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VIETNAM BUSINESS REVIEW

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FINANCE

The regulatory landscape is playing catch-up with the fintech sector

Fintech is rapidly transforming the financial sector in Viet Nam, but regulatory gaps still exist because laws have not kept up with the advances in technology. Duong Quoc Anh, deputy head of the Institute of Digital Economy Development Strategy, revealed that Viet Nam's fintech sector has about 40 heavyweights.



Around 72 per cent of firms in the sector partner with banks to improve their services, whereas 28 per cent either compete with banks or operate independently. As fintech is growing at a breakneck pace in the country, laws are playing catchup with the technology. The regulatory gaps put investors at risk and expose the need for legal revision to mitigate the risks.

Le Duy Binh, director of Vietnam Economica, said free trade agreements had given fresh impetus to P2P transactions between foreign buyers and Vietnamese sellers. However, laws in the country have not kept pace with the development of technology, leading to a situation in which various types of fintech transactions fall through the cracks. Some countries have developed regulatory sandboxes to enable the testing of P2P lending in the real-life environment, but there is no such sandbox in Viet Nam to date. The director called for regulatory reforms to fix the legal gaps, laying a solid groundwork for the development of fintech in the country. Nguyen Quang Dong, head of the Institute for Policy Studies and Media Development, said the legal framework in Viet Nam had been slow in adapting to the fast-growing fintech sector. The resistance to change has reduced the sector's growth rate by half.

As such, he urged fintech firms to focus not only on the quality of their products but also on the legal aspect. He also called for the establishment of a legal department under the Vietnam Financial Consulting Association, which would be tasked with supporting fintech firms legally. He also called on lawmakers to align the legal framework with international norms and standards to pave the way for a sound, up-to-standard fintech sector. Nguyen Van Tuan, chairman of eCap Holding, said the consumer finance segment is lucrative because it has a potential revenue of VND43 quadrillion (US\$1.8 trillion).

As the conventional financial system cannot single-handedly cover the segment, a portion of the pie has fallen to the unconventional one. For example, workers in need of money before payday usually rely on unofficial channels to pay their bills. "That's when fintech firms come into play," said Tuan. The chairman has an optimistic outlook on the fintech sector but is also concerned that the regulatory gaps have put obstacles in the way of fintech firms trying to go big. He urged the establishment of a legal board to help fintech firms who are scratching their heads about the legal framework. He also urged consumers to be more open-minded toward unconventional finance to give fintech firms more room to flourish.

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Vietnam's currency stable despite global uncertainties

Vietnam's currency and foreign exchange markets have remained stable despite uncertainties in the global financial market this year. Singapore-based United Overseas Bank (UOB) stated that the Vietnamese dong (VND) is one of the most stable currencies in Asia.



The VND traded in a narrow range of 0.8% at around VND23,600 per dollar, even with major changes in the Fed's interest rate hike expectations and fears of a global recession. Dr. Vo Tri Thanh, a member of the National Monetary and Financial Policy Advisory Council, said that besides inflation being under control, foreign currency liquidity has improved markedly.

The country's foreign exchange reserves have increased, and a large amount of VND has been put into circulation to support liquidity for credit institutions. Despite some challenges ahead, including the next Fed interest rate hike, experts predict that the exchange rate will continue to remain stable throughout the year.

However, the SBV should be cautious with its policy management, especially interest rate, as the interest rate's sharp reduction can cause difficulties for the exchange rate. VNS

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E-COMMERCE

Consumer rights protection online a focus amid e-commerce boom

The Ministry of Industry and Trade has made the protection of consumer rights in the online sphere a priority in response to the rise of e-commerce and the digital economy following the COVID-19 pandemic. The ministry emphasized the significance of consumer protection in promoting socio-economic development and creating a healthy environment, launching Consumer Rights Day on March 15, which highlighted the importance of information transparency and safe consumption.



Despite the enactment of the Law on Consumer Rights Protection in 2011, violations of consumer rights persist at various levels with increasing complexity. With e-commerce, particularly cross-border trade, becoming increasingly prevalent, the protection of consumer rights has become a pressing issue, as consumers face various risks online, including counterfeit and low-quality products, and personal information theft for fraud.

The Vietnam Directorate of Market Surveillance's General Director, Tran Huu Linh, highlighted that as the online shopping trend grows, trade fraud and risk to consumers, including the sale of fake and poor-quality products, are on the rise. In 2022, more than 1,660 online stores with over 6,400 products were removed, and five e-commerce websites allegedly selling fake and unclear-origin products were blocked. Protecting consumer rights in the digital sphere is a priority for market surveillance, particularly as Vietnam aims to become a leading country in the region in terms of digital economy development, with the goal of the digital economy accounting for 20% of GDP by 2025.

Linh urged consumers to place orders on licensed platforms or official stores to safeguard their rights. Nguyen Quynh Anh, Deputy Director of the Vietnam Competition and Consumer Authority, called for stronger and more substantive changes to consumer protection, requiring active business participation. Trinh Anh Tuan, Deputy Director of the Vietnam Competition and Consumer Authority, revealed that the ministry would revise the Law on Protection of Consumer Rights to ensure its regulations keep pace with changes. The draft amended law would be considered for approval at the National Assembly's meeting in May. VNA

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ENERGY

Vietnam seeks support from UK and EU in clean energy transition

Deputy Prime Minister Tran Hong Ha has asked representatives of the UK and the European Union to share their experience and technologies in clean energy transition with Vietnam.



He also sought support in developing smart grids, increasing the proportion of renewable energy, and ensuring the balance and stability of the energy system, all of which are expected to pave the way for Vietnam to orient toward a green fuel manufacturer in the Asia-Pacific region.

The request was made during his meeting with the UK's special envoy on climate change and Principal Adviser on Energy Diplomacy at the EU held yesterday, April 17, according to the Government portal baochinhphu.vn.

Vietnam has made a commitment to achieving net-zero emissions by 2050, Ha said, adding that the Southeast Asian country considered the Just Energy Transition Partnership (JETP) a critical channel to receive technological and financial support from developed countries in energy transition.

The UK and the EU also expressed their willingness to support Vietnam in technical expertise and technology within the framework of JETP, pledging to further promote investment in Vietnam in the coming time.

The JETP will mobilize an initial US\$15.5 billion of public and private finance over the next three to five years to support Vietnam's green transition.

The partnership would support the country in achieving its ambitious net zero goal by 2050, help the nation peak its emissions by 2030, five years earlier than planned, and enable it to wean itself off fossil fuels and switch to clean energy. Saigontimes

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Voices grow louder for energy plan approval

Numerous organisations and investors are urging Vietnam to swiftly define policies to accelerate the deployment of 7GW of offshore wind energy by 2030.



Pham Hong Phuong, deputy general director of Electricity of Vietnam, stated earlier this month that it is “implementing planning stages” for the first offshore wind power project in the Gulf of Tonkin, which will have a total capacity of approximately 800MW.

Through the German Development Agency, the German Federal Ministry for Economic Affairs and Climate Action is also assisting Vietnam in attaining its ambitious plan to develop 7GW of offshore wind power by 2030. Offshore wind power development was formally established in order to set up a dialogue channel for sharing international experiences and best practices to support offshore wind power development in Vietnam.

Compared to previous wind and solar power development, both investor interest and policy attitudes are distinct. However, it may be some time before offshore wind energy projects in Vietnam explode. According to analysts, provinces that need to develop offshore wind power have not yet accomplished their objectives at the current rate of policy revisions. The government has also not yet authorised the Power Development Plan VIII (PDP8), nor has it approved the National Marine Spatial Plan for 2021-2030.

In addition to exploiting the vast energy potential, the development of offshore wind power assures the realisation of the marine economic development vision of Vietnam’s coastal communities. The Ministry of Industry and Trade (MoIT) received proposals for offshore wind energy projects with a total capacity of 129,000MW at the end of 2021, in which the northern province of Nam Dinh proposed to add 12,000MW, Haiphong city increased its capacity to 39,000MW between 2029 and 2037.

The October 2022 version of the PDP8 draft sets wind power capacity targets of 7GW by 2030 and 17GW by 2035.

According to Nguyen Duc Cuong, senior energy expert at T&T Group, offshore wind power is a new sector with “limited understanding at both the management and investor levels.” According to him, the proposal by some localities to develop offshore wind power projects in the ocean can generate 3-4 times the capacity, which may result in a less future exploitation of sea surface area than anticipated.

Cuong stated that Vietnam requires an appropriate plan for offshore wind power to generate maximum power for the region and reduce investment costs for long-distance transmission. In 2021, 20 of the 28 coastal provinces registered with the MoIT to develop offshore wind power projects with a capacity of 70,000-80,000MW; however, only one-third are localities with the orientation to maximise the local area, such as Quang Ninh, Nam Dinh, Thai Binh, and Haiphong, which are concentrated in the north.

The development of region-specific electricity purchase tariffs is crucial for attracting investment. The average wind speed in the central region of Vietnam is 10m/s, while the north and south average 8m/s. “If the nationwide one-price mechanism is maintained, offshore wind power investment will be disproportionate and concentrated in the central region,” Cuong said.

In the past, the regulation of the wind power purchase price of 7.8 cents per kWh in accordance with Decision No.37/2011/QĐ-TTg has led to a succession of investment initiatives in wind power based on “specific characteristics” and “untapped potential” for the 2018-2019 period.

Vietnam’s electricity demand is rising. However, developing 7GW by 2030 is a challenging objective, as it requires timely marine spatial planning and an environmental legal framework to be realised. In addition, an offshore wind power project requires 8-9 years to complete everything from surveys, geological research, and feasibility assessments to design, construction, and testing. The implementation of offshore wind energy initiatives is also technically complex and requires substantial financial investment.

However, 7GW of offshore wind development is still deemed feasible by 2030. Dr. Du Van Toan of the Vietnam Institute of Seas and Islands under the Ministry of Natural Resources and Environment, said, “State agencies responsible for marine and energy should immediately approve the overall and long-term development creating opportunities for offshore wind power, as well as associated activities such as maritime industry, national security and defence, marine conservation zones, and fishing grounds, combined with other marine economic sectors.”

Toan cited the fact that the policy of designating sea areas to enterprises for wind surveying and measurement has not yet been finalised, resulting in many conducting surveys in the same area, resulting in expensive costs. The cost of offshore wind measurement is approximately \$2 million, excluding the cost of administrative procedures and other surveys, which total approximately \$15 million per project. “In the event that the state lacks the financial capacity to conduct project surveys, the exclusive assignment of such duties to the private sector is vital,” Toan added.

He urged marine and energy management agencies to pay attention to marine area surveys, and suggested that designating the exclusive responsibility of surveying a particular marine area to private businesses would prevent the waste of resources. VIR

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RETAIL

Retailers advised to seize opportunities in digital technology

Retailers must adapt and change, especially in modern technology, to survive and grow as consumers have more modern tools to choose goods online as opposed to just brick-to-mortar stores.



According to the Ministry of Industry and Trade (MIT), the total size of Vietnamese retail market is currently US\$140 billion and is expected to hike to around US\$350 billion by 2025. With this projected level, it will contribute approximately 59% of the country's total gross domestic product (GDP).

In the first quarter, the revenue from retail goods reached over VND1,187 trillion (US\$47.8 billion), up 11.4% annually, accounting for 78.9% of the total retail of goods and services nationwide.

According to experts, the retail market is developing well thanks to impressive GDP growth over the years, improving commercial infrastructure, and the rapid growth of e-commerce.

Dinh Thi Bao Linh, deputy director of the MIT's Industrial and Commercial Information Centre, noted that the Vietnamese consumers are increasingly interested in digital technology, with the number of Internet users reaching 75% of the population and the online shopping rate up to 60%.

Retailers must keep renovating their offline and online sales channels, provide support services, utilise online tools and offer the most convenient electronic payment methods possible.

Nguyen Van Thanh, director of the E-commerce Development Centre from the E-commerce and Digital Economy Agency, said to help firms find customers through the e-commerce channel, it is necessary to fine-tune mechanisms and policies that are conducive for e-commerce, such as infrastructure, human resources, encourage the private sector to adopt e-commerce, standardise the market and information.

Besides the State support, businesses themselves must enhance their production capacity, diversify products and target younger generations - the most promising customer group for e-commerce in the future, he said.

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LOGISTICS

Joint berth for two ports at Cai Mep-Thi Vai approved

The Ministry of Transport has approved a plan to establish a 1,200-meter-long berth for the Cai Mep International Terminal (CMIT) and the Tan Cang – Cai Mep Thi Vai Terminal (TCTT) as proposed by the operators of the two ports.



The Ministry of Transport on April 13 sent an official dispatch to the Vietnamese Maritime Administration and the two port operators in the Cai Mep – Thi Vai area in Ba Ria-Vung Tau Province, namely the Tan Cang-Cai Mep Thi Vai One Member Limited Liability Company and the Cai Mep International Port Limited Liability Company, approving their study to establish a joint berth, reported the Vietnam News Agency.

The joint berth between CMIT and TCTT will enable the effective operation of the port infrastructure and make full use of the existing ports' capacity.

This coordination will help attract large ships, reducing the wait time for ships to dock at the Cai Mep area to handle cargo.

The Ministry of Transport said that the study on connecting the two big ports in Ba Ria- Vung Tau Province aimed to encourage the research and application of measures to effectively operate and optimize using the infrastructure of the existing ports.

In the past few years, the Cai Mep area has seen an increase in cargo throughput, with a frequency of 33 ship calls per week. Of which, CMIT and TCTT received 14 ships every week.

The average size of ships docking at Cai Mep ports is increasing; with some even having a length of 400 meters. In the next few years, it is forecast that many new, larger ships will be put into service. At the same time, shipping lines will have a high demand for ship-to-ship cargo transfer.

Currently, each port has a 600-meter-long berth which can only receive a ship not longer than 350 meters. The remaining length of each berth can only be used for an additional barge or left vacant.

The connection of the two ports that will expand the berth's length to 1,200 meters will enable the port operators to fully use the existing ports' redundant capacity. Saigontimes

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Quang Ninh strives to become a logistics centre

With the advantage of a 250km-coastline, as well as a synchronous and modern transport infrastructure system including seaports, highways, border gates and economic zones, Quang Ninh has many potentials and opportunities for logistics development. Many logistics development infrastructures have



been exploited and invested in by the province, thus facilitating logistics enterprises through the province and contributing to improving the province's competitiveness.

However, its seaports still face many difficulties, leading to weak competitiveness. Despite having all the necessary factors to become a key general seaport area of Vietnam and the world, foreign shipping lines and shippers still hesitate to choose between Quang Ninh's Hon Gai and Hai Phong seaports.

To overcome these limitations, Quang Ninh needs to identify and focus resources on taking advantage of its own potentials and advantages to promote logistics, and further promote its strengths in international cooperation and regional linkage, especially in improving the quality of human resources. The province is gradually removing bottlenecks, especially by focusing on the development of infrastructure and human resources as well as mechanisms to support businesses operating in the field. The province has put the Van Don-Mong Cai Expressway into operation, connecting with the previous inter-provincial highways to form a highway chain of nearly 600km.

Quang Ninh will continue to invest in improving infrastructure with an expected allocation of over 45 trillion VND of public investment in the 2022-2025 period. Special attention is paid to speeding up the construction of seaports and infrastructure for the seaport industrial parks. NDO

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INVESTMENT

US\$ 8.8 billion of foreign investment into Vietnam in the first four months

Although total foreign direct investment (FDI) flows into Vietnam in the first four months decreased by 17.9 per cent on-year, both newly registered and share purchase capital was reported to raise.



According to the Ministry of Planning and Investment's Foreign Investment Agency (FIA), FDI stood at \$8.88 billion in the first four months of 2023, equivalent to just 82.1 per cent compared to the same time last year.

Over 750 new projects were granted investment registration certificates in the same period, with total registered capital of over \$4.1 billion, up 65.2 per cent in the number of projects and up 11.1 per cent on-year in terms of capital. The adjusted capital of almost 386 ongoing projects stood at about \$1.66 billion, up 19.5 per cent on-year in number but down 68.6 per cent in capital terms. There were approximately 1,044 capital contributions and share purchases as of April 20, equivalent to \$3.1 billion, showing an increase of 70.4 per cent over the same period last year. In addition to the decrease in FDI, the country's disbursed capital also saw a slight decline of 1.2 per cent to \$5.85 billion.

The FIA said that the on-year decrease in disbursed FDI capital has been narrowing as compared to the previous months of the year (2.2 per cent on-year in the first quarter and 4.5 per cent in the first two months of the year). At the same time, newly registered capital has been increasing, and sharply soared as compared to the previous month. "The increase in the number of projects is much more significant than the rise in investment. That means small- and medium-sized investors are paying a lot of attention to Vietnam, and highly appreciating the nation's investment climate," noted the FIA's report.

The FIA census also indicated that FDI was seen in 18 out of the 21 economic sectors in the first four months. Of those, processing and manufacturing took the lead with \$5.1 billion, capturing 57.8 per cent of the total, but saw a 17 per cent drop compared to the same period in 2022. Banking and finance ranked second with \$1.5 billion, making up 17 per cent of the total and rising 12-fold on-year. This was followed by real estate and wholesale and retail with \$972 million and \$372 million respectively. Singapore was the top foreign investor in Vietnam with close to \$2.2 billion, accounting for 24.7 per cent of FDI into the country in the first four months of 2023, but representing a decrease of over 29.5 per cent on-year. Japan came second with \$2 billion and China third with \$752 million. They were followed by Taiwan, Hong Kong, and South Korea.

Foreign-invested projects still choose cities and provinces that have more advantageous infrastructural development, human resources, and clear administrative procedures, like Bac Giang, Dong Nai, Bac Ninh, Hanoi, Ho Chi Minh City, and Haiphong.

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Three foreign groups plan to pour US\$ 3.7 billion into Vietnam

Three foreign groups unveiled plans to pour \$3.7 billion into Vietnam at a meeting with Prime Minister Pham Minh Chinh in Hanoi Saturday, according to the Ministry of Planning and Investment.



A group from South Korea is to invest \$1.6 billion in heavy industry and logistics production; a German investor is eyeing green production using renewable energy with an estimated capital of \$1.5 billion; and a Japanese investor plans to spend \$600 million on medical equipment production.

Gabor Fluit, Chairman of the European Chamber of Commerce in Vietnam, said despite several barriers, Vietnam remains a rising star in business and

investment.

The European business community in Vietnam is committed to standing side by side with the Vietnamese government to build a prosperous and resilient nation, toward sustainable development and green economy, Fluit said. Takeo Nakajima, Chief Representative of the Japan External Trade Organisation (JETRO) in Hanoi, said Japanese enterprises are ready to invest in Vietnam. Its survey showed that 47% of respondents will expand their operations in Vietnam in the next two years. He also expressed wish to see more foreign direct investment in Thanh Hoa, Quang Ninh and Thai Binh.

Hong Sun, Chairman of the Korea Chamber of Business in Vietnam (Kocham), said there are about 9,000 Korean businesses investing in Vietnam at present, with bilateral trade turnover reaching a record high of \$87.7 billion last year. Many Korean businesses investing in Vietnam are considering an increase in their capital and making new investments if the business environment remains stable, especially in high technology, finance and energy.

To welcome the investment wave, Minister of Planning and Investment Nguyen Chi Dung said, Vietnam needs to prepare the necessary conditions, including "packages" of preferential policies and support in the context of the global minimum tax to be applied in 2024, improve the competitiveness of the investment environment and harmonize the interests of investors.

In the long term, Vietnam will continue to remove bottlenecks in mobilizing resources and production and trade. It will step up the disbursement of capital, and consolidate trust with the motto "Placing the people and businesses at the center, the subject, the goal and the driving force of development," he said. VNA

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