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VIETNAM BUSINESS REVIEW

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FINANCE

The U.K. to recognize Vietnam as a market economy

The U.K. is on track to acknowledge Vietnam's industries as operating within a market economy, promising not to impose unfavorable rules if investigated under trade defense measures. This recognition is expected to be announced after the U.K. joined the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) recently.



In cases where an export country is not considered a market economy, the importing country may use a third country's market economy as a reference when determining trade duties on the export country. This could result in higher trade duties for Vietnam. However, once recognized as a market economy, Vietnamese goods will be treated more fairly, providing exporters with increased access to other markets.

Currently, 71 countries and territories have recognized Vietnam as a market economy. The U.K. became the 12th country to join the CPTPP, which is the largest trade pact for the U.K. following its exit from the European Union.

Vietnam's exports to the U.K. saw a notable increase of 9.5% to \$5.2 billion in the previous year. This recognition by the U.K. further enhances Vietnam's position in the global trade landscape and opens up new opportunities for economic growth and expansion. vnexpress

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Two new regulations on financial activities to take effect from August

New regulations on the operation of money exchange agents of bordering countries and eligibility requirements for foreign loans without the Government's guarantee will officially take effect from August, 2023.

The State Bank of Vietnam issued Circular 04/2023/TT-NHNN dated June 16, 2023 specifying regulations on the operation of money exchange agents of bordering countries which takes effect on August 1. Under the circular, the agents may only operate in the form of using Vietnamese dong to buy money from bordering countries sold by individuals. Those located at departure waiting rooms at international and main border gates may sell bordering countries' currency in cash for Vietnamese dong to individuals. They may also sell money of bordering countries in cash to foreign individuals who have completed exit procedures.

Regarding requirements for foreign loans that are not guaranteed by the Government, the central bank's Circular 08/2023/TT-NHNN dated June 30, 2023 stipulates that those subject to this regulation include residents that are enterprises, cooperatives, cooperative unions, credit institutions and foreign bank branches (FBBs) established and operating in Vietnam and known as the parties applying for foreign loans (borrowers), and credit institutions or FBBs in Vietnam where borrowers' accounts are opened to serve their foreign borrowing and repayment of foreign loan debts.

Borrowers of foreign loans in the form of international bond issuance, in addition to meeting the conditions for foreign loans that are not guaranteed by the Government, must comply with the provisions of law on the offering of corporate bonds to the international market and other relevant regulations.

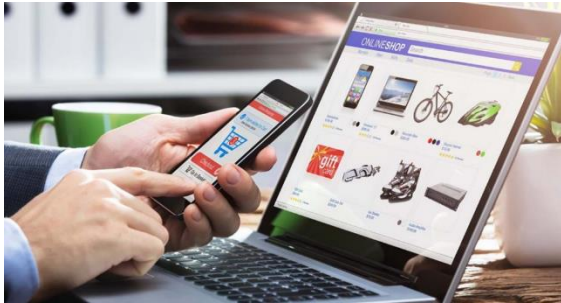
Borrowers who are state-owned enterprises, in addition to meeting the loan conditions, must comply with regulations on management and use of state capital invested in production and business at enterprises and other relevant regulations. This circular will come into effect on August 15. VNA

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E-COMMERCE

Universal e-commerce platform for all 63 provinces to be launched

A plan has been introduced to construct a unified e-commerce platform where the nation's 63 centrally governed provinces and cities can exchange their products under a concentrated supply chain model.



Under the Prime Minister's Decision No. 645/QĐ-TTg, issued in May 2020, which approved the National E-commerce Development Master Plan for the 2021-2025 period, the Vietnam E-commerce and Digital Economy Agency will take charge of implementing the plan to build a unified e-commerce platform for the 63 provinces and cities.

Currently, online trade promotions conducted via local e-commerce platforms have many limitations and lack efficiency. As part of the plan, the project will enhance linkages between localities' e-commerce platforms and connect them with popular e-commerce platforms to form an effective multi-faceted business environment.

According to the Vietnam E-commerce and Digital Economy Agency, the unified e-commerce platform will bridge the gap in e-commerce platform development between big cities and other localities.

At the same time, the e-commerce platform is expected to contribute to boosting the popularity of e-commerce among businesses and communities, developing a healthy, competitive, and sustainable e-commerce market, and expanding local and international consumer markets for Vietnamese products.

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ENERGY

Vietnam renewable energy projects contribute more to national grid

Fifteen renewable energy projects connected to the national grid have supplied 3.2 million kWh per day on average, reported by Vietnam Electricity Group (EVN).



As of July 21, the combined capacity of the 15 entire and partial renewable energy projects had reached nearly 735 MW and their average daily output of 3.2 million kWh accounts for 0.4% of the total mobilized electricity.

These projects are among the 85 transitional renewable power projects that missed the feed-in tariffs (FIT) deadlines in late 2020. Consequently, they needed to negotiate electricity prices with EVN, following the pricing framework issued by the Ministry of Industry and Trade earlier this year.

By July, 72 renewable projects with a total capacity of nearly 3,932 MW had written to EVN seeking pricing discussions and power purchase agreements. Of these projects, 83% have proposed tentative prices that are equal to 50% of the price ceiling set by the Ministry of Industry and Trade, according to EVN.

Currently, the Ministry of Industry and Trade has approved tentative prices for 58 of these projects with a combined capacity of over 3,181 MW. However, in order to be eligible for commercial operation and national grid connection, these projects must meet specific conditions related to connection, acceptance, and relevant documentation, such as approval for investment policy extension and working permits.

To date, 13 transitional renewable energy projects have yet to submit their documents to the Electricity Power Trading Company (EPTC) under EVN for negotiations on prices and power purchase agreements. The Saigontimes

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LNG market in Vietnam sees positive growth with promising prospects

Vietnam's approval of planning for petrol and gas reserves and supply infrastructure until 2050 is a significant step towards utilizing liquefied natural gas (LNG) and achieving green energy goals. The master plan aims to develop the entire system, including strategic reserves, production, commerce, transport, and distribution.

Specifically, the plan focuses on ensuring storage infrastructure for liquefied petroleum gas and LNG to meet consumption demands. By 2030, the goal is to have storage capacity of up to 800,000 tonnes for liquefied petroleum gas and up to 20 million tonnes per year for LNG. This capacity is expected to increase to 900,000 tonnes and 40 million tonnes per year, respectively, after 2030.

Recent milestones in the LNG sector include the approval of the \$1.3 billion Son My LNG Terminal project and partnerships between T&T Group and KOGAS, as well as T&T Energy and SK E&S, for the joint development of LNG infrastructure and power plants.

Despite these developments, the LNG market in Vietnam faces challenges due to limited existing infrastructure. Johan Petter Tuttoren emphasized the need for financial support and capacity building for the development of the LNG market. He also called for supportive policies related to electricity pricing, permits for LNG plants, infrastructure development, and environmental factors.

LNG plays a vital role in Vietnam's Power Development Plan VIII, aiming for 15% of total capacity and 13 gas power plants by 2030. The country's energy strategy focuses on developing gas industries and prioritizing LNG import and consumption, targeting imports of about eight billion cubic meters by 2030 and 15 billion cubic meters by 2045. VIR

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RETAIL

Rivalry intensifies in the local confectionery industry

Vietnam's confectionery market is witnessing increased competition among major players, with KIDO Group rejoining the sector after a six-year absence.



The company aims to secure the No. 2 position in the Vietnamese bakery industry within three to five years. This year, KIDO targets its highest pre-tax profit since 2017, with a goal of \$652 million USD in net revenue and \$39 million USD in pre-tax profit, a 20% and 76% increase, respectively, compared to the previous year.

KIDO has strategically restructured its business into four sub-groups, focusing on cooking oil, ice cream, confectionery, and fish sauce, aiming to collaborate with multinational companies in each segment and expand its export capabilities. They currently lead the market in the ice cream and margarine industries and rank second in the cooking oil sector.

PAN Group, another prominent confectionery brand in Vietnam, is concentrating on its core business segments, expecting an 8-9% revenue increase and a pre-tax profit of \$43 million USD in 2023. They recently acquired the renowned Bibica brand, further strengthening their position in the confectionery industry.

The competition among these big players is not limited to the domestic market, with companies exploring export opportunities for faster growth. As the industry evolves, companies like KIDO and PAN Group are formulating long-term and sustainable export plans, aiming to expand their reach beyond Vietnam's borders. Other participants in the confectionery market include Mondelez Kinh Do, Huu nghi, Hai Ha. VNS

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LOGISTICS

Vietnam's logistics sector on the rise

Vietnam's logistics industry is gaining global recognition and is expected to emerge as a prominent player in Asia, thanks to its efforts in developing the supply chain sector and benefiting from 'China plus' sourcing strategies.



With an annual growth rate of 14-16%, the logistics sector has become one of the country's fastest-growing and most stable industries, contributing between US\$40 billion to US\$42 billion annually.

Vietnam's progress in the Agility Emerging Markets Logistics Index 2023, where it secured a place in the top 10 among 50 global markets, highlights its growing significance. This achievement is attributed to strategic location, favorable investment policies, and continuous governmental initiatives to enhance infrastructure and streamline regulations.

The country's attractiveness in the global market is further evident in the "China plus" policy, attracting major multinational manufacturers to diversify their supply chains and reduce reliance on the Chinese market. Apple, Sony, Samsung, and LG are among the notable companies that have expanded their production in Vietnam.

The furniture industry has also benefited significantly, with Vietnam's share of global exports increasing while China's share decreases. Furthermore, Vietnam's logistics sector has been boosted by the growth of domestic and export e-commerce, turning it into a hub for global product transshipment.

Despite these positive developments, the logistics industry still faces challenges due to inadequate connections between service providers and businesses involved in import-export activities. Experts stress the importance of greater collaboration to improve the transportation systems and establish a strong industrial ecosystem to attract top-notch manufacturers and foster the growth of local suppliers. The Vietnamese government must continue its efforts to support the logistics industry and strengthen its position in the global market.

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INVESTMENT

Vietnam attracts US investment in global supply chains

Vietnam's growing significance in global supply chains, particularly in the semiconductor industry, which has attracted substantial investment from major US companies.



US Treasury Secretary Janet Yellen praised Vietnam's dynamic economic development efforts, recognizing it as a vital player in the global semiconductor supply chain. Companies like Apple and Google have established a significant and expanding presence in Vietnam, contributing to a strong bilateral trade relationship between the two nations.

The US is pursuing a strategy called "friendshoring" to build secure and reliable supply chains and reduce vulnerability to supply shocks. The goal is to diversify global supply chains and integrate economically with trustworthy countries like Vietnam. The US is also prioritizing building resilience in the semiconductor supply chain, given the global chip shortage's significant impact on lost revenues.

Vietnam has emerged as a crucial node in the semiconductor supply chain, attracting investments from US companies like Amkor and Onsemi. Additionally, the partnership between Vietnam and the US aims to strengthen sustainable supply chains with other nations, promoting cooperation with emerging and developing economies.

Yellen emphasized the US commitment to supporting Vietnam's transition to a zero-net-emission economy by 2050 and fostering mutual economic prosperity. The article concludes with the prospect of continued collaboration between Vietnam and the US to enhance their economic partnership and address challenges such as climate change and economic resilience. VIR

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Swedish firms' investment targets innovation in Vietnam

Despite facing macroeconomic challenges, Vietnam has emerged as an innovation hub, attracting significant foreign investment, especially from Sweden, according to Eliseo Barcas, CEO of Tetra Pak Vietnam.

A milestone in Vietnam's innovation landscape is the launch of Bloom, the country's first-ever global innovation center for the food and beverage (F&B) industry. Developed by Tetra Pak in collaboration with DenEast of Sweden, the center aims to revolutionize Vietnam's F&B industry with an innovative and cost-efficient product creation model.

Barcas emphasized that the Bloom innovation center exemplifies Tetra Pak's commitment to long-term and sustainable investment in Vietnam, contributing to the nation's innovation and transformation goals, and unlocking the immense potential of the local F&B industry.

The involvement of Swedish companies in Vietnam has been on the rise, particularly after the signing of the European Union-Vietnam Free Trade Agreement (EVFTA). Renowned Swedish companies, including ABB, AstraZeneca, Atlas Copco, Electrolux, Ericsson, IKEA, Oriflame, SKF, Volvo, and Tetra Pak, have already established their presence in Vietnam.

Statistics from the Foreign Investment Agency show that Swedish investors injected nearly US\$168 million into Vietnam in the first half of 2023, with five newly-registered projects accounting for US\$154.6 million. As of June 2023, the accumulated capital invested by Swedish companies in Vietnam had reached approximately US\$680.5 million.

The key priority for Swedish firms investing in Vietnam is sustainability. Companies like Ericsson, Assa Abloy, Polarium, and Hes have demonstrated their commitment to sustainable practices.

Vietnam is encouraged to adopt the "Triple Helix" cooperation model from Sweden, fostering close collaboration between universities, industries, and government agencies to promote comprehensive socio-economic development. The model has proven successful in driving innovation and could be a valuable approach for Vietnam's future growth. VNA

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Rep. Office	〒220-0012, 8F Wework, Ocean Gate Building 3-7-1 Minatomirai, Nishi ward, Yokohama Kanagawa, Japan
Telephone	+84-24-6275-5246 ; +84-24-6273-6989
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