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**Khai, Ha Vu**

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# Investigating the Impact of Global Policy and Political Shifts on Vietnamese Businesses

<sup>1</sup>\* Khai, Ha Vu

<sup>1</sup>Dong Nai Technology University, Dong Nai 76000 Vietnam

\*[havukhai@dentu.edu.vn](mailto:havukhai@dentu.edu.vn)

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## Abstract

This paper examines how Vietnamese enterprises in various industries, including oil and gas, transportation, and food, were impacted by the tensions between Russia and Ukraine during the first half of 2022. By utilizing statistical comparison methods, the study found that there were fluctuations in revenue, profit, and other indicators that measure business activity. Specifically, in the oil and gas industry, companies such as Vietnam Gas Corporation, Binh Son Refining and Petrochemical Joint Stock Company, and Ca Mau Petroleum Fertilizer Company saw higher revenue and financial ratios compared to the industry average, while other businesses experienced a decrease from the previous quarter. Transport companies benefited from increased import and export, as well as high freight rates and global price hikes for goods and materials. The food industry in Vietnam saw the Russia-Ukraine conflict as a significant opportunity for growth, but businesses still encountered challenges in capitalizing on this potential. As Vietnam's economy is deeply intertwined with the global economy, fluctuations and high inflation in the world economy can have an impact on the country's economy and businesses.

**Keywords:** *Market Volatility, Political Tension, Vietnamese Enterprises, Russia-Ukraine Conflict.*

## 1. Introduction

The connection between economic activity and political events is undeniable. Political events and government actions have the potential to impact market movements and business performance. The media often discusses the effects of politics on economic activity, and scholars have increasingly studied and evaluated this relationship over the past few decades. With economic integration, the impact of political events on the economy is not confined to domestic events but extends to international political events. Various domestic and international political events have occurred over the years and have directly or indirectly influenced the social, economic, cultural, and survival situation of businesses [1-2].

In 2022, the relationship between Russia and Ukraine became increasingly tense, with a series of attacks and responses that had heavy impacts on many economies, including Vietnam. The agricultural sector was particularly affected, with the price of fertilizer shares on the Vietnamese

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stock exchange increasing rapidly due to a shortage of fertilizer production components. This led to an increase in the prices of various agricultural products and input materials for production, such as wheat, corn, and potatoes, which increased by 10-20%. The Livestock and Cultivation industry in Vietnam was adversely affected by the over 20% increase in the price of fertilizer. Additionally, import and export transactions of agricultural products and related products between Vietnam and Russia, Ukraine, and some Eastern European countries had to be halted due to concerns about risks in banking transactions, a lack of means of shipping, and high costs [3-4].

The ongoing conflict between Russia and Ukraine has caused significant disruption in the supply chain of fuel for production, resulting in a slowdown. This has led to an increase in the prices of various commodities such as wheat, fertilizer, coal, steel, and base metals. Additionally, Russia and Ukraine are major suppliers of key materials such as nickel, neon, krypton, aluminum, and palladium, and the disruption of the supply of these goods has had a significant impact on production and has increased the cost of imported electronic devices. The most significant impact, however, has been on the price of fuels such as gasoline, oil, and gas, which have skyrocketed, creating inflationary pressure on the entire economy [5-6].

Statistically speaking, political events worldwide have an impact on domestic businesses. For example, Brexit caused the VND/USD exchange rate to rise from 1 USD - 21,887 VND to 1 USD - 23,196 VND, and Vietnam's trade relationship with the EU was also affected. During the US-China trade war, Vietnam's economic growth rate outpaced that of other emerging markets in East Asia and the Pacific, reaching 6.8%. Chinese investment in Vietnam increased from \$700 million to over 2.4 billion USD between 2011 and 2018, with a focus on construction and energy production. The tension in Russia-Ukraine relations has also affected production, particularly in the supply chain of fuels and the prices of commodities such as wheat, fertilizer, coal, steel, base metals, and imported electronic devices. The scarcity of fuel has driven up production costs and created inflationary pressure on the entire economy [7-9].

Assessing the impact of global political events on business activities in Vietnam is a critical and pressing issue for businesses, investors, and policymakers. This study concentrates on investigating the volatility of the economy and production as well as the business activities of Vietnamese enterprises concerning the tension in political relations between Russia and Ukraine. This concrete example demonstrates the effect of global political events on the production and business activities of Vietnamese enterprises [9-10].

## **2. The Effects of Tensions between Russia and Ukraine on Business Activities of Vietnamese Enterprises**

To evaluate the impact of international political events, specifically the tension between Russia and Ukraine, on Vietnamese enterprises, this study examines three industries that may be affected due to factors such as raw material supply and transportation transactions: oil and gas, transportation logistics, and food. Within each industry, representative enterprises are selected to analyze the effects of the Russia-Ukraine conflict on financial performance metrics such as net revenue, profit after tax, return on sales (ROS), return on equity (ROE), and return on assets (ROA) during Q1-Q2 2022. Data is collected from the FinnPro Platform system, and comparative statistical results on the performance of enterprises in each industry are presented in Tables 1, 2, and 3.

Since Russia launched its military campaign in Ukraine, the West has imposed unprecedented sanctions causing crude oil prices to increase by more than 30% in the Oil and Gas industry.

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According to the Vietnam Oil and Gas Group (PVN), the price threshold of over \$100 a barrel has been maintained for the past half-month, leading to increased revenue from exports of crude oil. This also resulted in an increase in revenue from taxes and fees on petroleum products consumed domestically. However, as shown in Table 1, the Vietnam Gas Corporation, Binh Son Refining and Petrochemical Joint Stock Company, and Ca Mau Petroleum Fertilizer Company (DCM) have positive revenue and financial indicators with ROE within or above the industry average (9.14%). On the other hand, the financial indicators of the other enterprises decreased compared to the previous quarter, with Petrovietnam Drilling and Drilling Services Corporation (PVD) even recording a negative profit after tax in the second quarter of 2022 (-73,816 million VND). Therefore, despite the benefit in price, the increase in oil prices on the world market still causes significant damage to most oil and gas enterprises in Vietnam, leading to higher production and distribution costs of their products and increased consumption costs of people (petroleum costs account for 3.5% of total production costs in the Vietnamese economy).

The tension between Russia and Ukraine has caused disruptions to shipping routes, leading to suspension of service provision and higher air freight rates. The global supply chains have also been severely disrupted. The transport and logistics industry in Vietnam has been significantly affected, as shown by their lower revenue and financial indicators compared to the industry average. Although the indicators have improved slightly from the previous quarter, they are still considered insignificant. The war in Ukraine has contributed to the escalation of oil prices, increasing input costs for the shipping industry. However, the growth in import and export offers potential for port and shipping enterprises to benefit from higher freight rates and prices of goods. In the selected enterprises, Vietnam Shipping Joint Stock Company and Vietnam Maritime Corporation - JSC have seen significant revenue and profit growth, with positive financial indicators. In the long term, the failure to reopen important shipping routes will pose serious challenges for shipping enterprises, and the logistics industry in Vietnam must devise more effective long-term strategies to address this issue.

The conflict between Russia and Ukraine, both major wheat exporters, is expected to affect the global supply of wheat and drive up food prices. In September 2022, the average import price of wheat rose to \$424/ton, a 6.3% increase from the previous month and a 37.2% increase from September 2021. However, Vietnamese rice exporters may benefit from the situation as rice prices are expected to increase in line with global food prices and export demand may rise to substitute for wheat or corn. Sa Giang Import-Export Joint Stock Company, a rice-based food business, has good revenue and financial ratios compared to other businesses in the industry. Nonetheless, the Food and Food sector may suffer negative effects in the long run due to import and export inadequacies. Negative financial data can be observed in other industry players, with no enterprise reaching the industry average ROE index of 12.03%. Even the ROE of some companies such as Hai Ha Confectionery Joint Stock Company (0.03%), Ha Long Canned Food JSC (0.16%), and Dabaco Vietnam Group JSC (0.31%) is below 1%. Thus, although the Russia-Ukraine conflict presents an opportunity for Vietnam's food industry, many businesses are facing challenges in seizing this opportunity.

**Table 1. Performance comparison of selected oil and gas companies in Q1 and Q2 of 2022**

STT	Enterprise	Net Revenue (million dong)		Profit after tax (million dong)		ROS (%)		ROE (%)		ROA (%)	
		Quarter 1/ 2022	Quarter 2/ 2022	Quarter 1/ 2022	Quarter 2/ 2022	Quarter 1/ 2022	Quarter 2/ 2022	Quarter 1/ 2022	Quarter 2/ 2022	Quarter 1/ 2022	Quarter 2/ 2022
1.	Vietnam Gas Corporation	26,689,145	27.653,355	3.495.353	5.141.205	13.10	18.59	6.36	8.75	4.18	4.18
2.	PetroVietnam Power Corporation	7,061,388	7.462,393	803.482	582,086	11.38	7.80	2.29	1.31	1.34	1.34
3.	PetroVietnam Technical Services Corporation	3,769,373	3.811.176	250,294	15,449	6.64	0.41	1.71	0.10	0.87	0.05
4.	Petroleum Drilling and Drilling Services Corporation	1.145,884	1,505,422	75,066	-73.816	-6.55	4.90	-0.41	-0.43	-0.27	-0.29
5.	Ca Mau Petroleum Fertilizer Company	4,074,799	4,083.801	1,517,568	1,039,099	37.24	25.44	18.43	10.95	12.62	7.73
6.	Binh Son Refining and Petrochemical Joint Stock Company	34,783.091	52,391.132	2.312.232	9,909.756	6.65	18.91	6.00	22.40	3.39	13.22
7.	Vietnam National Petroleum Corporation	67,019,920	84.367.409	442.432	-140.752	0.66	-0.17	0.85	-0.72	0.33	-0.24
8.	Vietnam Oil Corporation	23.288,161	30.412.310	282.904	509.702	1.21	1.68	1.93	3.45	0.69	1.16

**Table 2. Comparison of the Performance of Selected Transportation and Logistics Enterprises in Q1 and Q2 2022**

STT	Enterprise	Net Revenue (million dong)		Profit after tax (million dong)		ROS (%)		ROE (%)		ROA (%)	
		Quarter 1/ 2022	Quarter 2/ 2022	Quarter 1/ 2022	Quarter 2/ 2022	Quarter 1/ 2022	Quarter 2/ 2022	Quarter 1/ 2022	Quarter 2/ 2022	Quarter 1/ 2022	Quarter 2/ 2022
1.	Gemadep Joint Stock Company	879,858	977,930	319,155	334,170	36.27	34.17	3.80	3.81	2.52	2.58
2.	Petroleum Transport Joint Stock Corporation	2,021,670	2,265.370	194.151	265.508	9.60	11.72	2.16	2.93	1.21	1.60
3.	Hai An Transport and Unloading Joint Stock Company	652.451	929,221	929,221	324.422	40.26	34.91	10.02	10.73	5.63	5.84
4.	Vietnam Container Joint Stock Company	469,279	511.588	109.523	109.523	23.34	22.14	2.95	2.98	2.73	2.73
5.	Vietnam Shipping Joint Stock Company	402.188	690,201	55,748	259,910	13.86	37.66	5.38	21.77	2.02	9.18
6.	Petrolimex Hanoi Transport and Trading Joint Stock Company	231.229	302.047	4,985	5.099	2.16	1.69	3.75	3.93	2.56	2.60
7.	Vietnam Maritime Corporation - JSC	3,264.017	3,964.345	688,859	1.434,343	21.10	36.18	4.71	8.90	2.09	4.20
8.	Hai Phong Port Joint Stock Company	548,493	611.068	167,962	222,067	30.62	36.34	2.68	3.40	2.22	2.83

**Table 3. Comparison of the Performance of Selected Enterprises in the Food and Beverage Industry during Q1 and Q2 of 2022**

STT	Enterprise	Net Revenue (million dong)		Profit after tax (million dong)		ROS (%)		ROE (%)		ROA (%)	
		Quarter 1/ 2022	Quarter 2/ 2022	Quarter 1/ 2022	Quarter 2/ 2022	Quarter 1/ 2022	Quarter 2/ 2022	Quarter 1/ 2022	Quarter 2/ 2022	Quarter 1/ 2022	Quarter 2/ 2022
1.	Vietnam Dairy Products Joint Stock Company	13.877.826	14,930,275	2,283,315	2,102,267	16.45	14.08	6.40	5.80	4.26	3.90
2.	Bibica JSC	301,774	239,883	131,432	-2.857	43.55	-1.19	-11.32	-0.22	7.66	-0.16
3.	Sa Giang Import Export Joint Stock Company	124.327	118,707	19,876	16,489	15.99	13.89	12.32	9.18	8.17	6.49
4.	Safoco Food Joint Stock Company	189,405	192.061	13.590	11,800	7.18	6.14	7.98	7.22	5.07	4.43
5.	Hai Ha Confectionery Joint Stock Company	240,788	302.166	15.534	176	6.45	0.06	3.05	0.03	1.17	0.01
6.	Ha Long Canned Food Joint Stock Company	173.241	208,478	6.604	237	3.81	0.11	4.37	0.16	1.55	0.06
7.	Dabaco Vietnam Group Joint Stock Company	2.805.814	2,966.373	8.609	14,276	0.31	0.48	0.18	0.31	0.08	0.13
8.	Huu Nghi Food Joint Stock Company	408,111	335.678	11,605	15,899	2.84	4.74	2.14	2.87	0.59	0.82

### 3. Discussions

The research findings indicate that Vietnam's businesses are influenced by the Russia-Ukraine conflict. As reported by Van Giap (2022), this conflict has indirect impacts on businesses through oil prices. The February 25, 2022 Agriseco Insight's report has predicted that the event will benefit the Oil and Gas industry in general, as well as Vietnamese businesses in particular. Nevertheless, although the increased gasoline prices worldwide are partially beneficial to the Oil and Gas

industry, the inadequate prices of raw materials, production and distribution costs remain a challenging issue that can cause significant damage to oil and gas enterprises in Vietnam.

The Vietnamese transportation and logistics industry is facing several challenges, including the risk of supply chain disruptions, global political instability, decreased demand for shopping and consumption, and rising inflation from developed countries. Vietnam Report conducted a survey on the number of orders received by logistics companies, revealing that 52.6% of orders decreased, with some businesses experiencing a 30-40% reduction compared to the same period last year. This aligns with research indicating that the logistics industry is negatively impacted by disrupted transport routes, leading to severe disruption to the global supply chain.

Furthermore, the Russia-Ukraine conflict and the resulting embargoes among major economies have disrupted the global food supply chain, providing an opportunity for Vietnam to increase its agricultural exports. However, research indicates that only businesses with strength in rice exports have seen growth, while others have weak financial ratios and low profits after tax. To develop more comprehensive strategies, enterprises must consider the challenges facing the food industry, including import-export difficulties, fuel prices, and product quality.

#### 4. Conclusions

Vietnam's economy is highly open and deeply integrated into the global economy through multilateral and bilateral trade agreements. Therefore, the economy is vulnerable to economic downturns, inflation, and the economic decline of important partners. The ongoing Russia-Ukraine conflict has caused inflation to escalate, resulting in an increase in prices of essential goods. This has had a direct and indirect impact on the economy, especially on the Oil and Gas, Logistic, Food and Food industries in Vietnam. However, this study also presents opportunities for each industry to thrive. This study's results provide useful insights for businesses and governments to develop long-term measures to respond effectively to political events worldwide.

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