



Highlight

Vietnam aims to attract high-quality investment from the Republic of Korea

VIETNAM BUSINESS REVIEW

What's in it today?

Vol 30, Aug 02nd 2023



FINANCE

Vietnam to embrace global minimum tax to boost for economic equality

Trade balance shows a surplus of US\$15.23 billion in seven months



INVESTMENT

Alibaba to expand investment and workforce in Vietnam

Vietnam aims to attract high-quality investment from the Republic of Korea



RETAIL

Vietnam's CPI up 0.45% in July



E-COMMERCE

TikTok shop's meteoric surge in Vietnam's E-commerce



ENERGY

National energy master plan 2021-2030 has been approved

Contrasting views among ministries on rooftop solar power



LOGISTICS

Plan to implement seaport development planning adopted

FINANCE

Vietnam to embrace global minimum tax to boost for economic equality

Vietnam plans to support the global minimum tax, aiming to begin its application in 2024 to encourage enterprises to pay additional tax in the country. The Ministry of Finance has proposed a National Assembly resolution on additional corporate income tax in line with the Global Anti-Base Erosion Rules (GloBE).



The policy aims to create a global minimum tax policy that includes regulations on income inclusion and qualified domestic minimum top-up tax, ensuring fairness for domestic and foreign investors.

There are 335 projects with an investment capital of over \$100 million in Vietnam's processing and manufacturing industries in economic and industrial zones. These projects enjoy preferential corporate income tax rates, accounting for 30% of the total registered capital in the country. The General Taxation Department estimates that 122 foreign economic groups investing in Vietnam will be affected by the global minimum tax if implemented from 2024.

Applying the global minimum tax will lead to an increase in revenue for Vietnam's state budget through the collection of additional tax from foreign multinational enterprises. The move is also expected to enhance international cooperation, minimize tax evasion, and combat transfer pricing. Vietnam's outward-invested enterprises, such as Viettel and PetroVietnam, will also be affected, potentially leading to additional tax collections depending on their investment destinations' taxation policies.

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[Back to top](#)

Trade balance shows a surplus of US\$15.23 billion in seven months

Vietnam recorded a trade surplus of about US\$15.23 billion in the first seven months of this year, an increase of 1.34% year-on-year, according to data released by the General Statistics Office of Vietnam (GSO) on Saturday.

The total import-export turnover of goods hit \$374.23 billion, posting a year-over-year decrease of 13.9%. Specifically, export value fell by 10.6% and import value 17.1%.

In the period, there are 30 items with export turnover of over \$1 billion, accounting for 91.6% of the total export turnover at \$194.7 billion. Particularly, five items posted an export turnover of more than \$10 billion, accounting for 57.6%. Meanwhile, import turnover was estimated at \$179.5 billion, decreasing by 17.1% over the same period last year including \$64.1 billion from the domestic economic sector and the remaining \$115.4 billion from the foreign-invested sector.

Regarding the structure of imported goods in the past seven months, production materials accounted for 93.8% of total import value with \$168.3 billion. Consumer goods accounted for only 6.2% (\$11.2 billion). The U.S. was Vietnam's largest export market with an estimated turnover of \$52.4 billion, and China was Vietnam's largest import market with an estimated turnover of \$58.6 billion.

In the last seven months, Vietnam's trade surplus with the U.S. was estimated at \$44.3 billion, down 24.1% over the same period last year while its trade surplus with the EU was \$16.4 billion, down 11.9%. Vietnam posted a trade deficit of \$0.9 billion with Japan.

According to a GSO representative, many key export products of Vietnam are facing difficulties because of the sharp decrease in global market demand. A large trade surplus that the economy continued to post has raised concerns that industrial production and exports will continue to face difficulties in the coming time. As Vietnam's economy depends heavily on imported raw materials, the decrease in imports shows that enterprises are still short of orders, so there is no need to import input materials.

In the coming time, to further improve import and export efficiency, the Ministry of Industry and Trade will focus on renewing and promoting trade promotion activities targeting new markets and potential ones such as India, Africa, the Middle East, Latin America and Eastern Europe as well as those less affected by inflation like ASEAN countries. In addition, exporters also need to effectively take advantage of free trade agreements (FTAs), and facilitate and enhance digital transformation in the granting of preferential certificates of origin.

Director of the Trade Remedies Department under the Ministry of Industry and Trade Trinh Anh Tuan said that in the context of international economic integration, domestic manufacturing and exporting industries must constantly improve their competitiveness, improve production organization to be able to compete equally with imported goods in the domestic market. The ministry has been coordinating with relevant associations and units to closely monitor the production and import situation to promptly take appropriate measures to protect domestic manufacturers' legitimate rights and interests, he said

[Back to top](#)

E-COMMERCE

TikTok shop's meteoric surge in Vietnam's E-commerce

Vietnam's e-commerce landscape has witnessed a rapid transformation with the emergence of TikTok Shop, which has quickly overtaken Lazada to become the second-largest platform by revenue, according to market analyst firm, Metric. During the first half of 2023, the total value of completed transactions in Vietnam's e-commerce sector reached approximately \$3.875 billion, experiencing a substantial 46% growth compared to the previous year.



TikTok Shop's remarkable rise has been nothing short of meteoric. Within just four months of its launch in the fourth quarter of 2022, it achieved 80% of Lazada's revenue. By the first quarter of 2023, the revenue gap narrowed even further, with TikTok Shop trailing Lazada by a mere 3.5%. Eventually, in the second quarter, TikTok Shop surpassed Lazada to claim the position of the second-largest e-commerce platform in Vietnam, following the market leader, Shopee.

At a recent Shoppertainment conference in Ho Chi Minh City, TikTok representatives highlighted the platform's unique selling proposition, which seamlessly integrates entertainment content with commerce. With over 325 million monthly users and hosting more than 15 million businesses in the Southeast Asia region, TikTok's advertising profit margin is reportedly twice the average of other platforms, making it an attractive destination for advertisers.

The platform's blend of entertainment and commerce has struck a chord with consumers, influencing their shopping decisions significantly. According to a study by Boston Consulting Group (BCG), 81% of TikTok users in the Asia-Pacific region have indicated that the platform's video content plays a vital role in their recent shopping choices.

TikTok Shop's ascent in Vietnam's e-commerce sector underscores the potential of integrating social media and e-commerce, reshaping consumer behavior and providing a compelling vision for the industry's future. As this new, socially driven approach gains momentum, established players in the e-commerce market must carefully consider how to respond to this transformative trend. VIR

[Back to top](#)

ENERGY

National energy master plan 2021-2030 has been approved

Deputy Prime Minister Tran Hong Ha has signed off on the national energy master plan for the 2021-2030 period, envisioning growth until 2050.



The plan's objectives are to ensure energy security, support economic and social development, modernization, and national defense. It also aims to enhance living standards, protect the environment, and establish an autonomous energy industry. With a focus on renewable and new energy sources, the goal is to become a regional hub for clean energy industries and renewable energy exports.

Targets include reaching 155 million tonnes of oil equivalent in total primary energy supply by 2030, and between 294 to 311 million tonnes by 2050. Oil and petroleum reserves are set to increase to 75-80 days of net imports by 2030 and 90 days post-2030.

In line with equitable energy transition, the plan aims for renewable energy to constitute 15-20% of total primary energy by 2030 and 80-85% by 2050. Energy savings of 8-10% by 2030 and 15-20% by 2050 are also part of the plan.

Greenhouse gas emissions are projected to be 399-449 million tonnes by 2030 and 101 million tonnes by 2050, with reductions of 17-26% and 90% respectively.

Efficient use of domestic energy resources is emphasized, with crude oil, natural gas, and commercial coal production targets set for 2021-2030. The plan envisions establishing clean energy centers in various regions by 2030, and green hydroelectricity production of 100,000 - 200,000 tonnes yearly by 2030, and 10-20 million tonnes annually by 2050.

To achieve these objectives, six implementation solutions have been outlined, encompassing capital mobilization, policy development, science and technology, human resource development, international cooperation, and plan supervision. VNA

[Back to top](#)

Contrasting views among ministries on rooftop solar power

While some ministries think more investment incentives are needed to encourage the development of rooftop solar power, the Ministry of Industry and Trade (MOIT) believes there is no need to encourage this source of electricity generation.



Commenting about the draft proposal on rooftop solar power, the Ministry of Planning and Investment (MPI) said the draft compiled by MOIT doesn't offer attractive incentives to encourage investment in rooftop solar power, but the government wants to develop this type of power.

MPI said MOIT and the Ministry of Natural Resources and the Environment (MONRE) need to design detailed programs to encourage people to set up rooftop solar power systems in their homes.

Vietnam aims to have rooftop power systems on 50 percent of office buildings and 50 percent of people's homes by 2030. These works will not connect to the national grid, but will operate under home production and consumption.

MPI suggested solutions on providing preferential loans, exempting or reducing taxes and fees, and exempting electricity operation licenses in an effort to simplify procedures to create favorable conditions to install rooftop solar power systems. Meanwhile, MOIT doesn't agree. In its latest report to the Prime Minister about rooftop solar power, the ministry stressed that this is about household use, not for sales to other institutions and individuals.

The institutions and individuals investing in and using rooftop solar power implement the taxes and fees, and charge incentive policies, in accordance with current laws on taxes, fees and charges.

The institutions and individuals installing and using rooftop solar power must ensure the efficiency of the work and meet requirements on electricity safety, construction work safety, and environmental and fire prevention and control as stipulated in current regulations. MOIT has collected opinions from 15 ministries and ministerial agencies which all want to expand the sphere of rooftop solar power installation.

Meanwhile, Deputy Prime Minister Tran Hong Ha stressed that the subjects are works installed at homes and office buildings. The expansion of subjects as recommended by the ministries will be considered in other documents. According to MOIT, under the eighth national electricity development plan (Plan 8), the total capacity of rooftop solar power capacity would increase by 2,600MW. With this scale, there is no need to set up a mechanism to encourage rooftop solar power installation. If just 12.5 percent of households installed power works (1 kw for each household) in 2023, this would be enough to reach the target set for the development period (2021-2030) outlined in Plan 8. Vietnamnet

[Back to top](#)

RETAIL

Vietnam's CPI up 0.45% in July

The General Statistics Office (GSO) reported that the national Consumer Price Index (CPI) for July rose by 0.45% compared to the previous month, driven by higher prices of food, foodstuff, and electricity.



This marks a 2.06% increase compared to the same period last year. Core inflation for July also increased by 0.36% month-on-month and 4.11% year-on-year.

Out of the 11 groups of goods and services used to calculate the CPI, ten experienced price hikes, with the "other goods and services" group reporting the highest increase of 2.84%. Housing and construction materials rose by 0.51% month-on-month, while transportation saw a smaller increase of 0.11%. The only group with declining prices was post and telecommunications, falling by 0.12%.

For the first seven months of 2023, the average CPI rose by 3.12% compared to the same period last year, and core inflation increased by 4.65%. The CPI rise during this period was attributed to increased prices of educational services and housing and construction materials. The prices of other goods and services, including health insurance services, also contributed to the CPI hike. Additionally, the easing of the COVID-19 pandemic led to a surge in demand for entertainment and tourism, driving up prices in the culture, entertainment, and tourism groups.

In August, the gold price index fell by 0.03% compared to the previous month, while the US dollar index rose by 0.53%. VNA

[Back to top](#)

LOGISTICS

Plan to implement seaport development planning adopted

Deputy Prime Minister Tran Hong Ha has ratified a plan to carry out the national Seaport System Development Master Plan in the 2021 to 2030 period, with a vision towards 2050.



The plan identifies tasks, solutions, and lists specific projects which will be implemented in each period from now until 2030.

It identifies methods, resources, and co-ordination mechanisms among ministries, departments, branches, and People's Committees of various provinces and cities in relation to its implementation.

The plan also provides orientations specifically for ministries, agencies, and People's Committees of provinces and cities to allow them to formulate their own plans for the implementation of the plan in each period.

It sets three major tasks aimed at realising the master plan relating to performing planning procedures, completing legal framework on maritime issues, and developing infrastructure. Policies and solutions relating to implementing the master plan include those which attract capital for infrastructure development, human resources development, and science and technology development. The solutions must therefore ensure social security, environmental protection, and national defence – security.

Under the terms of the approved national seaport development plan in the 2021 to 2030 period with a vision to 2050, seaports are divided into different groups depending on the scale and function. The seaport system is thereby connected with railway and waterway routes, as well as the national highway and local road system. The master plan places priority on upgrading the infrastructure of international gateway ports such as Lach Huyen Port in Hai Phong and Cai Mep Port in Ba Ria – Vung Tau.

Meanwhile, appropriate mechanisms and policies will be studied in a bid to improve the international transshipment port in Van Phong of Khanh Hoa province.

According to details set out in the planning stage, the nation has two special seaports, including Hai Phong and Ba Ria – Vung Tau, 15 seaports of first class, six seaports of second class, and 13 seaports of third class. The seaport system is expected to handle between 1,140 million tonnes to 1,423 million tonnes of cargo, including 38 million to 47 million TEUs of container cargo, whilst transporting about 10.1 million to 10.3 million passengers.

The total investment needed for the scheme until 2030 stands at roughly VND313 trillion, equal to US\$13.7 billion. VOV

[Back to top](#)

INVESTMENT

Alibaba to expand investment and workforce in Vietnam

Alibaba.com, the global B2B e-commerce platform of Chinese tech giant Alibaba, is set to significantly boost its investment in emerging manufacturing centers in Vietnam and expand its workforce with hundreds of new employees.



Over the next three years, Alibaba.com plans to establish specialized teams to operate in Vietnam's emerging manufacturing hubs, including Binh Duong, Bac Ninh, Long An, Da Nang, and Hai Phong. This expansion comes in addition to the existing teams already operating in Hanoi and Ho Chi Minh City, as announced by Roger Luo, director of Alibaba in Asia-Pacific during a recent event in Ho Chi Minh City.

Luo emphasized the importance of Vietnam in their e-commerce development map, citing three key advantages of the market. First, Vietnam benefits from favorable foreign trade policies and numerous free trade agreements, making Vietnamese-made goods highly competitive. Second, the country still enjoys relatively low labor costs, providing a cost-effective manufacturing environment. Third, Vietnam boasts a wide range of specialty products.

Vietnamese suppliers on Alibaba's platform have been gaining recognition among global buyers, particularly in sectors like agricultural products, food, fashion, and home garden products. The number of Vietnamese sellers on Alibaba's e-commerce platform has surged, and the availability of Vietnamese products on the platform has seen a notable 24% increase compared to the previous year.

While Vietnam's export turnovers faced a 12% decline in the first half of the year, the situation is expected to improve in the latter half due to decreasing inventory in the U.S. To seize this opportunity, small and medium-sized businesses are encouraged to revitalize their human resources and enhance their digital capabilities. Alibaba's increased investment in Vietnam signals the country's growing significance as a key player in the global e-commerce landscape. vnexpress

[Back to top](#)

Vietnam aims to attract high-quality investment from the Republic of Korea

Vietnam aims to attract high-quality investment from the Republic of Korea (RoK), particularly from leading enterprises like Samsung, focusing on high technology, electronics, and semiconductor chips.



Prime Minister Pham Minh Chinh expressed this during a working session with Samsung Electronics Vietnam Co., Ltd (SEV) on July 30, where he praised Samsung's investment activities in Vietnam and its significant contributions to the country's economic development.

PM Chinh emphasized the strong political trust and strategic partnership between Vietnam and the RoK, highlighting the RoK's role as the largest foreign direct investor (FDI) in Vietnam, with Samsung being the largest Korean investor and the largest foreign investor overall, having invested nearly \$20 billion in the country.

Samsung's operations in Vietnam have had a positive impact on export revenue, job creation, and tax contributions. PM Chinh encouraged Samsung to continue its stable and effective business in Vietnam, further invest in digital transformation and circular economy initiatives, and prioritize the training and appointment of Vietnamese talent in key positions.

During his visit to the northern province of Bac Ninh on the same day, PM Chinh attended the groundbreaking ceremony for several transport infrastructure projects. He emphasized the importance of infrastructure development as a strategic breakthrough defined by the Party, and urged provincial authorities to ensure site clearance and maintain high standards of safety, quality, and environmental protection during the projects' implementation.

Additionally, PM Chinh visited Cat Tuong Smart City and Thong Nhat Smart City affordable housing project in Yen Phong district, expressing his support and presenting gifts to the workers involved. VOV

[Back to top](#)

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