

# Chapter 6

## Viet Nam

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## Chapter 6:

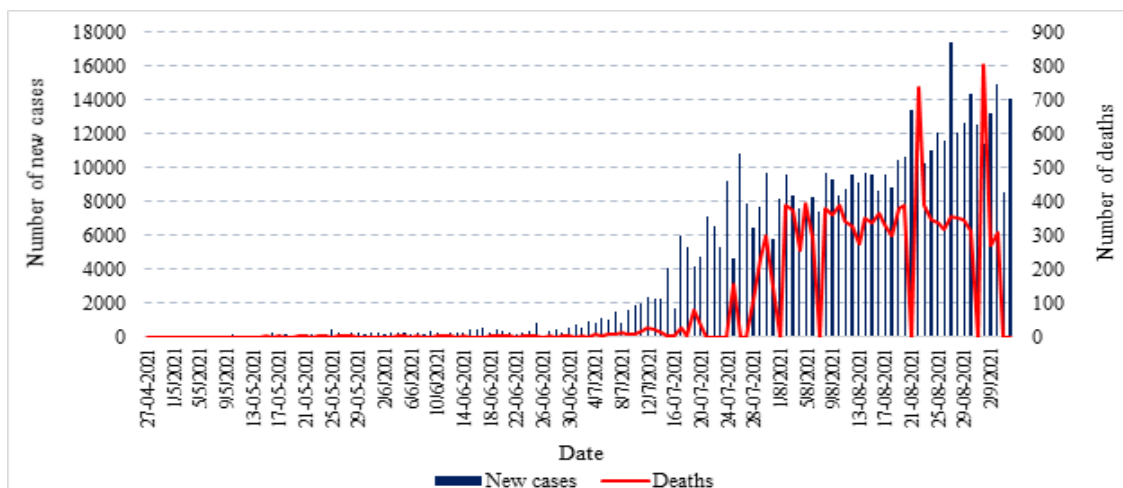
### Viet Nam

*Trinh Thi Thu Huong*

#### 6.1. Introduction

In Viet Nam, the number of deaths from COVID-19, as of September 2021, was 13,074 (Figure 6.1). The death rate was 2.5%, higher than the world average of 2.1%.

**Figure 6.1: COVID-19 Cases and Deaths in Viet Nam, to September 2021**



Source: Vietnam General Department of Preventive Medicine, Covid-19 Data in Vietnam, <https://ncov.vncdc.gov.vn/> (accessed 30 August 2021).

Since the beginning of the pandemic, the government's goal has been prevention simultaneously with socio-economic development. Consequently, Viet Nam's economy still achieved positive results; GDP growth reached 2.9%, equivalent to more than \$271 billion (World Bank, 2021). This was a success for Viet Nam, as it was in the group with the highest economic growth rates in the world. However, to August 2021 with the rapid spread of the Delta variant, Viet Nam again applied strict social-distancing measures. The government aims to vaccinate about 75 million people (70% of the population), with 150 million doses of vaccine, in the second half of 2021 and early 2022. As of September 2021, 22,012,123 doses were administered (WHO, 2021b).

The purchase and production of vaccines are still being accelerated, and vaccinations for vulnerable groups has been prioritised. Viet Nam's GDP growth forecast in 2021 was for 4.8% due to the positive

economic results achieved in the first 6 months of the year (World Bank, 2021). The GDP in the first 6 months of 2021 increased by 5.64%, higher than the growth rate of 1.82% in the first 6 months of 2020 (GSO, 2020). Many industries, however, remain negatively affected by the pandemic; there are also industries with strong growth like e-commerce.

## 6.2. Pre-Pandemic Economy

### 6.2.1. Passenger Transport

The passenger transport sector in Viet Nam consists of nearly all transport modes: road, rail, and air (i.e. domestic and international flights). With the appearance of many ride-hailing applications (e.g. Grab and Be), motorbikes have also become popular in big cities like Ha Noi, Ho Chi Minh City, and Da Nang. Amongst the modes of transport, road passenger transport occupied the highest proportion. Through interviews, experts all said that passenger transport activities pre-pandemic were growing (Table 6.1).

**Table 6.1: Passenger Transport Services in Viet Nam, 2016–2019**

|   | 2016    | 2017    | 2018    | 2019    |
|---|---------|---------|---------|---------|
| Volume (million passengers)             | 3,620.5 | 4,081.6 | 4,641.5 | 5,143.1 |
| Growth (%)                              | 9.6     | 11.1    | 10.7    | 11.2    |
| Rotation (billion passengers/kilometre) | 171.3   | 182.8   | 207.1   | 248.5   |
| Growth (%)                              | 11.0    | 9.1     | 10.9    | 10.9    |

Source: GSO.

The growth of both volume and rotation achieved double-digit rates during this period; thus, the economic development of the country encouraged the demand of individual movement. This is the main source of revenue for passenger transport in Viet Nam. Moreover, infrastructure is being improved in both the urban and interprovincial transport systems to provide more flexible times and reasonable prices, suitable to those with low and middle incomes.

In terms of air transport, the number of international passengers to Viet Nam, as well as domestic passengers, witnessed an annual upward trend. Meanwhile, the infrastructure of air transport continued to develop, with 22 airports including 8 international airports. The plan to develop airport–rail links, as in other countries, has not been mentioned in development strategies.

Rail transport has many limitations in Viet Nam, including poor conditions and low speeds, and also competes with low-cost airlines. Therefore, the number of passengers transported by rail was low, peaking during holidays when people returned to their hometowns.

In terms of transport companies, almost all coach and taxi service companies are private (accounting for 90%), while only the Vietnam Railways Corporation is a state-owned enterprise providing passenger transport service. Viet Nam has four commercial airlines providing mainly domestic flights. Vietnam Airlines, Bamboo Airways, and VietJet Air all have international routes.

## 6.2.2. Trade Sector

A key part of logistics activity, freight transport connects different stages of a supply chain. The trade sector includes many modes of transport: rail, road, maritime, inland waterways, and air. Road freight transport is considered to be the backbone of the national freight transport system. Before the pandemic, the majority of freight was carried via roads, accounting for 67.36%, followed by inland waterways (19.8%), and maritime (12.74%) (Table 6.2).

**Table 6.2: Volume of Carried Freight in Viet Nam, 2015–2019 (million metric tonnes)**

| Mode            | 2015      | 2016      | 2017      | 2018      | 2019      |
|-----------------|-----------|-----------|-----------|-----------|-----------|
| Rail            | 4,327     | 5,147     | 5,421     | 5,664     | 5,567     |
| Road            | 2,684,956 | 2,823,242 | 2,596,533 | 3,001,043 | 3,814,075 |
| Maritime        | 803,028   | 832,821   | 776,868   | 843,040   | 721,227   |
| Inland waterway | 697,859   | 717,655   | 732,401   | 838,379   | 1,120,833 |
| Air             | 275       | 292       | 336       | 382       | 354       |

Source: GSO.

To meet the increasing demand for freight transport, the quality of transport services improved significantly, with the appearance of many modern vehicles that enhanced competitiveness. The number of enterprises joining road transport accounted for the majority and increased continuously. This trend was similar to inland waterway and rail transport (Table 6.3).

**Table 6.3: Transport Enterprises in Viet Nam, 2015–2019 (number)**

|                              | 2015   | 2016   | 2017   | 2018   | 2019   |
|------------------------------|--------|--------|--------|--------|--------|
| Rail freight                 | 13     | 13     | 14     | 16     | 31     |
| Road freight                 | 12,780 | 14,072 | 16,002 | 17,003 | 18,018 |
| Coastal and maritime freight | 471    | 567    | 563    | 543    | 527    |
| Inland waterway freight      | 822    | 878    | 971    | 980    | 1,045  |
| Air freight                  | 1      |        |        | 3      |        |

Source: GSO.

With high economic growth and fast freight development, the traffic flow on roads – especially on expressways – kept increasing. Viet Nam was thus focussing on developing multimodal transport systems, including coastal waterways and inland waterway networks, along with infrastructure at ports and inland ports, to share the cargo load. Viet Nam’s transport infrastructure system ranked 66 in 2019 with 52.2 points, which was higher than the Philippines (41.2 points), for example (Schwab, 2019).

### 6.2.3. E-Commerce Sector

The improvement of the legal framework and ICT infrastructure encouraged Viet Nam’s e-commerce breakthrough. A series of regulations were issued to manage e-commerce activities, such as the Law on Tax Administration 2019, Law on Cyber Security 2018, Decree No. 165/2018/ND-CP on electronic transactions in financial activities, and Decision No. 1563/QD-TTg to develop e-commerce in Viet Nam during 2016–2020.

Viet Nam had some 68 million internet users, accounting for 70% of population, above the global average of 59% (Kemp, 2020). Smartphones continue to be the most popular devices, with a 93% penetration rate. Rising internet and smartphone penetration – coupled with a large younger generation – are helping propel the e-commerce market. Indeed, Viet Nam’s e-commerce grew in 2018 and 2019 when e-commerce sales reached approximately \$9 billion and \$12 billion, respectively (Google, Temasek, Bain and Company, 2019). The compound annual growth rate was about 30% from 2016 to 2019 (VECOM, 2019).

There are two popular types of e-commerce models in Viet Nam: B2B and B2C. B2C is the leading sector in the e-commerce market (Kemp and Moey, 2019). In 2019, B2C e-commerce sales exceeded the target of \$10.8 billion, accounting for 4.9% of the total retail sales of consumer goods and services nationwide (iDEA, 2020). B2B e-commerce, which still remains relatively new in Viet Nam, falls under the umbrella of import–export activities, especially for SMEs with limited financial resources. In 2016, 32% of businesses partnered with foreign companies through online channels. In 2018, 500–600 exporters were selling on Alibaba (EU-Vietnam Business Network, 2018). This period also witnessed the popularity of e-marketplaces with consumer-to-consumer (C2C) platforms such as Lazada, Sendo, Shopee, and Tiki, but the most prominent C2C platforms are social media, most notably Facebook.

## 6.3. Pandemic Impacts and Policy Responses

### 6.3.1. COVID-19 in Viet Nam

COVID-19 was first confirmed in Viet Nam on 23 January 2020, when two cases were discovered in Ho Chi Minh City. In March and April 2020, the number of cases increased rapidly due to passengers from European countries and the appearance of clusters as in Bach Mai Hospital in Ha Noi and Buddha Bar in Ho Chi Minh City. From 1 April 2020, a lockdown was implemented for 15 days; the country did not

confirm any cases of local transmission from mid-April to the end of July 2020. In this first wave, a total of 383 confirmed cases were reported without any deaths. Of the 383 reported cases, 277 cases (72%) were from abroad (WHO, 2020a).

The second wave of infection began on 25 July 2020 in Da Nang. The first death was recorded on 31 July 2020, while hundreds of cases were detected. After 2 months, almost all economic activities were resumed. On 24 January 2021, there were 1,548 confirmed cases of COVID-19, including 37 health care workers, from 46 provinces, and 35 deaths (WHO, 2020b).

On 28 January 2021, Viet Nam entered its third wave of infection when Hai Duong and Quang Ninh provinces recorded an additional 84 community transmission cases within 1 day. Initially, the government only quarantined the areas directly related to the infected people to limit economic impact. After 2 weeks, the number of cases continued to increase, so Hai Duong Province was locked down for 15 days while Ha Noi and Ho Chi Minh City stopped all entertainment activities. Meanwhile, Viet Nam launched a mass COVID-19 vaccination campaign on 8 March 2021. As of April 2021, there were 2,843 cases from 51 provinces, and 89.6% have recovered. This wave witnessed no deaths (WHO, 2021b).

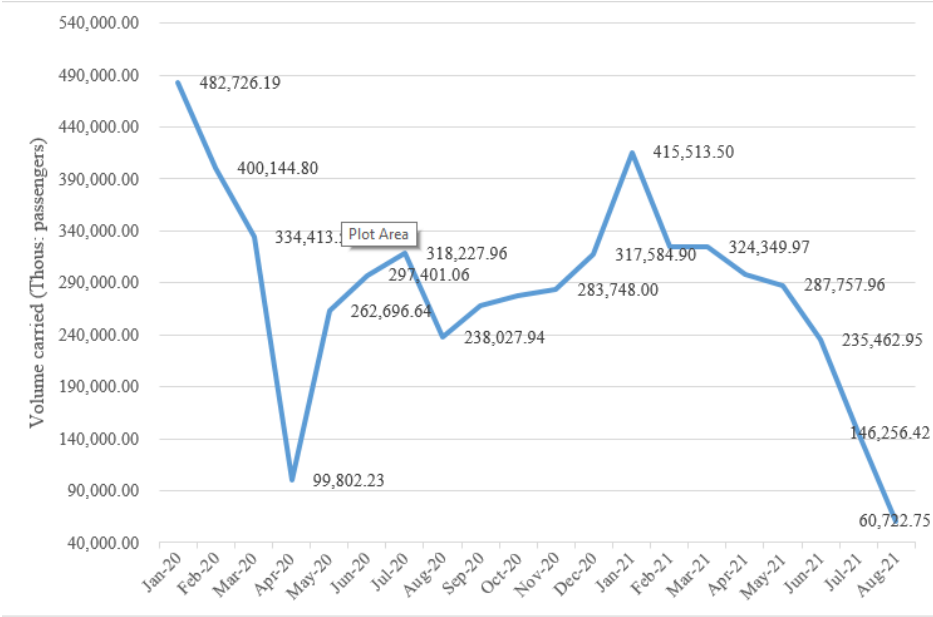
The fourth wave began on 27 April 2021 and is still ongoing. Many outbreaks, most of which are unrelated, were discovered in 58 localities and in various health care institutions. Viet Nam also experienced a fast-spreading outbreak due to the Delta variant. Lockdowns began, and 30 more field hospitals have been built. As of September 2021, 520,013 confirmed cases have been reported, including 13,039 deaths, from 62 provinces, especially in Ho Chi Minh City and Binh Duong Province; a total of 22,012,123 vaccine doses have also been administered (WHO, 2021c).

From the first wave, the government has issued many directives towards epidemic prevention and control. Depending on the severity of the epidemic at different times, the documents have different provisions on measures to prevent and to control the pandemic such as on mass gatherings, minimum safe distances, production activities, and transport. In general, these measures are focussed on social distancing and prevention. On the basis of these directives, provincial people's committees decide the specific implementation of social-distancing measures in their localities.

### 6.3.2. Impacts on the Transport Sector

Interviews showed that restrictive measures towards transport have not been strict and have been inconsistent between the central government and localities as well as amongst localities. During social-distancing measures, all means of passenger transport were paused. Thus, the number of passengers and vehicles decreased (Figure 6.2). Many enterprises have no revenue to pay principal and interest on bank loans and other expenses to maintain operations. As a result, many workers have lost their jobs and livelihoods. Many, especially in the passenger transport field, are facing the risk of bankruptcy.

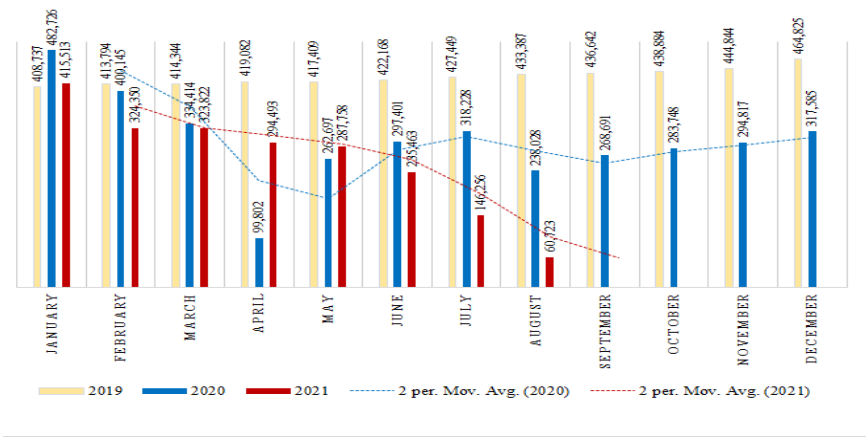
**Figure 6.2: Volume of Passengers in Viet Nam, January 2020–August 2021 ('000)**



Source: GSO.

Comparing pre-pandemic and pandemic numbers, it can be seen that the number of passengers decreased sharply in 2020 and 2021 (Figure 6.3).

**Figure 6.3: Volume of Passengers Carried, Viet Nam, 2019–2021 ('000)**



Source: GSO.

Passenger cars on fixed routes only reached 30% of pre-pandemic volume. Over 50% of these cars were at inactive parking lots. Taxis only ran about 20%–30% of previous levels, and they drove just 100–150 kilometres per day compared to the average of over 300 kilometres per day pre-pandemic. Bus revenue is estimated at 45%–50% of pre-pandemic levels.

Tourist cars reached about 10%–15% of their pre-pandemic volume, as international visitors were not allowed to enter the country. Cars transporting passengers only ran at 20%–30%.

As of August 2021, Viet Nam has not yet opened its doors to any international commercial passenger flights. Almost all flights are rescue flights and charter repatriation flights for Vietnamese citizens. Before the fourth wave of the pandemic, domestic flights remained at lower levels. It is difficult to get a flight between two most visited areas in Viet Nam, Ha Noi and Ho Chi Minh City.

In 2020, the passenger volume through airports was estimated at 66 million passengers, down 43.4% compared to 2019, while passenger rotation reached 34 million passengers per kilometre, down 56.0% from 2019 (MOT, 2020). These numbers will continue to decrease significantly in 2021. The airlines are operating at a loss.

Moreover, rail passengers continuously return tickets due to COVID-19 lockdowns or infections, sharply decreasing the revenue of the rail passenger transport industry. Many passenger trains have had to stop operations due to no passengers or capital. The revenue in the first 5 months of 2021 was only 51.4% compared to the same period in 2020.

### 6.3.3. Impacts on Trade

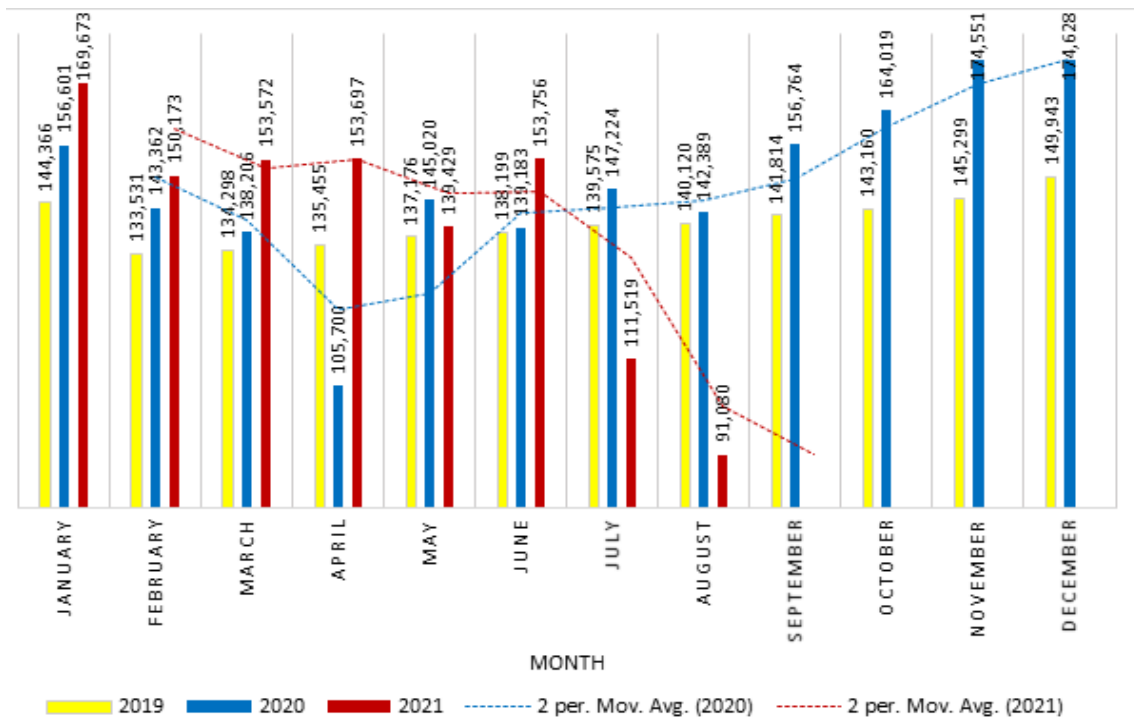
COVID-19 prevention and control measures were effective in the early period of the pandemic, helping Viet Nam quickly control infections, creating peace of mind for investors, manufacturers, and consumers. From May 2020, freight transport activities for production and consumption fully resumed. In 2020, Viet Nam achieved a GDP growth rate of 2.91%, which was the lowest growth rate in a decade but one of the highest growth rates in the world (GSO, 2020).

However, with the fourth wave, Ho Chi Minh City became a new cluster. Therefore, the strictest pandemic measures have been taken. Freight transport activities are being interrupted, and there are extended delivery times due to COVID-19 testing and inconsistent policies between localities. The supply chain is broken, and last-mile delivery is affected because of the inactivity of shippers.

The first wave of pandemic had obvious impacts on the freight transport industry. Transport volume decreased from 156.6 million tonnes in January to only 105.7 million tonnes in April 2020. During the second wave, Viet Nam's successful control of the disease enabled economic growth in 2020. However, the third and fourth waves have had dramatic effects on the economy. On the supply side, manufacturing enterprises face a shortage of labour and material delay of input, which cause delays for production and business process. On the demand side, consumers seem to have tightened their spending. Both enterprises and consumers have also faced rising transport costs. The volume of freight transport declined by 46.32%, from 169.173 million tonnes in January 2021 to 91.08 million tonnes in July 2021 (Figure 6.4).



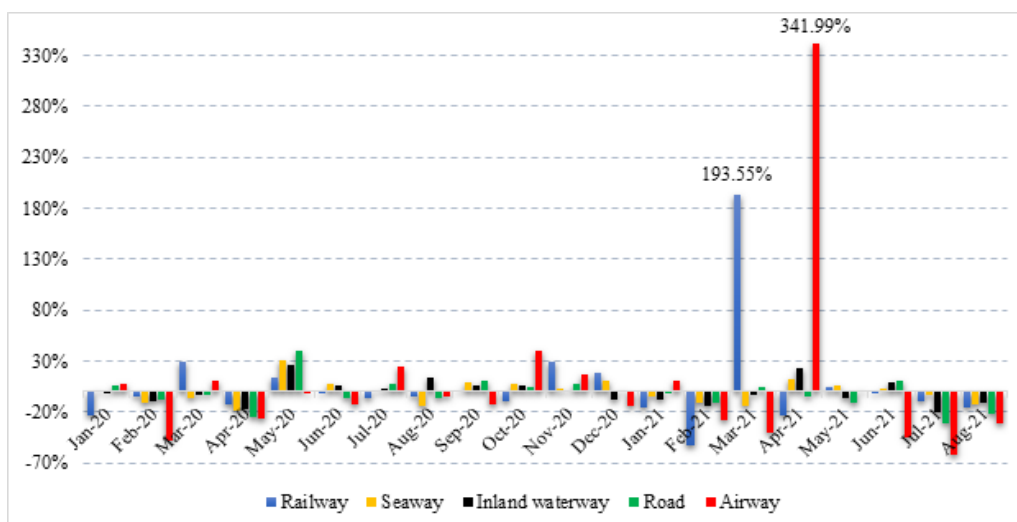
**Figure 6.4: Monthly Volume of Goods Carried, Viet Nam, 2019–2021 ('000 tonnes)**



Source: GSO.

Of the five freight transport modes, air transport suffered the most during the pandemic. Although there was some growth, especially in April 2021 of up to 342%, most of it was transport of relief goods under the government (Figure 6.5). The air freight transport volume in the first 8 months of 2020 decreased by 36.13% compared to the same period in 2019; in the first 8 months of 2021, this volume decreased by 11.28% compared to the same period in 2020 (Table 6.4).

**Figure 6.5. Changes in Volume Carried by Transport Type, Viet Nam, 2020–2021 (%)**



Source: GSO.

**Table 6.4: Volume of Goods Carried and Change by Transport Type**

|                    | <b>First 8 Months<br/>of 2019</b> | <b>First 8 Months<br/>of 2020</b> | <b>Compared to<br/>2019</b> | <b>First 8 Months<br/>of 2021</b> | <b>Compared to<br/>2020</b> |
|--------------------|-----------------------------------|-----------------------------------|-----------------------------|-----------------------------------|-----------------------------|
|                    | ('000 tonnes)                     | ('000 tonnes)                     | (%)                         | ('000 tonnes)                     | (%)                         |
| Rail               | 3,335.00                          | 3,295.30                          | (1.19)                      | 3,706.41                          | 12.48                       |
| Sea                | 53,552.37                         | 51,441.88                         | (3.94)                      | 54,513.69                         | 5.97                        |
| Inland<br>Waterway | 198,435                           | 204,714.25                        | 3.16                        | 207,939.79                        | 1.58                        |
| Road               | 847,089.92                        | 840,471.40                        | (0.78)                      | 803,001.50                        | (4.46)                      |
| Air                | 285.67                            | 182.45                            | (36.13)                     | 161.87                            | (11.28)                     |

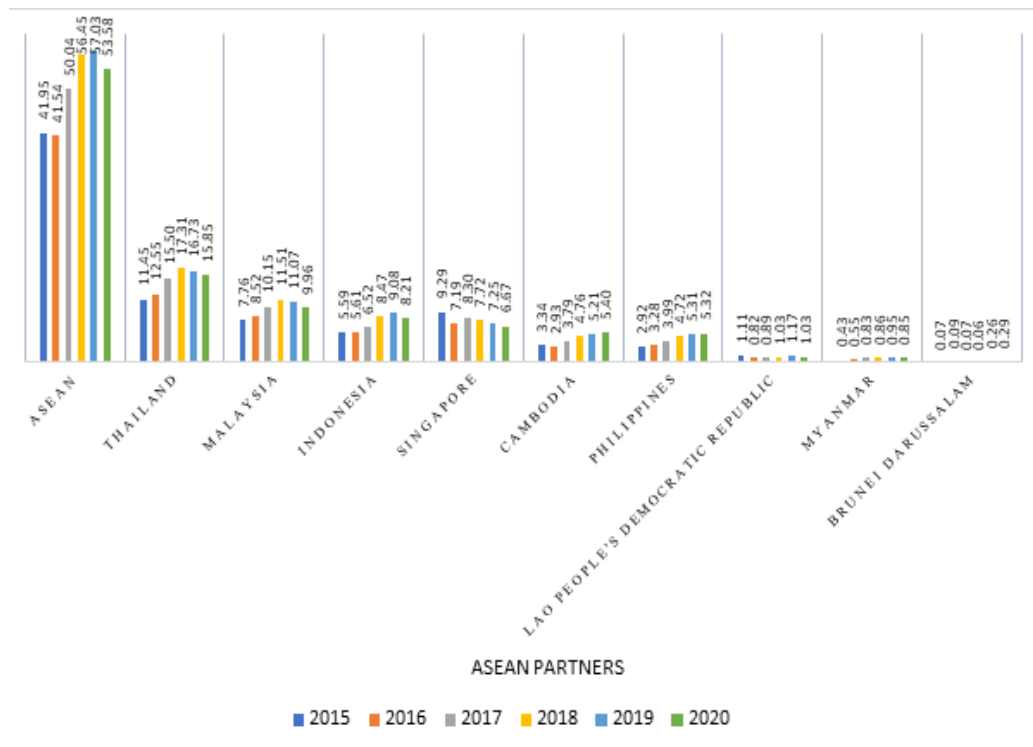
() = negative.

Source: GSO.

Figure 6.6 shows that the total trade in goods between Viet Nam and AMS was developing strongly before the pandemic. In 2020, despite the negative pandemic impacts, Viet Nam's total import–export turnover with AMS decreased but still reached \$53.58 billion, accounting for 9.87% of the total import–export turnover of the country. Viet Nam's exports to AMS reached \$23.13 billion, accounting for 8.22% of total export turnover. Its import turnover from AMS reached \$30.45 billion, accounting for 11.65% of total import turnover.

Transport and container rental costs have subsequently increased. In the first 7 months of 2021, the trade turnover between Viet Nam and AMS was estimated at \$40.8 billion, up 38.5% over the same period in 2020. Exports reached \$16.1 billion, up 25.9%, and imports reached \$24.7 billion, up 48.2% (GSO, 2020). Goods with great export value to ASEAN include iron and steel; electronics, computers and components; machinery, equipment, tools, and spare parts; phones and components; rice; and textiles. Main imported items are electronics, computers, and components; machinery, equipment, tools, and spare parts; oil and petroleum; complete cars; plastics; household electrical appliances; and components.

**Figure 6.6: Viet Nam’s Import and Export Turnover with ASEAN Member States (\$ billion)**



ASEAN = Association of Southeast Asian Nations.

Source: UN, UN Comtrade Database, <https://comtrade.un.org/data>

#### 6.3.4. Impact on E-Commerce

Prime Minister’s Directive No. 16 aimed to minimise travel outside of homes, encouraging online sales. At the same time, other legal documents were issued to ensure the sustainable growth of e-commerce, such as Decree No. 126/2020/ND-CP on 16 October 2020, guiding the implementation of the Law on Tax Administration 2019. It includes some key provisions on the taxation of foreign suppliers who conduct e-commerce activities in Viet Nam. Many regulations related to tax administration for e-commerce were also added, such as building a database and deploying electronic tax services. On 26 August 2020, Decree No. 98/2020/ND-CP was released concerning penalties for administrative violations in commercial activities and the production and trading of counterfeit and banned goods. As the most common problem of shopping online is quality, this decree protects consumer rights. Regarding the legal framework for non-cash payments, on 26 May 2020, Prime Minister’s Directive No. 22/CT-TTg launched a mobile money service pilot programme to encourage financial inclusion and to promote a cashless society.

Despite many negative impacts on the economy, the pandemic has boosted the development of Viet Nam’s e-commerce industry. The habits of consumers have changed to buying online, increasing the demand of e-commerce and encouraging the boom of online shopping platforms. However, the pandemic has made freight transport difficult, including online product delivery in the last mile. Many strict measures have limited logistics activities for e-commerce as well as incurred costs for masks, hand sanitizer, and disinfectant spray.

Along with Industry 4.0 and digital transformation, many online platforms have come into operation during pandemic, especially the B2C sales channels. In the top 10 most-visited e-commerce websites in South-East Asia, five Vietnamese companies are listed, including Bách hoá Xanh, FPT Shop, Sendo, Thegioididong, and Tiki.<sup>17</sup> The Industrial Revolution 4.0 and pandemic not only changed the way firms use digital solutions to shift their business models online but also created a strong incentive to push enterprises to use online channels to operate, organise, and manage. As a result, Viet Nam is the only country in South-East Asia to achieve a double-digit growth rate in e-commerce. Its e-commerce sector in 2020 grew by 18.0% to \$11.8 billion, accounting for 5.5% of total retail sales (iDEA, 2021).

The pandemic also made cashless transactions more popular amongst customers, opening an opportunity for e-wallet platforms. Some 33% of internet users use a mobile payment service, 36.23 million Vietnamese digitally enabled payment transactions, and the annual percentage of the value increased by 19.3% compared to the previous year (Kemp, 2021). These are good conditions to boost e-commerce development.

Purchasing power is still affected by the pandemic, however, so consumers may still tighten their spending. The shutdown of more than 90% of enterprises means that incomes have been reduced, leading to a decrease in aggregate demand. Indeed, although the number of transactions increased significantly in 2020, revenue growth is on a downtrend as consumers are also buying lower-value items.

Moreover, many distribution activities and logistics for e-commerce are limited due to lockdowns and social distancing. Shippers are controlled by travel permits, which can become inactive in some localities at certain times. Social-distancing policies have caused overloaded express delivery of goods and prolonged delivery times due to a shortage of employees. Other policies and regulations on pandemic prevention (e.g. only transporting essential goods) is leading to more limitations for the e-commerce sector. Therefore, the speed of e-commerce growth is limited, relative to the demand.

## 6.4. Analysis of Future Conditions

The recovery of the transport and trade sectors depends on the COVID-19 situation and the ability to control the disease. According to experts' assessments, in mid-2022, when Viet Nam reaches its vaccination goal to ensure herd immunity, the economy will recover. However, this is not a sure scenario, because new virus variants are appearing.

Through analysis and discussion with experts, the current scenario is that passenger transport will continue to suffer until the end of 2021. By mid-2022, the travel demand of people for work or tourism will return, and passenger transport will become active again. In the next 4 years, when returning to the new normal, passenger travel will continue to increase, but the paperwork and control procedures (especially at borders) will be strict and take more time.

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<sup>17</sup> iPrice, The Map of E-Commerce in Vietnam, <https://iprice.vn/insights/mapofecommerce/en/> (accessed 15 August 2021).

Over the next 4 years, economic activities will be completely reopened. The global supply chain will be restructured in the direction of developing cooperation and effectively exploiting the resources of each country. It will also be better prepared to deal with future pandemics. Further, the intra-regional economic and trade cooperation between Viet Nam and ASEAN will be consolidated and enhanced.

#### 6.4.1. Scenario Analysis of Transport Sector

The development opportunity for passenger transport from to June 2022 was very low but will recover gradually. Passenger transport will have many opportunities to grow exponentially in the next 4 years. The increasing demand for travel, shopping, and tourism – along with the reopening of countries after a long period of closure – will be a huge opportunity for passenger transport, especially air transport. New modes and means of transport will appear with better service quality, such as limousines and sleeper cars.

The recovery of international passenger transport will be more intense than domestic transport. Domestic tourism may become active again also because foreign tourism may keep certain restrictions, depending on the policies of various countries towards foreign tourists.

The biggest challenge is the bankruptcy of passenger transport enterprises. Governments must support businesses to limit bankruptcy. Moreover, transport restrictions will impact the use of public transport or private vehicles. Traveling by personal vehicles will increase, putting pressure on the environment. Other hidden challenges will crop up, such as (i) the poor quality of vehicles and services with increasing customer requirements, (ii) varying technology in passenger transport competing with foreign technology, (iii) infrastructure not meeting the increased number of personal vehicles, and (iv) competition between transport enterprises and between modes of transport. Railways are still not considered an efficient mode of transport in Viet Nam, so the industry should work to improve the quality of such transport services.

General recommendations are:

- (i) Effective measures should be taken against the pandemic to prevent recurrence.
- (ii) Sanctions should be severe enough to deter violators of social distancing or lockdown orders.
- (iii) Testing should be widely deployed to detect infections and to promote vaccination to achieve herd immunity as soon as possible.

For passenger transport, recommendations include the following.

- (i) During the pandemic, the government should encourage the development of intra-regional or inter-regional modes of transport where the pandemic has been controlled.
- (ii) A new set of standards should be developed on pandemic prevention for each mode of passenger transport. Permission to operate should only be given in compliance with the conditions.

- (iii) The central government and ministries should coordinate on policies amongst localities to have appropriate, non-contradictory responses .
- (iv) Conditions should be created for digital infrastructure that can connect passengers to capture demand, and a transport plan should be developed. Digital technology should be accelerated to inspect and to supervise the implementation of pandemic prevention activities in an objective, transparent, and effective manner.
- (v) For domestic passenger transport, air, rail, and road transport should be immediately restored when the economy recovers in the direction of innovation.
- (vi) For international passenger transport, priority should be given to international flights carrying experts and investors to Viet Nam – restricting tourists – controlled via vaccine passports.
- (vii) The government should consider financial policies to support businesses, such as through investment incentives (including lower tax rates, fees, new loans, old debt freezes, debt rescheduling, debt restructuring, and interest rate reduction), and modernising means of transport in line with ASEAN and international standards. The government should also develop packages to support businesses in general, as the access of enterprises to Viet Nam is still very difficult.

If the pandemic can be well controlled in the region, air passenger transport connections amongst AMS will gradually return to the pre-pandemic state, but new requirements and standards on ensuring safety and security should be mandatory. As it will take time for passengers to get used to this new normal, note that fear may slow down the typical recovery period.

ASEAN has put into operation 14 of 15 initiatives in 5 strategic areas of the *Master Plan on ASEAN Connectivity 2025*, including sustainable infrastructure, digital innovation, seamless logistics, regulatory excellence, and mobility of people (ASEAN, 2018). AMS have discussed measures to promote this plan in the context of the pandemic, continuing to affirm that its strategic areas are well suited to the ASEAN post-pandemic recovery plan.

At the 42nd General Assembly of the ASEAN Inter-Parliamentary Assembly, the Vietnamese delegation also proposed supporting the *ASEAN Tourism Strategic Plan, 2016–2025* towards responsible and sustainable tourism, promoting green recovery and cultural diversity in tourism. In particular, it encouraged the construction of a ‘tourism bubble’, establishment of a ‘green corridor’, and creation of special routes to tourist destinations in AMS (National Assembly of Vietnam, 2021). Some other recommendations towards ASEAN connectivity are:

- (i) promote cooperation in the ASEAN Economic Community even more strongly on the basis of existing commitments;
- (ii) tighten movements to completely control the pandemic in the bloc;
- (iii) promote resource sharing, information, knowledge, and methods to strengthen pandemic response capacity at borders, seaports, and airports; strengthen training courses of disease protection for workers in transport; and prevent cross-border virus transmission and reduce the risk of infection from abroad;

- (iv) develop maritime transport and tourism, improving the reception capacity of tourist passenger ships, while enhancing the ability to connect to tourist destinations on the mainland; and develop a large tourist fleet connecting ASEAN with famous tourist destinations around the world;
- (v) create favourable conditions for customs procedures, entry, and exit; and
- (vi) increase investment in transport infrastructure system for connection, implement cross-border transport connections, improve the quality of transport services, increase mobilisation of resources to connect, promote human resources development, strengthen road traffic order and safety as well as maritime and aviation security and safety, and improve institutions and enhance international integration capacity.

#### 6.4.2. Scenario Analysis of Trade Sector

Due to the urgency of freight transport, Viet Nam needs new and better policies to facilitate the industry to operate at a level that ensures that the supply chain does not break. However, opportunities are few in the current period as production and circulation are stalled.

For interprovincial transport, road transport is limited, but rail, inland waterway, and maritime transport will have many opportunities for development. The pandemic has accelerated the process of digital transformation, applying technology such as big data, blockchain, Internet of Things (IoT), cloud technology, and automation for manufacturers, shippers, and transport enterprises.

In the short term (i.e. until the end of 2021 or around June 2022 when the vaccination rate reaches 70% of the population), the chance of supply chain disruption is huge. Due to social distancing and travel restrictions, import and export shipments have been delayed through customs and slow to be transported to or from the border to or from the warehouse. The shortage of supply and the delay in obtaining raw materials and labour will lead to problems in completing export products.

There are also increased costs, because enterprises must now have a COVID-19-negative test for drivers or field workers (at airports, seaports, and border gates) valid for 72 hours. Costs also increase due to the prolonged execution time of an operation, unforeseen congestion, and long waiting times at customs.

The next 4 years will be a time of recovery for the transport industry, as well as the dawn of modern logistics and supply chain management models. The application of new technologies and digital transformation as well as sustainable development goals will challenges for Vietnamese transport enterprises, especially since most Vietnamese enterprises are SMEs. Another challenge for SMEs – and even large enterprises – is mergers and acquisitions, as many foreign logistics enterprises once again enter the market.

SMEs, especially micro enterprises, have not yet been able to access ICT. Indeed, Viet Nam has not invested in logistics infrastructure. Although infrastructure has slightly improved, it still has many shortcomings and poor connectivity. Human resources are also lacking.

In the next year, the government must

- (i) continue to implement pandemic prevention and control measures with the application of risk management methods; and develop a uniform process of transporting and circulating goods across the country, applying to each level of pandemic severity;
- (ii) prioritise vaccinations for logistics company employees; and
- (iii) issue policies to support transport businesses, such as tax exemptions or reductions, to help businesses limit the impact of the pandemic.

In the next 4 years, it should

- (i) implement Prime Minister's Decision No. 221 on the development of logistics services until 2025, which focusses on the development of logistics infrastructure and inland waterways and rail transport to reduce the load on roads as well as creation of a strategy for logistics development by 2030;
- (ii) speed up application of ICT to build a common database, share information in freight transport activities, and further promote digital transformation; train and develop high-quality human resources to improve the quality of logistics services; build strong logistics service enterprises; and support SMEs in the logistics industry;
- (iii) develop tax exemption and reduction policies for newly established transport enterprises to promote the private sector's participation in the industry;
- (iv) ensure sustainable development goals by building a green freight transport model; and
- (v) continue to amend and to supplement legal documents in the direction of simplification and electrification of administrative procedures, without creating loopholes that lead to harassment of authorities.

The ability to connect freight transport in ASEAN after the pandemic is very high, but careful steps are needed to control risks. However, growth depends on economic cooperation amongst the countries and the level of participation in the global supply chain. In the past, ASEAN has been amongst Viet Nam's top export markets. For the logistics industry, reforms will create conditions for logistics businesses to develop, increasing the ability of Vietnamese enterprises to connect with other businesses in ASEAN.

Viet Nam cannot miss the opportunity to link with countries in the region to have a voice in ASEAN and in the international arena. The market will be open for free enterprise and cooperation, which offers many development opportunities to reconnect supply chains broken during the pandemic. To strengthen ASEAN connectivity, in the next 1 year, AMS should:

- (i) develop a set of standards for the prevention of pandemics;
- (ii) strengthen customs cooperation and share information through the ASEAN Single Window portal, creating conditions for parties to participate in the chain of activities in transport, customs clearance, and trade;
- (iii) create conditions for cargo transport to operate in a new normal; and



- (iv) actively participate in the intra-regional capital movement as well as actively cooperate with other AMS that export goods with advantages to the global market.

In the next 4 years, AMS should:

- (i) solve customs clearance policy issues at borders;
- (ii) complete a digital transformation policy, support businesses in digital transformation, and develop transport infrastructure and digital infrastructure;
- (iii) create a common legal basis related to intra-regional freight transport as well as a premise to promote freight transport activities between ASEAN and neighbouring regions, especially the inter-regional transport links related to the East–West Economic Corridor, promoting the Viet Nam–Cambodia–Thailand coastal shipping route;
- (iv) develop road transport modes, and remove difficulties in cross-border road transport; and
- (v) implement measures to promote the *Master Plan on ASEAN Connectivity 2025* in the context of the pandemic and the *ASEAN Comprehensive Recovery Framework*.

#### 6.4.3. Scenario Analysis of E-Commerce

The development of e-commerce will continue but more slowly until mid-2022. When the pandemic is under control, the digital economy and e-commerce will still boom thanks to the young population and the rapid development of ICT. The pandemic has changed consumer buying habits, especially in rural areas. In addition, cashless payment has become a trend in Viet Nam, especially during the pandemic.

Large global e-commerce enterprises tend to invest in Viet Nam. Meanwhile, the government has policies to encourage the development of e-commerce, especially cross-border e-commerce. Therefore, e-commerce will expand its scale and influence in Viet Nam with a higher growth rate than offline commerce.

The biggest challenge facing the e-commerce industry is the availability of logistics services and costs. During the pandemic, it has been necessary to quickly solve connection problems in the logistics service industry. In addition, the cost of goods circulation also increased due to the need to cover safety measures to prevent infections. Moreover, although a change in shopping habits caused an increase in demand, the purchasing power is still weak due to unemployment and social distancing. Consumers may tighten their spending.

In the next 4 years, the growth of e-commerce also depends on the platform economy and digital transformation. The application of ICT helps connect supply and demand as well as identify customer needs. However, the technology infrastructure in Viet Nam is still unstable and uneven across localities. The reputation of Vietnamese retailers is also still weak. The penetration of many foreign e-commerce platform businesses into the Vietnamese market will make it difficult for Vietnamese enterprises with small-scale capital and limited financial capacity. Meanwhile, foreign sellers will participate in the Vietnamese market, and competition will become increasingly fierce.

Finally, the legal framework for e-commerce activities, especially cross-border e-commerce, has many shortcomings and has not been completed. Management of e-commerce still faces many difficulties, especially in the management of goods quality. Recommendations for the e-commerce industry in the pandemic and in the long term (until 2025) are as follows.

- (i) The government should have a unified and flexible policy to create favourable conditions for shippers to maintain operations by prioritising their vaccinations and allowing for controlled operations.
- (ii) The government should encourage and support online channels of large distribution chains to reduce the burden of controlling the flows of goods and the movements of sellers and buyers. It should provide adequate guidance and clarify the list of essential items allowed to be traded during the pandemic to support e-commerce enterprises to maintain operations.
- (iii) As the value of e-commerce varies greatly between cities and provinces, the government should create policies to encourage the development of e-commerce in rural areas, and logistics should pay attention to the connection between provinces.

Recommendations for the government in reconnecting with ASEAN are as follows.

- (i) In the context of a pandemic, flexible and unified regulations on human control in transport activities amongst countries should be developed.
- (ii) The government should continue to review, amend, supplement, and issue new legal frameworks, mechanisms, and policies for cross-border e-commerce development in ASEAN. In addition, countries should work together to perfect the institution of ASEAN e-commerce.
- (iii) To promote digital integration in ASEAN, governments should create a digital transformation policy; strengthen the connection of digital platforms; and share information and multinational management on trading, payment, customs procedures, and tax collections.
- (iv) On the enterprise side, governments should strengthen training and support for SMEs to open e-commerce stores in AMS as well as support localities to introduce potential e-commerce products and services to AMS.
- (v) Finally, it is important to bring cooperation into reality and build ASEAN into a region with developed digital transformation to keep pace with developed countries to create a solid foundation for regional and global supply chains.

## **6.5. Conclusions**

It is necessary to study more specific safety standards for each mode of transport. The transport of passengers amongst safe areas, known as green areas, should be permitted, but controlling and ensuring passenger distance must be a priority in the early stages. A reopening must not be massive

but controlled. It is difficult for authorities to control road transport, so the cooperation of passenger transport enterprises is required.

In the long term, reconnection to AMS also needs to follow the principles of prudence and safety. It is essential to take advantage of the advancement of ICT (e.g. blockchain, big data, and IoT) and apply this digital transformation to control passengers but not cause distractions. As a result, the flow of tourists can resume. For freight transport, better response scenarios to a pandemic are needed to avoid the paralysis of the logistics system as in the past. Moreover, proposed regulations and policies need the participation of departments, associations, and experts before putting them into practice. Lastly, soft connections between the government and enterprises are required to immediately solve issues.

Interprovincial freight transport must be designed and operated at the best level to ensure the least impact on the supply chain while ensuring safety. It is necessary to review the regulations on essential goods that are allowed to circulate; they should be consistent. The systems of transport in cities (especially Ha Noi and Ho Chi Minh City) – including both express delivery and technology vehicle systems – should be reviewed to guarantee smooth distribution.

To promote passenger transport, tourism, freight transport, and e-commerce in ASEAN, parties need to promote information sharing, negotiate at all levels to settle customs clearance as well as to connect transport routes and to move persons. With blockchain and big data, it is also essential to study applications to track people when moving within and between AMS and to promote immigration procedures while still limiting the pandemic.

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