assessing the prospect of attracting FDI in 2022, Dr. Nguyen Dinh Cung - former director of the Central Institute for Economic Management (Ministry of Planning and Investment) - said that after nearly 2 years of restricted movement, restricting investment activities due to the Covid-19 epidemic, in the last months of 2021, FDI capital flows began to return to Vietnam with many large licensed investment projects. It is forecasted that in 2022, Vietnam will still be a destination for foreign investors³².

Business expansion field

Survey results of Dutch enterprises operating in Vietnam³³ show that nearly 42% of enterprises have the need to expand production and business activities in Vietnam. In which, the majority of enterprises (30%) are interested in expanding in the field of agricultural products (rice, fruit, ...). followed by the food and food sector (accounting for 20%). Other fields such as textiles (production of non-woven fabrics), machinery, mechanical equipment, warehouses and goods storage are all 10% of Dutch enterprises saying they want to expand production in the near future.

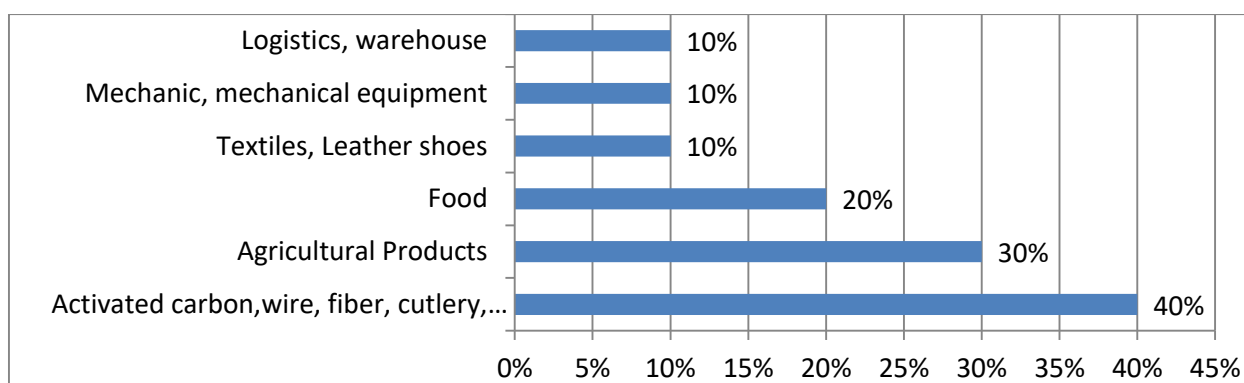


Figure 63: Areas of desire to expand business in Vietnam

Source: Survey of VCCI Can Tho

The survey also shows that the majority of Dutch enterprises participating in the survey have plans to expand production and business activities in the Mekong Delta, accounting for nearly 71%. Among them, agricultural products (rice, fruit, ...) continue to be the field that Dutch businesses are most interested in (accounting for 35.3%),

³² According to Finance Magazine, at the link <https://tapchitaichinh.vn/tai-chinh-king-doanh/nam-2022-viet-nam-van-la-diem-den-dau-tu-duoc-quan-tam-343839.html>

³³ Survey on "Investment needs and concerns about potential, investment and business opportunities in the Mekong Delta region" (From the perspective of Dutch investors in Vietnam) implemented by VCCI Can Tho in November-December 2021

followed by food - food and logistics. Warehouses are selected by 17.6% of businesses, renewable energy and environment, water are selected by nearly 12% of businesses. In addition, similar to the content of the need to expand operations in Vietnam, Dutch businesses are also interested in expanding their activities in such fields as textiles (production of non-woven fabrics), machinery, Mechanical equipment is the same interest of nearly 6% of Dutch enterprises.

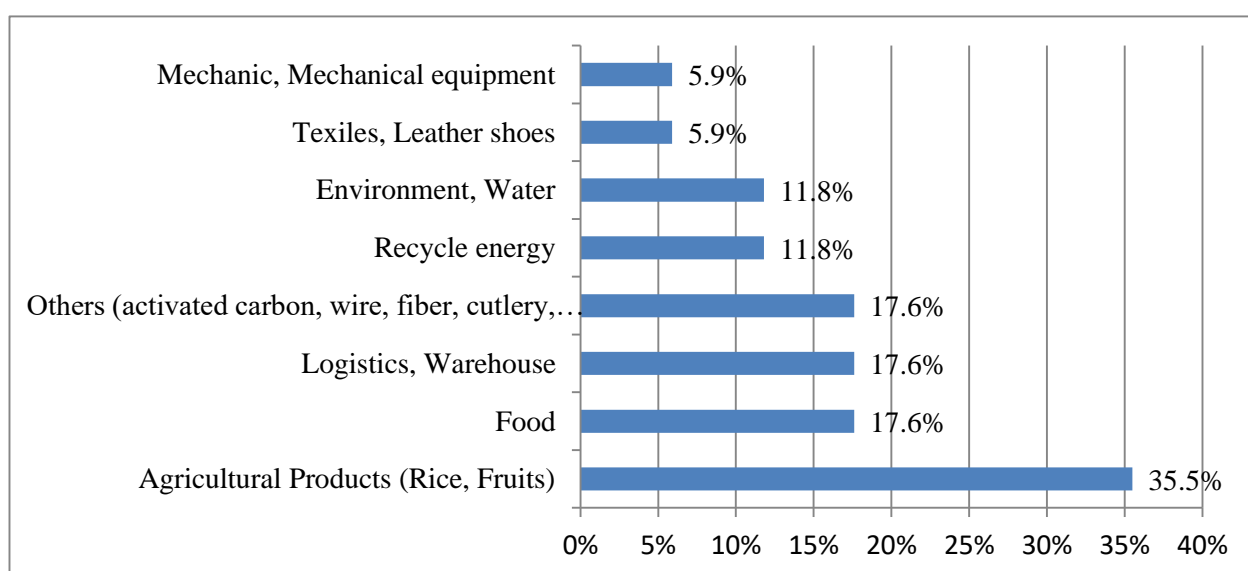


Figure 64: Areas businesses want to expand their business in the Mekong Delta

Source: Survey of VCCI Can Tho

Increase localization rate

Research reports have shown that, from the beginning of 2020, enterprises with foreign direct investment (FDI) have increased their sourcing of raw materials for domestic production. Deriving from practical difficulties such as unfavorable input and output factors, lack of imported raw materials, slow export of products, etc., the domestic market has saved many FDI enterprises in the country. Many businesses have returned to find raw materials in the domestic market, thereby increasing their domestic market share, and at the same time, it is also an opportunity for Vietnamese enterprises to become suppliers for FDI enterprises and participate more deeply in the domestic market and in global supply chain³⁴.

The localization rate in many industries is improving significantly, which shows the remarkable development of domestic production. Currently, there are more and more domestic sources of raw materials to serve the production and business processes of FDI

³⁴ <https://www.sggp.org.vn/tro-luc-de-doanh-nghiep-tu-tin-gia-nhap-chuoi-cung-ung-toan-cau-781818.html>

enterprises in Vietnam. According to the survey results, most Dutch enterprises choose to increase the proportion of inputs from domestic partners in Vietnam and the Mekong Delta, accounting for 50% and 58.3%, respectively. Meanwhile, the number of businesses that said they would not increase inputs from the Vietnamese market accounted for one-third of the total number of enterprises participating in the survey, equivalent to 33.3% and this rate from the Mekong Delta region was 1/4, or 25%.

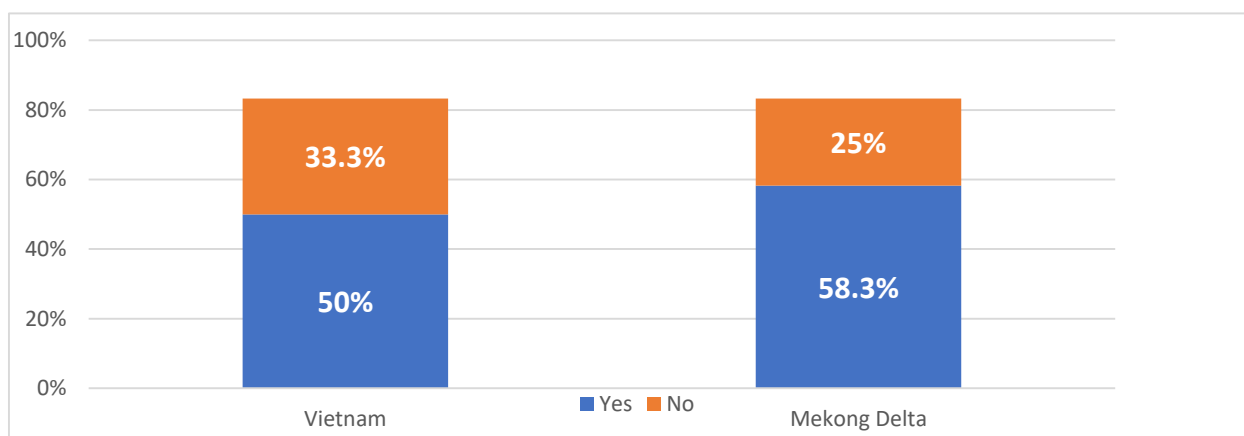


Figure 65: Intended to increase the localization rate of FDI in Vietnam /Mekong Delta

Source: Survey of VCCI Can Tho

The reasons businesses choose to increase the proportion of inputs from the domestic sector are quite diverse. Accordingly, the main reason given by Dutch enterprises is that the Covid-19 epidemic has greatly affected the import of input materials. Meanwhile, domestic suppliers have the advantage of abundant supply of raw materials (mainly agricultural and aquatic products), reduced transportation costs, strong consumption market and potential for further development. The investment-business market is open and open, etc. The above factors contribute to helping Dutch businesses be more proactive in production and business, as well as take advantage of available domestic resources to help businesses. reduce costs and increase profits significantly.

Currently, there are two most common types of linkages classified based on the value chain: vertical linkages and horizontal linkages. In particular, vertical business links can be divided into two types of small links: backward links and forward links. In the linkage between domestic enterprises and foreign-invested enterprises, backward linkage occurs when FDI enterprises establish relationships with domestic companies in downstream industries in order to purchase new products. input products to serve the

production and business process. Meanwhile, forward linkage is when FDI enterprises sell goods and services to domestic enterprises. In the case of Vietnam, one of the main goals of attracting foreign investment is the expectation of spillover effects on technology, labor productivity, and experience in governance from foreign partners to foreign investors. domestic enterprises. Therefore, this form of back-linking will play a key role in promoting the spread of Dutch FDI enterprises to domestic enterprises, as well as enhancing the efficiency of linkage between domestic enterprises and Dutch enterprises in Vietnam.

Expanding investment in the Mekong Delta region

Previously, attracting FDI into the Mekong Delta only focused on localities near Ho Chi Minh City. In Ho Chi Minh City such as Long An, Tien Giang, Ben Tre and Phu Quoc island (Kien Giang), in the last 2 years, FDI inflows into this region have had a strong shift into localities with strengths in energy development. . Therefore, the Mekong Delta is not only a key area for agriculture and fisheries, but also a region with great potential in the energy map.

According to the survey results, Dutch businesses operating in Vietnam intend to expand their investment in the Mekong Delta in the near future, the same place 21.1% of businesses said they are interested is Long An. An and Hau Giang. Provinces such as Ben Tre, Can Tho, and Tien Giang together with 5.3% of Dutch businesses said they want to expand in the future. Meanwhile, more than 42% of businesses said they are considering locations in the Mekong Delta.

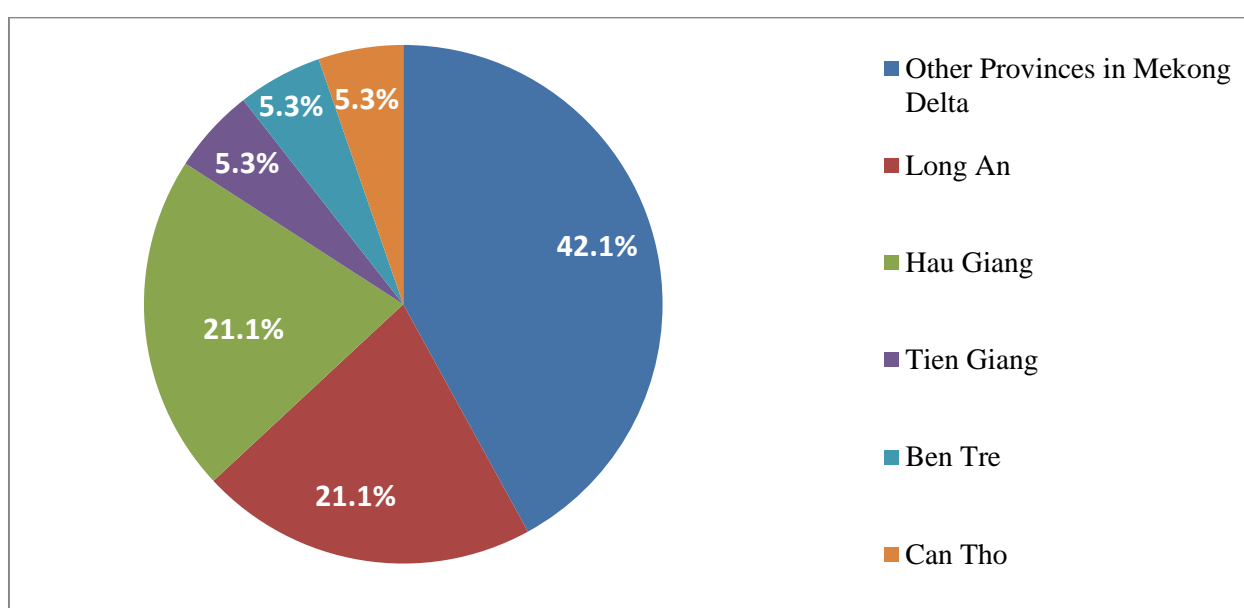


Figure 66: Planned location for investment expansion in the Mekong Delta

Source: Survey of VCCI Can Tho

According to the survey results, businesses said that their investment plans in the Mekong Delta or in the locality that they are interested in in the near future are to increase investment capital and expand production and business, accounting for 4.2. %. At the same rate, there are also Dutch enterprises that say they will keep their capital sources and continue their production and business activities as they are now.

Taking advantage of signed FTAs

According to the Foreign Investment Department (Ministry of Planning and Investment), in recent years, Vietnam has been a member of many important multilateral and bilateral trade agreements of great size, stature and strength, related to the European market, not to mention the Free Trade Agreement by the European Union - Vietnam (EVFTA), Investment Protection Agreement (EVIPA), etc., creating a solid legal basis and foundation for Vietnam to integrate deeply and widely into the world economy and join the global value chain. This is an important factor in enhancing the position and attractiveness of Vietnam in the business strategy of foreign investors.

According to the Government report, trade exchange and direct investment capital from European Union countries poured into Vietnam increased sharply after the EVFTA took effect from August 1, 2020. Accordingly, by the end of September 2021, more than 22 billion USD of investment capital from large European corporations has poured into Vietnam, an increase of nearly half a billion USD over the same period despite the impact of Covid-19. The Netherlands is the leading country with 382 projects, with a total capital of nearly 10.4 billion USD, accounting for nearly 46.5% of EU investment capital in Vietnam³⁵.

Through the survey, 50% of businesses have taken advantage of the advantages that Vietnam has gained from free trade agreements with the Netherlands in the past time. Accordingly, EVFTA is an agreement that 100% of businesses are interested in, learn about and take advantage of. In addition, depending on the export demand to different markets, Dutch businesses in Vietnam also learn about other agreements such as ATIGA, ACFTA, CPTPP ...

³⁵ According to FIA (MDP) at link: <https://fia.mpi.gov.vn/Detail/CatID/95f75c5b-b0bf-40a3-b486-2cc4e2d5cc01/NewsID/a3ea06a2-2899-4eb9-b4ec-8db8b5be5c24/MenuID/50557cad-3121-46e2-8449-37bfb0a04483>

When asked if there is a strategy to take advantage of the advantages that Vietnam will get from FTAs in the coming time, 54.2% of Dutch FDI enterprises agreed. Specifically, the EVFTA continues to be an agreement that receives special attention from businesses participating in the survey (accounting for 100%), in addition, the CPTPP is also selected by 10% of businesses.

BUSINESS RECOMMENDATIONS

The Mekong Delta is considered as a bright spot in terms of governance reform and business environment improvement, among the top leaders in the country in terms of land access, time costs, informal costs and dynamism³⁶. However, attracting foreign investment is still limited and not commensurate with the region's competitiveness index, accounting for a small proportion compared to the national average. Except for Long An, which attracts foreign investment well thanks to the advantage of being adjacent to Ho Chi Minh City. Ho Chi Minh City, the remaining provinces attract very few foreign investment projects and are lower than the national average. Therefore, the report recognizes comments from Dutch businesses that propose to better support foreign-invested businesses in the area in general, and Dutch businesses in particular. At the same time, these proposals also contribute to attracting more quality FDI in the coming time.

For Central levels

Infrastructure upgrade

The transport infrastructure of the area is still facing many difficulties. Although the Mekong Delta has Can Tho and Phu Quoc international airports, the traffic is not smooth and so the international airports have not been fully effective, not connecting regional traffic and also opening international flights. economy to countries. The deep-water port system has also not been developed and invested, most of the goods entering and leaving this area have water transportation needs, but large ships cannot enter the port because the channel is congested, so goods cannot circulate and forced to circulate by road, leading to high cost of products. This is also the suggestion that 8.3% of enterprises

³⁶ According to Vietnam PCI Report in period of 2009-2019

participating in the survey want the Central to have many priorities for upgrading and developing infrastructure in the region.

More favorable policies for investors, digitizing procedures

Tax policies and procedures that are simpler and more flexible, as well as increasing the application of digitalization in the implementation of procedures, will be very appropriate in the current context. Dutch businesses also proposed that the government strengthen policies on sustainable development, reducing CO2 emissions, natural regeneration, biodiversity conservation, clean energy because this is the trend of the whole world. In addition, the survey also noted other suggestions such as the Ministry of Agriculture and Rural Development needs to review the list of pesticides to match the export market (EU, Australia), pay attention to the source of pesticides. supply agricultural materials for agricultural intensive areas.

Building competitive advantages in attracting investment

Businesses suggested that the Government should focus on building competitive advantages in attracting foreign investment for the Mekong Delta region. These include the timely review and adjustment of foreign investment policies to suit and keep up with fluctuations and uncertainties of the global economy and changes in FDI attraction strategies of the above countries. the world, building investment conditions, a transparent and predictable legal system on the basis of developing a globally connected market economy by the rules of law.

Supporting businesses more during the Covid-19 pandemic

Reports also show that FDI enterprises in general are not afraid of the impact of the epidemic, but the main concern is the Government's implementation of blockade and epidemic prevention policies. According to the survey results, more than 29% of Dutch businesses want more support from the government during the Covid-19 epidemic, such as enhancing timely support policies for rising costs, input and output support in the production stage, 16.7% of enterprises jointly proposed to vaccinate against the 2nd and 3rd shots to quickly control the epidemic, businesses can rest assured in production, business and construction of more favorable policies for investors.

For locality

More process and procedural support

In addition to proposing to repair and upgrade infrastructure and traffic in the industrial park for convenient and safe means of entry and exit as described in the proposal to the Government, the survey results show that 25% of businesses want to be cared more by local authorities, have more support activities, and procedures are also streamlined and simplified, more efficient, more flexible, helping businesses solve problems. solve local difficulties and problems quickly.

Strengthen trade and investment promotion

Strengthening trade and investment promotion activities is proposed by nearly 21% of Dutch enterprises. Businesses wish to connect with businesses inside and outside the province to be able to cooperate in business, and at the same time, support Dutch FDI enterprises to be connected with local departments through seminars. , events.. At the same time, investment promotion activities in general have not had much coordination between localities and neighboring regions.

Update information on markets, policies, ... continuously and timely

Businesses wish to be provided with more timely and information, such as timely notification of difficulties and future plans so that businesses can grasp information and have a firm belief in the locality where they are located. invest. Seeing clearly the anti-epidemic plans and measures in each phase will greatly support the business's plan. Currently, broken production chains are on the world, regional and most obvious levels for open manufacturing platforms. Therefore, a plan roadmap needs to be put in place so that enterprises can understand their return to normal production. Enterprises also want to pay more attention to the supply of affordable agricultural materials for agriculturally intensive areas, and to support vocational skills training for workers in general, especially rural workers to have a can meet the job requirements.

Ensure quantity and quality of local labor

Not letting the disruption of the labor supply chain be an issue that localities should prioritize. Although the number of employees is large, there are many unskilled workers, the structure is not diversified and the basic education quality is low, and there is a

shortage of qualified and trained workers. Therefore, localities should strengthen coordination with relevant agencies in vocational training and support enterprises in recruiting workers to meet the needs of the economy, especially the needs of the region. FDI sector after labor shocks. Besides teaching vocational skills, it is necessary to train to improve labor discipline, soft skills, ability to cooperate and share experiences so that Vietnamese workers have both high vocational skills and professionalism, meet labor needs of enterprises in the era of industrial revolution 4.0.

PART VI: CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

In recent years, activities to attract foreign investment in the Mekong Delta have made positive changes. With favorable natural conditions, the region is being noticed by many potential foreign investors. In the past 2 years, the Mekong Delta has attracted many large projects with a capital of billions of USD, which have the power to create a breakthrough for the region. In addition, business opportunities will have many opportunities when the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EVFTA) have officially taken effect.

In the coming time, the government will increase investment in the Mekong Delta to deserve to be a key economic region in the South. Accordingly, the Ministry of Transport has developed five national specialized plans for the period 2021 - 2030, with a vision to 2050 on roads, railways, maritime, inland waterways and aviation with a total investment capital. investment is about 252,694 billion VND. Particularly in the period of 2021 - 2025, the Mekong Delta is expected to be allocated about VND 50,690 billion, accounting for 20% of the total investment capital of the whole country's transportation industry to support investment in a number of key highway projects, and invest in key projects in other specialties...

Notably, the Mekong Delta Plan for the period 2021-2030, with a vision to 2050, is expected to be approved by the Prime Minister this year and is currently in the consultation phase for completion. The draft master plan sets out the goal that by 2050, the Mekong Delta will be a sustainable delta, a place worth living and working; It is an attractive destination for tourists and investors.

Compared with other countries in Southeast Asia, Vietnam's business environment has outstanding advantages in terms of political stability and accessibility to production and business premises. In addition, many preferential policies and investment attraction also give Vietnam a tax advantage over neighboring countries. The determination in administrative reform, notably the implementation of the PCI, DDCI, and PAR indexes,

is a bright spot in the business environment of Vietnam in general and the Mekong Delta in particular.

In terms of attracting FDI, although the Mekong Delta region is not as strong as other economic regions, it still has distinct advantages. According to the survey, the biggest advantage of the Mekong Delta comes from cheap labor costs and abundant raw materials. The available land fund to expand production and business and the appropriate quality of human resources are also highly appreciated by FDI enterprises. Businesses also see positive signals about the quality of human resources in the Mekong Delta in the coming time. Not only in terms of raw materials, easy access to and import of raw materials also plays an important role in the attractiveness of the region. In addition, businesses believe that domestic and foreign tax incentives as well as provincial policies will be increasingly improved.

Besides the advantages, the Mekong Delta still has many weaknesses, mainly focusing on technological limitations in agriculture, climate change, logistics system and unsynchronized infrastructure. However, the disadvantages and limitations of the present will create investment opportunities and new directions for businesses in the future. Accordingly, high-tech agriculture, clean energy, logistics, and infrastructure are also industries that businesses in the Mekong Delta are interested in and have a need for cooperation and investment.

Infrastructure and Logistics

The problem of infrastructure in the Mekong Delta is one of the persistent limitations, hindering the development of the region. Over the past time, despite the attention to investment and development, the transport infrastructure and logistics system of the Mekong Delta region have not been synchronized. The existing logistics center of the region is quite small and mainly serves a number of businesses in the industrial zone or in neighboring provinces and cities. Infrastructure quality is also one of the main factors affecting investment decisions of FDI enterprises. In addition, inter-provincial road traffic infrastructure and connections to ports and airports are also of interest to businesses.

It can be seen that the needs of businesses as well as the attention of the Government for the development of the logistics service industry in the Mekong Delta

are very large and urgent, especially logistics aimed at serving agricultural and aquatic products of the region. In addition to the main logistics services such as transportation, warehousing, and goods preservation, most essential services (cold storage, irradiation, steaming for fruit products) also create many potentials and opportunities for customers. logistics enterprises. In addition, the new expressways that have been and are being formed in the Mekong Delta will be one of the important factors promoting the economic development of the whole region.

High-tech agriculture and supporting industries

The Mekong Delta is considered the cradle of the country's agricultural industry. Although the agricultural industry has many achievements, the efficiency and quality are still limited. Currently, agriculture in the Mekong Delta is still mainly based on exploiting natural resources and cheap labor. The Mekong Delta Annual Economic Report 2020 also clearly shows that the old development model of the Mekong Delta is outdated, even outdated, and therefore needs a new development model. In this new model, the application of high-tech solutions to the agricultural industry will certainly be an important priority because agricultural production and processing has always been an outstanding strength of the region.

The large sample field model in the Mekong Delta region has a total participating area of nearly 184,000 hectares by mid-2020, with the largest contracted area in the country. However, the model is still gradually completing the methods of cooperation between enterprises and farmers and cooperatives.

In addition, products and services in the aquaculture industry also receive a lot of attention from businesses. The process of aquaculture from hatchery, water treatment, wastewater, feed and other products ... in the Mekong Delta region has not yet met the needs of businesses.

The field of processing and preservation technology is also of interest to many businesses, wishing to connect and cooperate. Currently, agricultural products in the Mekong Delta have not paid much attention to preservation technology, making the loss rate from harvest to consumption quite high. Competitors like Thailand and other countries in the ASEAN region have very competitive packaging and preservation, especially in the context of the global market's high demand for quality. Therefore, good

product preservation will be a competitive advantage for Mekong Delta enterprises because the quality of Vietnamese products is not inferior to similar products in the world.

In addition, due to the negative impacts of climate change, agricultural enterprises are also very interested in soil treatment and restoration technology, landslide treatment technology and technology to prevent alum, salinity and treatment. water management.

Water treatment

In the Mekong Delta, the water supply for urban areas is taken from the Tien and Hau rivers and groundwater. Total water supply capacity is 1,182 million m³/day, of which 73% is using surface water. Currently, the whole region has 224 surface water plants and 126 underground water plants. In general, the design water plant technology is still outdated. The mining capacity is only about 70% of the design. Some buildings are degraded, so the loss rate is high (25% on average). Regarding rural water supply, the whole region has 4,200 rural water supply works, 90% of which is underground water exploitation, and 10% of surface water.

It can be seen that the Netherlands' advanced agriculture, the world's leading seaport and logistics system will be an important piece to the shortages of the Mekong Delta. In addition, the investment attraction of the local authorities in the Mekong Delta is also aiming for sustainable development, application of advanced technology, creating spillover value for the business community (particular attention is paid to the business community). small and micro enterprises, business households, cooperatives, etc.). The above will be an important foundation for the cooperation between Dutch investors and the Mekong Delta in the future.

RECOMMENDATIONS OF VCCI CAN THO ON COOPERATIVE INVESTMENT BETWEEN THE NETHERLANDS AND THE MEKONG DELTA

Within the framework of cooperation between the Vietnamese and Dutch governments as well as the Vietnam-Netherlands business platform in the Mekong Delta. In order to achieve the goals set out in the Intent Letter³⁷ 37 and the Netherlands

and the Mekong Delta can take advantage of these commitments through specific activities:

- In terms of long-term strategy, the cooperation program in the near future between the Netherlands and Vietnam - Mekong Delta region will include: Master plan of the Mekong Delta until 2030, vision to 2050 towards sustainable development towards sustainable development. climate change adaptation, Sustainable agricultural transformation program in the Mekong Delta, overcoming problems of subsidence, riverbank erosion, coastal erosion, climate change and disaster prevention related to water resources, promoting the development of a circular economy, renewable energy to serve the goals of sustainable development in each country.

- The Netherlands acts as the focal point to connect international donors to the Mekong Delta in fields related to education, training, and fields related to land, water, environment, sustainable agriculture and climate change adaptation.

- The two sides develop action plans to maintain regular exchange mechanisms as well as cooperation directions in the fields of seaports, education, tourism, etc., the strengths of the Netherlands and the Mekong Delta in order to supplement and support and create opportunities for cooperation and development.

- Strengthen the cooperation relationship between the Netherlands - Vietnam and the Mekong Delta within the framework of a strategic partnership in the fields of climate change adaptation and water management; in the field of sustainable agriculture by aiming to transform agriculture applying science and technology.

- Harnessing the strength of the Netherlands to take advantage of experience in areas where the Mekong Delta is still limited and in demand by public-private cooperation programs between the Netherlands and the Mekong Delta in the fields of transport infrastructure, ports marine, logistics and science and technology for agriculture, training skilled and skilled workers to be able to absorb and apply technology in transformed agriculture, water infrastructure, renewable energy...

- The Netherlands supports connecting ports and industrial zones with Europe, helping to increase the output of Vietnam's exports to these markets.

- The two sides (Netherlands - VCCI Can Tho) strengthen the organization of trade promotion activities, support trade connections, assemble business relationships between Dutch enterprises and the Mekong Delta region, promote goods trade.

- Create opportunities for Dutch and Mekong Delta enterprises to cooperate in investment and business in the field of high technology, applying science and technology in sustainable farming, production and business that is adaptive and resilient to climate change.