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# VIETNAM BUSINESS REVIEW

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## FINANCE

### The latest interest rate hike of Fed may not impact strongly on Vietnam

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The latest interest rate hike by the US Federal Reserve (Fed) will weigh on the global economy, including Vietnam, but experts expect impacts of the Fed's move on the country will not be significant.

The Fed last week raised its benchmark interest rate by half a percentage point, the most aggressive step yet in its fight against a 40-year high in inflation.



Banking and finance expert Mr. Can Van Luc, chief economist of the Bank for Investment and Development of Vietnam, told Vietnam News that the Fed's move in theory will affect the country's economic growth, foreign debt payment obligations, exchange rate and foreign investment.

"The Fed's move may push up the global interest rate and slow global economic growth, which will reduce the demand for Vietnam's export goods. It therefore will slow the country's economic recovery in the context that the import-export turnover per GDP of Vietnam stays high at around 185 per cent in 2021 and the US is Vietnam's top import partner with an import revenue of \$96.3 billion in 2021, accounting for 28.6 per cent of Vietnam's total export turnover," Mr. Luc said.

In addition, borrowing costs of the Vietnamese Government and its firms will increase when the US dollar strengthens against the VND in the wake of the Fed's interest rate hike, Mr. Luc said.

"The Fed's move can also impact foreign investment capital flows, especially foreign indirect investment, because some foreign investors will be concerned about risks and they will withdraw their capital from emerging markets to invest in the US and other developed markets to shelter the risks and enjoy higher interest rates."

However, Mr. Luc forecast the foreign capital withdrawal, if any, will not be much in the Vietnamese market. In the first four months of this year, foreign investors only net sold nearly VND 2.5 trillion, equivalent to nearly \$110 million, in the Vietnamese stock market, because Vietnam is still considered an attractive investment market with political and macro-economic stability, and high potential economic growth of some 6-6.5 per cent in the 2022-23 period.

The country's foreign exchange rate is also expected not to be affected significantly by the Fed's move.

While most currencies of developing countries have fallen against the dollar in the wake of the Fed's interest rate hike last week, the VND has remained unchanged.

The US dollar index continues to rise by 0.5 per cent this week, resulting in depreciation of emerging market currencies, of which the Chinese yuan fell by 1.1 per cent; Indian rupee, 0.6 per cent, and Thai baht, 0.34 per cent. However, the VND remains stable, hovering around VND 22,960 per dollar.

Analysts from the Saigon Securities Incorporation (SSI)'s Research attributed the stabilisation of the VND to the abundant supply of the greenback in the country thanks to rising trade surplus, foreign direct investment and remittance sources.

Banking expert Dr. Chau Dinh Linh said Vietnam's foreign reserve hit a record high of nearly \$110 billion to date and will keep rising. The value, which is four times higher than in 2015, will be an important buffer to help the country's economy withstand external shocks and contribute to stabilising the macro-economy and strengthening foreign investors' confidence.

Meanwhile, according to reports from the General Statistics Office, Vietnam's trade surplus to the US and foreign direct investment disbursement in the first four months of this year have been positive, hitting \$2.5 billion and \$5.9 billion, respectively.

Overseas remittance also rose by 14 per cent to \$1.8 billion in the first quarter, according to the State Bank of Vietnam.

Linh estimated the country's remittances to reach \$18.9 billion in 2022 as they have seen an average growth rate of 4.4 per cent per year in the past three years.

Ready to take action

However, experts said the Government needs to be cautious with the Fed's next moves to take effective measures to minimise adverse impacts as the Fed and other central banks around the world are still tending to tighten monetary policy and increase interest rates.

The Economist Intelligence Unit expects the Fed to raise rates seven times in 2022, reaching 2.9 per cent in early 2023. Starting in June, US officials also plan to shrink their \$9 trillion asset portfolio, a policy move that will further push up borrowing costs.

According to Mr. Luc, it is necessary to continue strengthening the coordination of monetary and fiscal policies and price management in order to stabilise the macro-economy.

"Flexible monetary policy scenarios should be mapped out to deal with stronger monetary policy tightening that can be taken by the Fed and major central banks," Mr. Luc suggested.

Besides, relevant authorities need to develop a suitable roadmap for price hikes of goods under the management of the State such as petrol, electricity, healthcare and education to better control inflation, he said.

In addition, the Government should monitor and evaluate foreign debt obligations when the Fed raises interest rates in order to give warnings to firms that have foreign debts, besides continually managing the foreign exchange market proactively and flexibly to stabilise the exchange rate. VNS

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## Vietnam targets 10 US\$5 billion state-owned firms by 2025

Vietnam aims to have at least 10 state-owned businesses with a market capitalization of over \$5 billion in the next five years.



In accordance with a resolution to improve the effectiveness of state companies signed by Deputy Prime Minister Le Minh Khai, Vietnam will have at least 25 state-owned businesses with either a stockholder's equity or a market capitalization of \$1 billion. Among these, at least 10 businesses must reach over \$5 billion in capitalization.

Within the next five years, these companies would contribute 5-10 percent more to the national budget compared to the 2016-2020 period. All state-owned businesses would shift their investments towards projects that utilize green technologies and reduce carbon emissions. State-owned businesses now account for around 0.08 percent of all businesses in Vietnam, but possess around 7 percent of assets and 10 percent of equity of all businesses in the market, according to the Ministry of Finance. They also account for around 26 percent of stockholders' equities and over 23 percent of the value of fixed assets and long-term financial investments of active companies. In 2020, state-owned firms contributed around VND241.73 trillion (\$10.4 billion) to the national budget. The HoSE stock exchange now has 49 businesses whose capitalization reaches at least \$1 billion, accounting for 80 percent of the market. Some of them are businesses with state capital, like Vietcombank, BIDV, Vietinbank, Sabeco and Viglacera.

State-owned businesses have been tasked with investing in certain important projects in prioritized fields such as energy, semiconductor industry, traffic infrastructure and production materials. The government has asked the State Capital and Investment Corporation (SCIC) to increase its role as the government's investor in order to attract financial resources for important projects.

Under the resolution, the government will also pull out capital from "secondary fields" in order to focus them on primary areas of focus. Vnexpress

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## E-COMMERCE

### Vietnamese e-commerce to reach US\$39 billion by 2025

Vietnam's e-commerce market has recorded strong growth over the years and is likely to bring in US\$39 billion in value by 2025, according to data released by the German market research firm Statista.



A global e-commerce report unveiled by Metric.vn, a data researcher, also indicates that Vietnam has become the second largest e-commerce market in Southeast Asia, behind only Indonesia, by taking advantage of consumers' increasing demand during the recent COVID-19 period.

The e-commerce index 2022 report released by the Vietnam E-commerce Association (VECOM) points out that as of March, 44 out of 63 provinces and localities have built and operated e-commerce floors. Most notably, up to 75% of the platforms have used the country domain name .vn, while the remaining 25% have adopted international domain names instead.

Due to the geographical preference of search engines like Google and Bing, all websites using the domain name .vn enjoy advantages of search engine optimization (SEO). The move has brought about a higher search value when users have a domestic IP address.

Last year witnessed e-commerce services expand 20% to generate over US\$16 billion in revenue despite the negative impact caused by the pandemic. The growth rate is projected to be much higher this year thanks to COVID-19 pandemic containment efforts.

Since the fourth outbreak of the pandemic in the first half of last year, Vietnam has added an additional eight million new digital consumers, more than half of whom do not come from major cities.

At present, 99% of Vietnamese digital consumers intend to continue making use of online services in the future which is expected to open up bright prospects for Vietnamese e-commerce growth. VOV

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## ENERGY

### US partners interested in Vietnam's energy development orientations

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Minister of Industry and Trade Nguyen Hong Dien on May 11 (local time) accompanied Prime Minister Pham Minh Chinh in many activities in the US, including meetings with US partners operating in the field of energy.



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US partners are interested in Vietnam's energy development orientations for the next years, especially the Power Development Planning VIII (PDP8) as well as the adjustments and supplements to the legal framework that paves the way for the development of a competitive power market in Vietnam.

At a meeting with US Secretary of Commerce Gina Raimondo, PM Chinh highly valued of the remarkable development in economic - trade relations between the two countries in recent years.

For her part, Raimondo spoke highly of the economic development vision and plan of the Vietnam, especially the transformation to the digital economy, increasing the use of clean energy, promoting green economy, and diversifying supply chains.

In this process, the Ministry of Industry and Trade, as the Chair of the Vietnam-US Trade and Investment Framework Agreement (TIFA) has chaired, coordinated and promoted policy dialogues through the TIFA Council, thus settling many problems in the bilateral relations.

On the occasion, PM Chinh and Raimondo witnessed the exchange of cooperation agreements among ministries, sectors and businesses of the two sides in many areas such as energy and climate change response, helping Vietnam realise commitments at COP26. They included the investment licence to AES

and PetroVietnam Gas Corporation for the Son My LNG warehouse; the cooperation deal in power generation and transmission and the supply of services to gas-fueled power projects in the period of 2022-2027; and the agreement on investment cooperation to raise the operation efficiency of Nhon Trach 1 Power Plant.

At a working session with leaders of Texhong Textile Group from Hong Kong (China), Dien said foreign businesses have made full use of free trade agreements that Vietnam has signed and paid attention to the origin of products.

Texhong Textile Group's Chairman Hong Tianzhu thanked Vietnamese authorities for supporting the firm during its operation in Vietnam. He said that over a half of the group's investment abroad, equivalent to over 1.5 billion USD, was poured in Vietnam, adding that it is employing more than 25,000 labourers.

Noting that the majority of materials for the group's production is imported from the US, he said, expressing his hope to receive more support from the Ministry of Industry and Trade during the settlement of negative information on the origin of imported cotton for fabric production.

Dien underlined that the ministry is willing to send letters to relevant agencies of the US, asking them to ensure legitimate interests of the Vietnamese garment and textile sector as well as Vietnamese workers and US consumers during the building and implementation of laws that may affect Vietnamese businesses, thus not creating barriers for Vietnam's garment and textile exports and allowing enterprises to explain their products' origin.

The same day, Dien joined a meeting with US Secretary of Finance Janet Yellen, attended a talk at the Centre for Strategic and International Studies (CSIS), and participated in meetings with Cambodian PM Hun Sen, Director General of the World Bank Axel Van Trotsenburg and leaders of Asia Group, Blackstone, and GenX/AES. VNA

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## **SP Group from Singapore to invest \$540 million in Vietnam renewable energy**

SP Group, a Singaporean state-owned electricity and gas distributor, has pledged an investment of S\$750 million (US\$540 million) in sustainable energy in Vietnam. The company would support the country's transition to green energy by providing solutions for both the public and private sectors, its CEO Stanley Huang said at a press meeting in 12 May.



It targets generating one gigawatt of electricity from renewable sources by 2025, he said. The goal is "completely feasible" since demand for solar energy is expected to grow by at least 6-7 percent a year.

It is also encouraged by Vietnam's commitment to achieve net zero-carbon emissions by 2050, he added. Last year the company formed a joint venture with BCG Energy Joint Stock Company, a subsidiary of Vietnamese conglomerate Bamboo Capital. Vnexpress

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## RETAIL

### Vietnam to rank second place in Asia for pork consumption

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The Organisation for Economic Co-operation and Development (OECD) forecasts that Vietnam will rise to the second position in Asia, after China, in pork consumption this year.

Accordingly, pork consumption in the country is forecasted to reach 3.4 million tonnes this year, with an annual growth rate of 3.1 per cent in 2022-30. The Ministry of Agriculture and Rural Development (MARD) said that the reopening of restaurants, schools, and factories was driving up demand for meat consumption.

Live hog prices have grown slightly in some areas. Currently, the average cost of live hogs across the country fluctuates in the range of VND 53,000-58,000 (US\$2.3-\$2.5) per kg, an increase of VND 1,000-3,000 per kg compared to the end of March. The price of live pigs will likely continue to rise when the cost of livestock and petrol is high, but it is unlikely to increase dramatically because schools will enter the summer vacation, catering services have not recovered to the level as before the pandemic. The output of cattle and poultry meat is likely to reach about 1.6 million tonnes in the second quarter, a year-on-year increase of 4.8 per cent.

In which beef output reached about 110,000 tonnes (up 3.4 per cent); buffalo meat output reached about 28,100 tonnes (up 2.6 per cent); pork production reached about 1.05 million tonnes (up 4.7 per cent), and poultry production reached about 476,000 tonnes (up 5.7 per cent).

Because Vietnam's meat supply is relatively abundant, basically meeting the domestic consumption demand, it is forecast that the import of meat and meat products will not suddenly increase. In the first four months of the year, Vietnam's imports of livestock products reached US\$980 million, declining by 15 per cent compared to the same period last year.

The import value of meat, meat by-products and edible by-products after the slaughter of animals was estimated at \$408 million, down 12.3 per cent. VNS

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## Alliance of retailers encourage customers to use environmentally-friendly products

An alliance of retailers who have pledged to reduce single-use plastic bags (the Plastic Alliance) has launched campaigns to encourage people to use environmentally-friendly products.

The Institute of Strategy and Policy on Natural Resources and Environment (ISPONRE) under the Ministry of Natural Resources and Environment (MoNRE), in coordination with Hanoi's Department of Industry and Trade (DoIT), called on enterprises to sign up to the commitment related to plastic waste reduction. It is part of the “Rethinking Plastics - Circular Economy Solutions to Marine Litter in Vietnam” project funded by the European Union (EU) and the German Government, and carried out by the French Agency for International Technical Cooperation (Expertise France).



A survey by the institute showed that up to 104,000 single-use plastic bags are used at supermarkets each day, equivalent to 38 million bags a year. Nguyen Trung Thang, Deputy Director of ISPONRE, said the Plastic Alliance gathers 16 retailers and has stepped up communication efforts aimed at encouraging and creating favourable conditions for residents to replace non-biodegradable plastic bags with eco-friendly bags. Fanny Quertamp, senior advisor of Expertise France in Vietnam, said concerns were raised at the beginning of the project because the perception was it would be difficult to change people's behaviour, especially when plastic bags are free and some supermarkets are afraid of losing customers. However, it proved to be effective thanks to the participation of DoIT and active support from the alliance members, she said. According to Kim Thi Thuy Ngoc, head of the Science and International Cooperation Department under ISPONRE, communication activities play an important role in changing people's behaviour in shifting away from the use of single-use and non-biodegradable plastics to eco-friendly alternatives. Government policies relating to the production, import and use of nylon bags also contribute to reducing consumption of these products.

She cited a project on strengthening the management of plastic waste in Vietnam as an example. The project, which was started by MoNRE and has been approved by the Prime Minister, targets the use of 100% environmentally-friendly plastic bags and packaging at shopping malls and supermarkets in the country by 2025. Other goals include collecting, reusing, recycling and treating 85% of plastic waste. It intends to reduce the volume of plastic waste dumped into oceans by half; and completely cut plastic waste from tourism complexes, hotels and other lodging facilities.

A government decree dated January 1, 2022 guiding the implementation of a number of articles of the Law on Environmental Protection stipulated that the manufacturing and importing of non-biodegradable nylon bags with dimensions less than 50cm x 50cm and film thickness of less than 50 micrometres will be stopped from January 1, 2026. The production and import of single-use plastic products and non-biodegradable plastic packaging will also be banned from December 31, 2030.

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## LOGISTICS

### Hai Phong to set up US\$ 32 million logistics service centre

JD Future Explore V Ltd Co. from Hong Kong (China) held a ground-breaking ceremony on May 12 for a logistics service centre for e-commerce activities in the non-tariff zone and Nam Dinh Vu Industrial Zone.



The JD Property Logistics Park Hai Phong 1 will be built at a cost of 32 million USD on an area of 97,000m<sup>2</sup> and is expected to be completed within the third quarter of 2024.

This logistics service centre will serve investors from many different countries and specialising in e-commerce activities – a booming area in Hai Phong with many advantages.

According to Head of Hai Phong Economic Zone Management Board Le Trung Kien, the implementation of this large project in Hai Phong contributes to creating attractive infrastructure and luring further investors to the city.

JD Property is owned by JD.com Group - one of China's leading e-commerce groups. JD.com Group is also known as the largest strategic shareholder of Tiki.vn in its Singapore branch. NDO

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## Vietnam hands Cambodia to promote logistics cooperation

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A workshop on Vietnam - Cambodia logistics cooperation and connecting business networking took place in Phnom Penh, on May 10.

As part of activities to mark the 55th anniversary of the establishment of diplomatic relations between the two countries (June 24, 1967-2022), the event is one of the first large-scale in-person events held between the two countries after a two-year hiatus due to the COVID-19 pandemic.



Vietnamese Ambassador to Cambodia Nguyen Huy Tang stated that although bilateral trade turnover between both sides has continued to grow over the past two years, reaching more than 5.32 billion USD in 2020 and over 9.54 billion USD in 2021, the two countries' authorities and businesses must improve and agree on relevant legal documents in a bid to promote greater efficiency and sustainability in trade activities.

Vietnam's exports to Cambodia are mainly iron and steel, chemical products, plastic products, electrical machinery and equipment, processed foods, confectionery and cereal products. Meanwhile, Vietnamese enterprises import rubber, cashew nuts and many other agricultural products from Cambodia.

At the workshop, participants frankly exchanged many opinions, assessed the current situation, as well as focused on problems to seek solutions which can improve the overall competitiveness of the two countries' logistics service providers.

Many businesses have shared lessons learned in the Cambodian market, such as strengthening coordination in trade promotion activities, communication, and creating conditions for logistics start-ups to exchange and approach e-commerce businesses and consumer goods manufacturers.

Concerning the opinion that Cambodia should seek to improve its infrastructure, especially the main routes from the Bavet border gate in Svay Rieng province to the capital Phnom Penh, Chhieng Pich, director-general of the General Department of Logistics under the Ministry of Public Works and Transport of Cambodia, provided detailed information on the construction plan of the Bavet-Phnom Penh expressway.

This will be Cambodia's second key economic corridor after the upcoming Preah Sihanouk-Phnom Penh route. In addition to the highway, Cambodia's Ministry of Transport and Public Works is also in the process of studying the feasibility of building a Phnom Penh-Bavet-Ho Chi Minh City railway to reduce freight costs. NDO

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## INVESTMENT

### Vietnam and the US to expand their business and trade cooperation

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The United States and Vietnam have a lot of potential to expand their business and trade cooperation in such fields as agriculture, life sciences and energy transition, according to President and CEO of the Business Council for International Understanding (BCIU) Peter Tichansky.



The economic and business cooperation between the two countries is developing strongly and will grow even further, Tichansky said in an interview granted to Vietnam News Agency correspondents in New York on the occasion of Vietnamese Prime Minister Pham Minh Chinh's working trip to the US.

The BCIU's member companies are placing a very high priority on cooperation with Vietnamese partners, he stated, adding that the council wishes to work closely not only with existing but also with future Vietnamese partners.

He appreciated the Vietnamese Government for listening to proposals by the council's member companies, affirming this is the style that makes Vietnam different from others because it understands how to attract high-quality foreign investment. During the past decade, more and more US companies have realised this and invested more in Vietnam.

The BCIU will continue to act as an effective bridge to promote partnerships between US and Vietnamese companies, he confirmed.

The Business Council for International Understanding is a not-for-profit, nonpartisan, membership organisation that encourages dialogue between business and political leaders in different countries.  
VNA

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## Aeon Mall to invest 16 projects in Vietnam by 2025

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Nakagawa Tetsuyuki, general director of AEON Mall Vietnam, said that the business wants to invest in three or four more projects in Hanoi by 2025.



In a recent meeting with Secretary of Hanoi Party Committee Dinh Tien Dung, Tetsuyuki said that by 2025, AEON Mall has a policy of implementing 16 more projects in Vietnam, including up to four projects in Hanoi.

According to the general director of AEON Mall Vietnam, its Hoang Mai project is in the final stages of investment preparation. He said the group has fully prepared in terms of funding, human resources, and equipment so that construction can begin immediately after completing the investment procedures.

He hopes that Hanoi will continue to support the venture and remove obstacles so that this project can start construction in the third quarter of this year. At the same time, the Japanese businesses also asked the city to support the research and implementation of the AEON Mall project in Bac Tu Liem district.

Before this proposal, Dung reaffirmed that Hanoi is determined to improve the investment environment and administrative reform to create the most favourable conditions to attract both domestic and foreign investment, especially in clean technology. Dung said city leaders were very interested in reducing the obstacles to the AEON Mall Hoang Mai project and assigned Hanoi People's Committee to coordinate with Bac Tu Liem district on the projects in the area. Nguyen Manh Quyen, Vice Chairman of Hanoi People's Committee, confirmed that he will direct departments and sectors to build legal procedures related to the Aeon Mall Hoang Mai project in order to start construction according to the investors' proposed schedule.

With the project in Bac Tu Liem district, Quyen said that because the proposed location affects Green Park planning, the city will ask the Department of Planning and Architecture to coordinate with the People's Committee of Bac Tu Liem district to review it and suggest another location which is suitable for the investors.

Japan has always been a leading country investing in Vietnam and in Hanoi, many Japanese-invested Official Development Assistance projects are having positive effects. According to data from the Ministry of Planning and Investment, Japanese enterprises' investment in Hanoi has reached more than \$13 billion. AEON Mall alone has two projects in operation in Long Bien and Ha Dong districts. By 2030, it plans to open 30 shopping centres, focusing on big cities such as Hanoi, Ho Chi Minh City, Danang, Thua Thien - Hue, and Haiphong.

The AEON Group identifies Vietnam as the most important market outside Japan for investment and development. VIR

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