



## Highlight

*Vietnam to promote exports through E-commerce channels*

# VIETNAM BUSINESS REVIEW

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### What's in it today?



#### **FINANCE**

Urban economy to contribute 85% of national GDP by 2030



#### **INVESTMENT**

Law revisions necessary to clarify foreign property rights

Ministry proposes two options for overseas investment in oil and gas sector



#### **RETAIL**

Vietnam Grand Sale 2022 aims to boost consumer demand



#### **E-COMMERCE**

Vietnam to promote exports through E-commerce channels

Vietnam launches E-commerce app for mechanical industry



#### **ENERGY**

Vietnam's further evolving regulations and policies on energy

Ministry of Industry and Trade may issue renewable energy price framework in late November



#### **LOGISTICS**

Vietnam logistics speeds up post-pandemic

Transport link between Mekong Delta and Cai Mep, Cat Lai ports proposed

## FINANCE

### Urban economy to contribute 85% of national GDP by 2030

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The urban economy is expected to contribute some 75% of the national GDP by 2025 and about 85% by 2030 under an action programme of the Government.



Deputy Prime Minister Le Van Thanh has signed Resolution No. 148/NQ-CP dated November 11, 2022 on the issuance of the action programme that was devised to implement the Politburo's Resolution No. 06-NQ/TW dated January 24, 2022, which covers urban planning, construction, management and development by 2030 with a vision towards 2045.

The programme set the target of raising the urbanisation rate to over 50% and the number of urban areas nationwide to about 1,000-1,200 by 2030. By that time, there will be a number of national and regional urban centres that satisfy health, education-training, and culture standards set for an urban area in the top four ASEAN countries. The average housing floor area per capita in urban areas will reach at least 28 square meters by 2025 and 32 square meters by 2030.

Broadband internet will cover more than 80% of the urban households by 2025, and target all of them in the next five years. By 2045, Vietnam aims to have at least five international urban areas connected with regional and global networks. Ministries, agencies and People's Committees of cities and provinces are required to instruct the implementation of major tasks. These tasks include improving the quality of planning management, building harmonious, modern infrastructure adaptive to climate change. The programme also includes devising policies and legal documents to facilitate implementation. NDO

[Back to top](#)

## E-COMMERCE

### Vietnam to promote exports through e-commerce channels

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Vietnam will promote the use of e-commerce channels to expand export markets and enable enterprises to participate in foreign distribution networks.



Under the Government's project of promoting Vietnamese enterprises to directly participate in foreign distribution networks by 2030 approved early last week, besides traditional channels, e-commerce channels will play an important role in helping Vietnam's enterprises to develop a strategic relationship with foreign distribution networks towards building a stable and sustainable production – export – distribution model.

The project hopes that by 2030, Vietnamese goods will be put on shelves of traditional and online distribution chains in all countries that have free trade agreements with Vietnam.

Support in market information would be provided to around 20,000 enterprises and training and consultancy to 15,000 enterprises to help them improve competitiveness and gradually participate in the global value chains. In addition, 5,000 enterprises will be provided with support to build capacity of joining cross-border e-commerce.

At the same time, 10,000 trade connections and exchanges would be organised to connect Vietnamese firms with foreign distribution networks while more than 10,000 products will be provided with support to be able to go directly into foreign distribution networks.

With the project, Vietnam aims to develop import and export markets to ensure sustainable growth in the long term and encourage Vietnamese firms to participate strongly in the global production, supply,

and distribution chains, directly export to foreign distribution networks on the basis of promoting strengths and taking full advantage of Vietnamese export products' competitive advantages.

The project is expected to contribute to changing the production thinking and organisation toward a methodical and sustainable director, thereby, enhancing the long-term competitiveness of enterprises and building the image of Vietnam as a country which is capable of supply goods in large quantities with quality and prestige.

Policies and mechanism will be developed to encourage foreign enterprises to build sustainable purchasing strategies with Vietnamese market and encourage Vietnamese enterprises to actively develop distribution agent systems in foreign countries.

The Vietnam E-Commerce and Digital Economy Agency under the Ministry of Industry and Trade said that the department would organise activities to promote trade exchanges in foreign countries and promote made-in-Vietnam products via online channels and foreign e-commerce platforms, aiming to expand markets and accelerate cross-border trade.

With focus on promoting sales of farm produce, the department is working with domestic and foreign e-commerce platforms such as Amazon, Alibaba, Google, Shopee, Voso, Tiki and Lazada to connect and provide training about e-commerce knowledge and skills, especially cross-border trade.

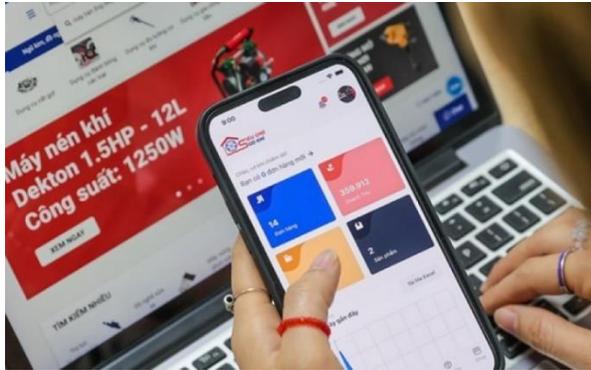
The ministry said that the focus will be placed on promoting export to ensure a harmonised and sustainable trade balance and providing supports for enterprises to penetrate and expand in foreign markets.

Vietnam was on track to reach a trade value of US\$700 billion this year, after achieving more than US\$616 billion in the first nine months of this year, a rise of 14.1% against the same period last year.  
VNA/VNS

[Back to top](#)

## Vietnam launches e-commerce app for mechanical industry

An e-commerce app for Vietnam's mechanical industry has been officially launched with the expectation of bringing digital transformation closer to people's lives.



"Mechanical supermarket" app where all mechanical items and accessories are sold.

Named "mechanical supermarket", it is a place where all mechanical items and accessories are sold. Consumers can see prices and purchase them remotely.

According to Nguyen Nhut Minh Tri, a representative of the app development team, people working in the mechanical industry in Vietnam often face difficulties in searching for accessories, which are rarely available on consumer e-commerce platforms. That is the reason why this app was initiated, he said, saying it is also the first e-commerce platform for the mechanical industry in Vietnam.

The development of the app aims to accelerate the digital transformation in the mechanical industry in Vietnam, Tri noted, pointing out the potential for the expansion of the model in the future.

[Back to top](#)

## ENERGY

### Vietnam's further evolving regulations and policies on energy

The last several months have been dynamic for the energy sector in Vietnam, with a number of key developments.



Firstly, on November 11, the Ministry of Industry and Trade (MoIT) submitted its amended proposal to the prime minister on the nation's Power Development Plan VIII (PDP8) for the period 2021-2030, with a vision to 2050.

A few weeks previously, the State Auditor issued its findings of its audit of the MoIT. At the start of October, the MoIT issued Circular No.15/2022/TT-BCT regulating the

mechanism to calculate the ranges of generating electricity tariff for transitional wind and solar power plants, which will take effect on November 25.

The proposed PDP8 generally does not intend to add new solar power projects until 2030. According to the proposed PDP8, six projects which have been completed but are awaiting the new tariff regime (total 452.6MW); and five projects which are under development (total 273.4MW) are permitted to continue to be developed and achieve commercial operation before 2030.

The following solar power projects are not permitted to continue before 2030 or are cancelled: 12 projects which have been granted investment in-principal approvals but have not obtained feasibility study appraisals nor land lease decisions (1,634MW); 27 projects for which investors have not been appointed (4,136MW); and three projects of which investors have officially withdrawn (60MW).

Under Circular 15, transitional power plants include two main aspects. The first is solar power plants under power purchase agreements (PPAs) of which were executed through Electricity of Vietnam (EVN) before January 2021 but which did not achieve commercial operation in time to be eligible for the incentive feed-in tariffs (FiTs).

The second involves wind power plants under PPAs of which were executed with EVN before November 2021 but which did not achieve commercial operation in time to be eligible for the incentive FiTs. Circular 15 does not apply to rooftop solar ventures.

#### Tariff range provisions

According to Circular 15, the tariff ranges of the transitional power plants is a range of values from a minimum value of 0VND/kWh to the ceiling tariff corresponding to each type of the transitional power

plants. The tariff ranges would be determined in VND, which would not be adjusted with fluctuations of the exchange rate.

A standard power plant, defined as having installed capacity of 50MWp (for solar power) or 50MW (for wind power), is used to provide a standardised set of data to calculate the ceiling tariff in the tariff range for each piece of technology.

In October 2022, EVN EPTC, as authorised by EVN, dispatched requests to 293 project investors who have signed PPAs with EVN, asking for early provision of required data and information for purpose of computation of the tariff ranges.

The total rooftop solar capacity which is in commercial operation as at the end of 2020 is 7,755MW (with PPAs signed with EVN). According to the proposed PDP8, enterprises and individuals are encouraged to develop rooftop solar for self-consumption, but not to sell onto the national grids. Therefore, according to the draft PDP8, EVN will no longer purchase rooftop solar electricity and the rooftop solar capacity (purchased by EVN) will be maintained at the same level of 7,755MW until at least 2030.

Through the aforementioned State Auditor findings of its audit of the MoIT, it concluded that it contradicts the laws of Official Letter No.7088/BCT-DL to guide that it is acceptable for investors to develop multiple 1MW rooftop solar systems on the same parcel of land or rooftop; and that each such rooftop solar system may enter into a separate PPA and is eligible for exemption of the electricity operation licence.

The State Auditor concluded that the above guidance would enable investors to divide their solar power project into multiple 1MW systems to avoid master plan approvals and the electricity operation licence requirements. The State Auditor's conclusion will likely lead to further policy developments with respect to rooftop solar systems, which previously signed PPAs with EVN, requiring continued monitoring.

Meanwhile, according to the proposed PDP8, wind power is prioritised and will be increased from the current operating capacity of 4,126MW (out of a total capacity of 8,171MW of wind power projects which have signed PPAs with EVN) to 21,480MW for onshore wind and 7,000MW for offshore wind.

As for liquefied natural gas (LNG) ventures, the proposed PDP8 only adds five new projects with a total capacity of 6,600MW, all located in the north of Vietnam. These include three coal-fired power projects being converted to LNG-to-power projects with a total capacity of 3,600MW. Accordingly, by 2030, the total capacity of generation out of imported LNG is set to be 24,500MW.

[Back to top](#)

## Ministry of Industry and Trade may issue renewable energy price framework in late November

The Ministry of Industry and Trade (MoIT) is expected to complete the appraisal of the new renewable energy price framework on November 25-30, which is a basis for Electricity of Vietnam (EVN) to negotiate the specific price with the investors.



Ministry of Industry and Trade may issue renewable energy price framework in late November

Pham Nguyen Hung, deputy director of the Electricity and Renewable Energy Department shared this information at the workshop themed “Promoting renewable energy market”

organised by The Investor Magazine on November 18.

“On October 3, the MoIT issued Circular No.15/2022/TT-BCT providing regulations on the method for formulating power generating tariff ranges for electricity generation of transitional wind and solar power plants,” Hung said.

“The price framework is the basis for EVN to negotiate with the investors of renewable energy projects. To date, there are approximately 4,000MW of transitional wind and solar power sources,” Hung said.

To date, there are approximately 4,000 MW of transitional wind and solar power sources.

Regarding the projects being operated and enjoying feed-in-tariff, the MoIT will propose the prime minister to issue the document to guide authorities to review the contracts between EVN and investors.

Besides this, the MoIT will propose the prime minister remove Decision No.13/2020/QD-TTg on the mechanism to encourage the development of solar power in Vietnam, and other decisions providing mechanisms to support the development of wind power projects in Vietnam.

Explaining the reason for MoIT’s proposal to remove above these decisions, which means that there will not add any new renewable energy projects to the planning by 2030, Hung said that the latest draft of the Power Development Plan VIII (PDP 8) has added 726MW of concentrated solar power. Over 400MW is completed, 300MW is being installed.

On October 12, the Electricity Trading Company (EVNEPTC) sent an urgent document to 293 units and projects that have signed contracts with EVN to ask them to provide the necessary information and comments about the new price framework and then send it back to EVNEPTC before October 21.

However, by the deadline, 59 units and projects replied and some units and projects submitted details but still lacked some information. VIR

[Back to top](#)

## RETAIL

### Vietnam Grand Sale 2022 aims to boost consumer demand

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Goods and services in Vietnam Grand Sale 2022, lasting from November 15 to December 22, will be offered with discounts of up to 100% instead of 50% depending on the choice and conditions of businesses.



The Ministry of Industry and Trade officially launched Vietnam Grand Sale 2022, on November 15, in Hanoi. Accordingly, during the month, all businesses in all fields and economic sectors of Vietnam can actively develop and implement promotional programs, in which the maximum limit on the value of goods and services used for promotion can be up to 100% depending on the choice of businesses, instead of being limited to 50%.

In his speech at the event, Deputy Minister of Industry and Trade Do Thang Hai said that the promotion month will be one of the important and practical contents in the implementation of key tasks and solutions the Ministry of Industry and Trade has set out, helping make the most of the recovering domestic market to increase the total retail sales of consumer goods and services in the year-end period.

Mr. Vu Ba Phu, Director of the Trade Promotion Department under the Ministry of Industry and Trade, said the 2022 program will continue to open a “special season” in 2022 so that all businesses in all fields have opportunities to carry out promotional programs and activities.

According to the Ministry of Industry and Trade, Vietnam Grand Sale 2020 attracted more than 27,450 promotional programs, contributing to bringing the total retail sales of consumer goods and services to 431.9 trillion VND, up 4.3% compared to the previous year.

In 2021, Vietnam Grand Sale was attended by more than 56,410 promotional programs, contributing to bringing the total retail sales of consumer goods and services to about 458.5 trillion VND, up 1.1%.  
En.dangcongsan

[Back to top](#)

## LOGISTICS

### Vietnam logistics speeds up post-pandemic

Logistics companies are posting surging profits as transportation demand booms post-pandemic, but industry insiders expect further use of automation to reduce costs. PetroVietnam Transportation posted a post-tax profit surge of 72% year-on-year to VND1.04 trillion (\$41.89 million) in the first nine months.



Hai An Transport & Stevedoring recorded a profit jump of 1.5 times in the period to VND270 billion. Ship operator Vinalines' profit increased by 30% to VND2.77 trillion, hitting its target for the year three months in advance. Warehouses in Ho Chi Minh City and Hanoi in the first nine months posted an occupancy rate of over 90%, according to property data provider Cushman & Wakefield.

It forecast that this rate could rise up to 100% in December thanks to the end-of-year shopping season. Vietnam's logistics market was ranked 11th out of the 50 emerging markets globally this year thanks to technology adoption among service providers and their customers, according to supply chain service provider Agility. Vu Duc Thinh, CEO of Lazada Logistics Vietnam, has seen demand for storage rising in recent months.

The company has been forcing itself to digitally transform as it records hundreds of thousands of orders a day, he said. It is set to launch a sorting center to maximize operations and reduce the number of workers. E-commerce site Tiki has been using robots in sorting since the end of last year, while delivery companies like DHL and Viettel Post have also been adopting new technology to cut costs.

Chen HongMing, CEO of logistics firm GRS Global, said that developed countries use automation to reduce expenses by half of those in Vietnam. An e-commerce fulfillment center in China in previous years needed 4,000 workers to sort and pack items, but last year it started using robots and now only needed 1,000 to operate the center, he said.

This also reduces delivery time by six hours, and if Vietnamese companies can adopt automation in logistics, the country will emerge as a spotlight for investors in Asia, he added. Another challenge for Vietnamese companies is that transport infrastructure including airports, seaports, and warehouses are not up to par with global standards, Chen said.

But the country has great potential, as transportation is now seeing a lot of competition, including from famous global companies. "Vietnam's GDP is set to expand by 8% annually in the next 10 years, therefore its logistics share will grow". The country's logistics sector is set to grow 15-20% annually by 2025 when it will reach \$80 billion, according to the Vietnam Industry Research and Consultancy. Vnexpress

[Back to top](#)

## Transport link between Mekong Delta and Cai Mep, Cat Lai ports proposed

The Vietnam Ship Agents, Brokers and Maritime Services Providers Association (VISABA) has proposed establishing a waterway transport route from the Mekong Delta region to the deep-water ports of Cai Mep and Cat Lai through Quan Chanh Bo Canal.



Some 70-75% of the Mekong Delta region's annual imported and exported cargo is transported to the ports in HCMC and Ba Ria-Vung Tau Province. The majority of this cargo is now transported using road transport, while the port cluster in the Mekong region could not be fully exploited.

Currently, the waterway transport routes connecting the port cluster in Can Tho to Cai Mep and HCMC are mainly traveling through the Tien River – Vam Nao River, with a length of 367 kilometers, and Tien River – Cho Lach District – Mang Thit River, at a length of 235 kilometers, costing some VND7 million per TEU.

According to VISABA, the proposed waterway transport route, connecting the Mekong Delta region to the deep-water ports of Cai Mep and Cat Lai through Quan Chanh Bo Canal, which is 200 kilometers long, will help reduce the transport cost to VND3 million per TEU.

Besides easing road traffic congestion and logistics costs, the proposed waterway route is expected to reduce the need to dredge canals for heavily-loaded vessels in the Mekong Delta region.

Currently, the Mekong Delta region has many ports for waterway vehicles to load and unload cargo, such as Giao Long Port in Ben Tre Province, My Tho Port in Tien Giang Province, Mekong Port in Vinh Long Province, and Cao Lanh, Sa Dec, Phuoc Khang Ports in Dong Thap Province.

[Back to top](#)

## INVESTMENT

### Law revisions necessary to clarify foreign property rights

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Experts continue to point out discrepancies in the laws that touch on foreign ownership of property in Vietnam, in the hopes that current amendments will take them into account. Draft amended laws on land, housing, and real estate business are being further studied and discussed at the fourth session of the 15th National Assembly. However, the current laws include conflicts over the land use rights and ownership of property when it comes to foreign individuals.

Nguyen Van Dinh, an expert in land law, said that the three pieces of legislation are incompatible in terms of non-nationals wanting to own land or property in this country. “The Law on Housing recognises foreigners as having the right to own houses, but the Law on Land does not recognise that their rights in terms of actually using the land,” Dinh said.

In the proposal to develop an amended Law on Housing, which is expected to be passed at the same time as the revised Law on Land, the Ministry of Construction is hoping to solve several major groups of policies, Dinh said. Regarding the policy on house ownership, the proposal is to continue the policy of encouraging and creating favourable conditions for foreign individuals and organisations to buy and own houses in Vietnam in accordance with international practices.

However, Dinh said that this policy of encouraging foreign individuals to buy houses cannot be fully implemented without solving the issue of giving land ownership certificates to those people. “In order to solve this, the revised Law on Land needs to recognise the land use rights of foreign individuals,” he suggested. Law revisions necessary to clarify foreign property rights

According to a recommendation reported by the Vietnam Chamber of Commerce and Industry (VCCI) in September, Article 6 of the draft amended Law on Land only lists “foreign-invested economic organisations” and “foreign organisations with diplomatic functions” as land users – excluding foreign individuals. “This regulation needs to be reconsidered to ensure consistency with the provisions of the Law on Real Estate Business and the current Law on Housing,” the report claimed.

Conversely, the draft Law on Land also does not refer to the rights of Vietnamese individuals if they buy a house from a non-national, and the rights of Vietnamese buyers will not be guaranteed, emphasised the VCCI. Therefore, it proposes a review on the regulations of land use for foreigners to ensure uniformity in the legal system. According to Nguyen Duc Tinh, managing partner at law firm TTP Bengoshi, the current Law on Housing even has incompatibilities with its own guidelines decree.

According to the provisions in Article 159 of the Law on Housing 2014, foreign individuals are allowed to own homes in Vietnam.

Article 160 of the same law stipulates that individuals who invest in building houses in Vietnam must have an investment certificate and a house built on the project area to be able to own a house in Vietnam, regardless of issues surrounding passports and related entry requirements.

However, in Decree No.99/2015/ND-CP to instruct implementation of that law, these individuals must have a valid passport with entry verification stamps from the immigration authority of Vietnam, and must not be subject to diplomatic privileges or immunities.

“This inconsistency between the Law on Housing and Decree 99 means that any foreigner who wants to own a house in Vietnam cannot figure out if they need a valid passport with an entry stamp or not. This will only lead to difficulties in the process,” Tinh said. As noted by market research consultants, the demand for investment in housing projects in Vietnam by foreigners is considerable, especially from key foreign direct investment countries such as South Korea, Japan, China, and Singapore. Apartment projects from well-known investors with ideal locations are reportedly reaching the maximum of the allowed percentage of 30 per cent sold to foreigners. VIR

[Back to top](#)

## Ministry proposes two options for overseas investment in oil and gas sector

The Ministry of Industry and Trade has raised two options for regulating overseas investment in the oil and gas sector in a draft decree which was recently made public for comments.



In the first option, sources of capital for investment abroad in oil and gas included legal money and other lawful assets of the investors, including equity, loans in Vietnam transferred abroad, and profits earned from offshore oil and gas projects which were retained for overseas investments.

Legal money and other lawful assets as prescribed included foreign currencies on accounts at authorised credit institutions or purchased at credit institutions in accordance with the established laws, Vietnamese đồng, machinery, equipment, supplies, raw materials, fuel, finished goods and semi-finished goods.

In addition, intellectual property, technology, brand values, property rights and shares were also considered capital for overseas investment in oil and gas. Profits earned from oil and gas projects abroad were allowed to be retained for reinvestment. Capital that was transferred abroad but recovered and repatriated to the home country would not be included in the amount which was remitted abroad.

Vietnamese investors could use their stakes and capital contribution or their projects in Vietnam to make payments or exchange for the purchase of stakes in oil and gas projects abroad. In this case, Vietnamese investors would conduct procedures for overseas investment certificates first then foreign investors would conduct procedures for investing in Vietnam following the established laws.

In the second option, the ministry said that investing in the oil and gas sector abroad would be regulated by Article 69 of the Government's Decree No 31/2021/NĐ-CP dated March 26 guiding the implementation of some points of the Law on Investment.

The ministry also proposed two options for regulating overseas investment in oil and gas of foreign-invested economic organisations in Vietnam.

In the first option, economic organisations in Vietnam in which foreign investors held from 50 per cent of charter capital, the capital source for investing abroad must be equity and not include their contributed capital in Vietnam. In the second option, when investing in oil and gas abroad, economic organisations with foreign stakes must comply with Article 70 under the Decree 31/2021/NĐ-CP. VNS

[Back to top](#)

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<b>Head Office</b>	Floor 5 <sup>th</sup> – A Chau Building No.24 Linh Lang Str., Ba Dinh Dist., Hanoi, Vietnam
<b>Rep. Office</b>	〒220-0012, 8F Wework, Ocean Gate Building 3-7-1 Minatomirai, Nishi ward, Yokohama Kanagawa, Japan
<b>Telephone</b>	+84-24-6275-5246 ; +84-24-6273-6989
<b>Fax</b>	+84-24-6273-6988
<b>URL</b>	<a href="http://www.seiko-ideas.com">www.seiko-ideas.com</a>
<b>Email</b>	<a href="mailto:newsletter@seiko-ideas.com">newsletter@seiko-ideas.com</a>

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