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VIETNAM BUSINESS REVIEW

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FINANCE

Vietnam to build three regional innovation and startup support centres

Vietnam will soon set up three regional innovation and startup support centres aimed at making full use of local resources and encouraging innovation and creativity, creating the prerequisite for the replication of the model across the country.



These hubs will be built in Hanoi, Da Nang, and Ho Chi Minh City, said Minister of Science and Technology Huynh Thanh Dat, while answering National Assembly deputies' questions in Hanoi on June 7.

The Ministry of Science and Technology has completed all necessary procedures, with decisions set to be made in June or July at the latest, said Minister Dat.

He briefed deputies on the four-year operation of the National Innovation Center at Hoa Lac Hi-Tech Park in Hanoi, outlining that the centre has produced many models worth being replicated across the country, although each locality has its own characteristics that must be adjusted to best suit their conditions. "It is necessary to have specific policies for innovation activities, including tax reduction policies, connection with venture capital funds, and development of co-working spaces for scientists, researchers, and investors," said the Minister.

Presiding over the inquiry, National Assembly Chairman Vuong Dinh Hue said the National Innovation Center at Hoa Lac Hi-Tech Park represents the Government's big project aimed at supporting and developing the nation's start-ups and innovation ecosystems, thereby contributing to the growth models based on science and technology.

It is anticipated that the scheme will house domestic and international innovative businesses, laboratories, offices of large corporations, as well as a working place of leading experts and scientists. The centre will officially be inaugurated shortly and its success story should be replicated in regions across the country, he suggested. At the same time, he said it is imperative to encourage foreign businesses to invest in research and development centres, as well as innovation centers nationwide. He cited Samsung as a case in point having poured mammoth investment into its research and development centre in Hanoi that is capable of housing up to 3,000 domestic and foreign engineers and scientists working on information technology.

"Learning from the Hoa Lac National Innovation Center, we will consider further deploying regional innovation startup centers in Da Nang, Ho Chi Minh City and other regions," said Hue. VOV

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Vietnam confident about digital economy development

Minister of Information and Communications Nguyen Manh Hung says that the portion of the digital economy to GDP by the end of 2023 may reach over 17 percent, and with good solutions to stimulate the economy, the figure may reach 25 percent by 2025.



The analysis of 12 economies in Asia Pacific conducted by Access Partnership Analytics shows that the surveyed countries have exploited only 30 percent of the digital economy. The analyses were carried out with data collected in Australia, India, Japan, Indonesia, Malaysia, the Philippines, South Korea, Pakistan, Singapore, Thailand and Vietnam.

The total value of the digital economies of the countries is \$586 billion. If all potential could be exploited, the benefits of the digital economy could bring total \$1.4 trillion.

As for Vietnam, it only has 10 percent of GDP currently associated with the digital economy. Vietnam's digital economy is worth \$7 billion.

The report from Access Partnership Analytics predicted that if fully exploiting all the benefits of the digital economy, the 12 regional countries would be able to earn \$2.2 trillion more by 2030. As for Vietnam, the figure could be \$91 billion by 2030.

The institution commented that Vietnam has high readiness for building digital infrastructure, but its ability to provide services needs to be improved, while indicators in competition and policies have "potential."

e-Conomy SEA 2022, a report from Google, Temasek and Bain & Company released in October 2022 found that the digital economy of six ASEAN countries (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam) is expected to grow 6 percent per annum. The report pointed out that the digital economy in the region may reach \$1 trillion by 2030.

Nevertheless, there are challenges in the path to growth, from the gap between urban and rural areas to low digital literacy, according to Anthony Toh, a researcher of S. Rajaratnam School of International Studies (RSIS) in Singapore.

The ASEAN Digital Integration Index report shows that the digital integration indicators of Singapore and Malaysia are relatively good, while Brunei, Indonesia, Thailand, the Philippines and Vietnam lack one or more indicators.

The indicators in the report include data protection and cybersecurity, digital payments, digital skills, innovation, entrepreneurship, and infrastructure readiness.

Solutions to promote digital economy

In Vietnam, with a large and young population, the digital economy is contributing to economic development of the country with sharing models in transport, healthcare, remote education, and e-commerce.

At the government meeting on May 4, 2023, Hung said of digital economy development, 70-80 percent is the digital transformation of industries, while the information and communications sector just accounts for 20-30 percent of the digital economy in the long term. It is estimated that by the end of 2023, Vietnam's digital economy may account for more than 17 percent of GDP, and the goal of 20 percent by 2025 is within reach.

The Prime Minister in late March 2022 approved the national socio-economic development strategy by 2025 with a vision toward 2030. The digital economy growth rate in Vietnam is 2-3 times higher than GDP, which is the driving force of the national economy.

Developing the digital economy, according to Hung, must be based on three pillars: 1/ digital administration 2/ use of data to create value for the economy and 3/ productive forces related to the digital economy, of which ICT (information and communications technology) is the core.

Of the three above-mentioned pillars, digital administration and data exploitation cannot develop appropriately, while ICT, though being considered the driving force of the digital economy, there are no specific guidance for the development of this field.

According to Vietnam's plan, the digital economy would account for 20 percent of GDP by 2025, and 30 percent by 2030. VNA

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E-COMMERCE

Cross-border e-commerce conference to take place in Hanoi and Hochiminh city

The Ministry of Industry and Trade (MoIT)'s E-commerce and Digital Economy Agency (iDEA) said it will coordinate with Amazon Global Selling to organise a cross-border e-commerce conference, which is expected to help Vietnamese businesses seek online export opportunities.



The event, which will see the participation of successful sellers on the Amazon network, also aims to raise awareness of the domestic business community of this kind of commerce.

According to the agency, the Vietnam cross-border e-commerce conference 2023 will take place in Hanoi on June 7 and Ho Chi Minh City on June 9 with a series of activities to update the latest information on the e-commerce industry, and connect service providers operating in the five different service sectors.

The latest research by Access Partnership shows that Vietnam's e-commerce export revenue can reach VND296.3 trillion (over US\$12.6 billion) by 2027 if local businesses are supported to use e-commerce channels to expand export markets.

Up to 86% of the 300 micro-, small-, and medium-sized enterprises (MSMEs) in Vietnam said that they will not be able to carry out export activities without e-commerce.

The iDEA said the conference will provide information and programmes to support Vietnamese businesses to access international markets.

In the framework of the events, exhibitions featuring cross-border e-commerce services will be organised with the participation of providers from 10 key service categories that determine the success of online exports.

Seminars of Asian retailers will share experiences and lessons from successful sales partners of Amazon from the Republic of Korea, Singapore, and Vietnam. VOV

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ENERGY

Vietnam needs to modify policies to foster offshore wind power

According to Vietnam's new electricity strategy, the objective is to ensure the overall capacity of offshore wind power reaches 6 GW by 2030 and 7-9GW by 2050. This will assure energy safety as well as meet the rising needs of the whole nation, in pace with its socioeconomic development.

According to Electricity of Vietnam (EVN) deputy general director Nguyen Tai Anh, "It will be crucial to implement a swift legal framework on investment, building, and operating offshore wind power projects while simultaneously drawing in investment and enhancing the existing transportation system."



"The urgent need is to alter the policy framework as well as regulations to effectively accomplish the defined goals," added Tai Anh, speaking at a conference hosted by EVN on June 1.

According to international practice, bringing an offshore wind power project into action requires about 8–9 years of planning and execution. Some analysts predict that Vietnam will require a vigorous preparatory process with suitable regulations to expedite the implementation time to meet the target of 7GW of power from offshore wind by 2030.

The German Development Agency's Energy Support Programme and Vietnam Energy Partnership Group (VEPG) gathered specialists to share their international knowledge with EVN in this field. Sven Ernedal, Chief of the Offshore Wind Power Task Force, Vietnam Energy Partnership Group, said, "Vietnam is a nation with tremendous opportunities for offshore wind power expansion. However, the discipline to do so is still novel to Vietnam."

At COP26, the government of Vietnam made a significant pledge to be carbon-neutral by 2050. In 2017, the government, along with several foreign development agencies, formally launched VEPG, with the goal of strengthening partnerships, communication, and knowledge sharing and expertise in the energy sector.

Energinet has a strong background in pushing the effective adoption of offshore wind power in its native Denmark, and its specialists happily provided additional information about their offshore wind energy expansion model from the early stages of diplomatic agreement formulation to the completion of the project.

The Danish experts shared common obstacles to large-scale projects such permits at the state and local levels, ambiguity about timelines, as well as the danger of delays and adjustments.

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Seven renewable power plants connected to grid

Seven renewable power plants with a combined capacity of 430.2 megawatts have recently been linked to the national grid.



They are among 46 projects that have agreed to sell power to national utility Vietnam Electricity (EVN) at a temporary price rate while the government considers an official rate.

The temporary rate is VND754-908 (US\$0.032-0.039) per kilowatt-hour, which is half the maximum price the government can offer.

The Ministry of Industry and Trade and EVN have been pushing for linking up the plants amid fears of a power shortage in the summer as water levels plummet in reservoirs.

Renewable energy plants with around 4,600-MW capacity are awaiting connection to the grid since they were built after the government ended its incentive buying price.

Their developers are in the process of negotiating new rates with the government. vnexpress

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RETAIL

F&B more robust with boom in low-end market

The rapid expansion of foreign food and beverage (F&B) chains in Vietnam was making the domestic market more robust despite the trend of tightening spending in a global downturn.



Recently, Mixue, a Chinese chain of fresh ice cream and tea stores focusing on the low-end market and Generation Z, announced it had reached 1,000 stores through franchising after nearly five years of operation in Vietnam – a scale that no F&B brand had ever reached.

Despite the global economic slowdown, top-of-mind F&B brands expanded their chains after the Covid-19 pandemic. As of February, Highland Coffee had around 600 stores, an increase of 63.5% compared to March 2021.

Trung Nguyen E-Coffee nearly doubled its stores from 308 in March 2021 to 620 in February 2023. Phuc Long, after receiving the capital from Masan Group, expanded rapidly to more than 900 stores, including 132 flagship stores and more than 770 kiosks at WinMart/WinMart, compared to just 80 stores in March 2021.

According to a report about the F&B market by iPOS.vn, the F&B market saw a considerable recovery after the COVID-19 pandemic to reach a revenue of VND610 trillion in 2022, up 139%. The market was forecast to expand at 18% this year and hit VND1 quadrillion in 2026.

The report also pointed out that there were about 338,600 restaurants and coffee shops in Vietnam in 2022, up 39% over 2021. The market this year would see harsh competition among major chains for market shares while small ones became more cautious, iPOS.vn said.

The market was also seeing the expansions of new names such as Phe La, Katinat Saigon Kafe, and Cheese Coffee.

According to a report by Viet Dragon Securities Company (VDSC), the F&B industry will be more robust from the second half of this year. VDSC also pointed out that Vietnamese consumers could continue to spend in F&B with a tendency to choose products with more reasonable prices. The recovery of tourism would also aid the F&B industry, VDSC said.

Going digital

Digital transformation was an unavoidable trend for the F&B industry to create a competitive advantage, which was highlighted by the COVID-19 pandemic. iPOS' survey found that 82.8% of F&B companies embarked on digital transformation. However, most remained at using sales management software. According to Do Huu Hung, CEO of ACCESSTRADE Vietnam, digital transformation created an opportunity for enterprises to look back on their development, business models and orientations. Digital transformation would create changes for the F&B industry, he said. vnexpress

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LOGISTICS

Song Than station to become international intermodal rail terminal

With Song Than railway station's international intermodal transport services, businesses can conduct import-export procedures right at the terminal instead of transporting goods to ports in HCMC or Vung Tau for export to China and Europe.



Vietnam Railways is building two international intermodal transport routes from Song Than railway station in Binh Duong Province to China and other countries.

The first route will start at Song Than to Kep station in Bac Giang Province and Dong Dang station in Lang Son Province before arriving at Bang Tuong station in Guangxi, China. From there, the train will go further into mainland China or transit in China before reaching the Central Asia countries, Russia and Europe.

The second route begins at Song Than station to Lao Cai, then arrives at a station in Hekou in China, where cargo is shifted to another means of transport to further mainland China.

Each train will transport from 20 to 25 containers which need five days to travel from Song Than to Chongzuo Station in Guangxi and six days to a station in Yunnan.

Song Than Station, which is located on National Highway 1A, right at the center of Song Than Industrial Park in Binh Duong Province, has a good connection with the Mekong Delta provinces.

Meanwhile, Binh Duong is one of the provinces most active in the manufacturing and processing of goods for import and export. The province also has high demand for exporting leather, shoes, textile and garments and wooden interior furniture to China and Europe.

When Song Than station becomes an international intermodal rail terminal, exporting businesses will shorten the travel time to two-thirds against the traditional seaway and save costs.

Since 1996, the Vietnam railway sector has had seven international intermodal rail terminals, comprising Lao Cai, Yen Vien, Hai Phong, Dong Dang, Giap Bat, Danang and Song Than. Early this year, Kep station in Bac Giang Province was permitted to operate temporarily as an international intermodal rail terminal. The saigontimes

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INVESTMENT

Da Nang to build a business environment conducive for investors

The central city of Da Nang is working to build a business environment conducive for investors, based on the pillars of hi-tech industry, tourism and sea-based economy.

In its planning orientations till 2030 with a vision to 2050, the city targets attracting capital to information and communications technology (ICT), biotechnology, micro-electronic technology, mechatronics, precision engineering, environment and nano technology, among others, toward becoming a socio-economic hub in the region.



The Da Nang Hi-Tech Park (DHTP) is one of the three national advanced hi-tech parks and the only of its kind in the central – Central Highlands regions. Its

infrastructure have been completed after three stages and it is striving to contribute a minimum of 10-15 per cent of the local gross regional domestic product (GRDP) during the 2025-2030 period. Da Nang has also prepared urban infrastructure facilities in three other industrial parks to draw foreign investors.

Recently, the Da Nang Investment Promotion and Support Board, the Da Nang Hi-Tech Park and Industrial Zones Authority (DHPIZA), and Long Hau Corporation have signed a cooperation agreement, under which Long Hau Corporation is the provider of factory infrastructure for hi-tech and supporting industries on a 29.6ha site in the DHTP.

Vu Quang Hung, head of the DHPIZA, said Da Nang has incentives exclusively designed for investors besides those offered by the central government. Specifically, those investing in DHTP are exempt from taxes for the first four years and enjoy a 50 per cent reduction in taxes for the following nine years. They also benefit from a preferential tax rate of 10 per cent for a period of 15 years. Importantly, they are completely exempt from import taxes on machinery, goods, and equipment used for the formation of factories.

The city also partners with the Da Nang University of Science and Technology to train skilled workforce for investors.

DHPIZA statistics showed that local hi-tech and industrial parks have so far attracted a total of 516 projects, including 391 domestic ones worth over 31.6 trillion VND (1.37 billion USD) and 125 foreign-invested ones valued at more than 1.8 billion USD, or 46.5 per cent of the total foreign direct investment in the city. At present, the city is home to 984 foreign-invested projects valued at over 4 billion USD.

Lawyer Nguyen Thanh Hoa, Deputy General Director of the KPMG Law Company that provides investment attraction counseling for DHTP, suggested that Da Nang should work with nearby cities, provinces and the entire country to build policies to draw investment into hi-tech industries, and hold investment promotion conferences in the northern and southern regions.

Buerstedde Peter, Vietnam Director of the Germany Trade & Invest, proposed that apart from developing a land fund for hi-tech industry, Da Nang should come up with a plan to strengthen goods transportation connectivity and develop logistics services when the Lien Chieu Port is put into operation.

Director of the Da Nang Investment Promotion and Support Board Huynh Lien Phuong opined that the city should expand cooperation with other educational establishments to train a highly skilled workforce, thus meeting demand of investors.

This year, DHPIZA will partner with units concerned to remove obstacles in site clearance, helping three to four more projects to start in the DHTP. VIR

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Vietnam becomes attractive colocation markets for foreign investors

Vietnam ranked seventh among the top 10 emerging colocation markets globally with a market size estimated to hit 1.5 billion USD by 2026, according to a recent report by KPMG published earlier this month.



Colocation is the practice of renting space for servers and other computing hardware at a third-party provider's data centre facility.

Meir Tlebalde, merger and acquisition director for KPMG in Vietnam told Dau Tu (Vietnam Investment Review) that large tech investment traditionally tended to take place in tier-1 markets like Singapore, Hong Kong, Sydney, and Tokyo, which account for 82% of Asia-Pacific's total data

centre capacity.

However, tier-1 markets are facing a shortage in mass land for development and expensive renewables costs, high construction and power costs, and increasing regulatory frameworks in sustainability and data privacy, Tlebalde said. With rapid digitalisation, emerging Southeast Asia with land resource and cost competitiveness has become an attractive data centre investment destination.

According to Tlebalde, key growth drivers for Vietnam's colocation market are attributed to the lowest development cost in Southeast Asia and capable internet system, reliable power resources at the region's lowest price, and the accelerated digital transformation. In terms of connectivity, Vietnam is ranked 39th globally in download fixed broadband, she added.

Along with the government's commitment to sustainable development towards net-zero emissions by 2050, Vietnam boasts the potential to become an eco-friendly data centre market for investments in upcoming years. As of April 2023, Vietnam was home to 28 data centres covering a total area of 108,700sq.m. Hanoi and Ho Chi Minh City are the two major locations, with 11 and 13 centres, respectively. The market is concentrated with 11 operators, among which five major players hold 89% of the country's total computing space. Experts said that major challenges for development in Vietnam are the need for a clear and streamlined legal framework, as well as power stability. They highlighted the importance of a well-defined licensing process that provides clarity, adding that high financial costs and liquidity issues also pose obstacles for potential investors.

Chris Wallace, APAC Data Centre & Critical Facilities Lead of Mace Vietnam – a leading global consulting and construction corporation, said Vietnam's strategic location and strong determination from its Government make it an attractive destination for international investors.VNA

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