Doing Business in Vietnam: 2011 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in Vietnam

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Market Overview

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- Vietnam is a true emerging market, offering ground floor and growing opportunities for U.S. exporters and investors. Vietnam's economic growth rate has been among the highest in the world in recent years, expanding at an average about 7.2 percent per year during the period 2001-2010, while industrial production grew at an average of about 12 percent per year during the same period.

- Vietnam registered GDP growth rate of 6.7 percent in 2010 and was one of only a handful of countries around the world to experience such levels of economic growth.

- Moving forward, inflation remains a main risk to Vietnam's economy, which the Government of Vietnam (GVN) is addressing by balancing growth targets with price stability measures. This challenge will not be easy to meet. Nevertheless, the GVN has confirmed its commitment to economic growth and is targeting 2011 GDP growth at 6.5 percent.

- The momentum and direction generated by the entry into force of the U.S.–Vietnam Bilateral Trade Agreement (BTA) in 2001 transformed the bilateral commercial relationship between the United States and Vietnam and accelerated Vietnam's entry into the global economy with Vietnam joining the WTO in January of 2007. Since the BTA, bilateral trade has increased over six-fold from $2.9 billion in 2002 to $18.6 billion in 2010.

- Despite the continuing global economic recession in 2010, U.S. exports to Vietnam grew by an impressive 19.8 percent to $3.7 billion. During the same period, Vietnam's exports to the U.S. increased 21.0 percent to $14.9 billion resulting in an $11.2 billion bilateral trade deficit with Vietnam.

- In 2010, U.S. exporters saw significant growth in agricultural products sectors, which accounted for roughly one-third of U.S. exports to Vietnam. Industrial inputs also continued to see steady growth as Vietnam continues to import machinery, chemicals, instrumentation and software to support its growing industrial sector.

- New commitments of foreign direct investment (FDI) in Vietnam saw an 18 percent decline in 2010, following the direction set in 2009, though disbursed FDI increased by 10 percent. However, the industrial/manufacturing, real estate/tourism and construction sectors continued to attract a major share of new capital flowing into the

country, while utilities projects – electricity and gas production and distribution – gained increased interest from investors in 2010.

- The bilateral trade and investment momentum has continued with the United States and Vietnam signing a Trade and Investment Framework Agreement (TIFA) in 2007. Under the TIFA the United States and Vietnam continue to address trade and investment issues with the aim of advancing the BTA and Vietnam's WTO commitments.

- In November 2010, Vietnam joined the United States, Peru, Chile, Malaysia, Singapore, Brunei, New Zealand, and Australia to participate as a full member in the Trans-Pacific Economic Partnership (TPP) negotiations to conclude a high-standard, 21st century Asia-Pacific free trade agreement. In 2010, Vietnam moved forward on its commitment to WTO obligations by implementing laws and regulations to increase compliance of local industries.

- Through 2015, the GVN has committed to implementing far-reaching economic, regulatory and administrative changes that will provide an increasingly favorable environment for American businesses to enter and expand in the market.

- To this end, from 2007-2010, the Ministry of Planning and Investment implemented Prime Minister Dung's initiative to cut, simplify, and revise the national and provincial regulations that affect businesses and citizens throughout the country under the National Public Administrative Reform Project ("Project 30"). Administrative reform will continue under the new Administrative Procedures Control Agency established as part of this process. The MPI also plans to pilot a revised public procurement process, which is expected to make infrastructure development projects more transparent and provide such projects with greater access to public financing through the capital markets and public-private partnerships.

- Vietnam's recent convictions of political activists, arrests of lawyers and journalists, pressure on independent research organizations and tightening restrictions on the media threaten to impact negatively the growing bilateral economic relationship.

Market Challenges

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- The evolving nature of regulatory regimes and commercial law in Vietnam, combined with overlapping jurisdiction among Government ministries, often result in a lack of transparency, uniformity and consistency in Government policies and decisions on commercial projects.

- Corruption and administrative red tape within the Government has led to a lack of transparency and has been a vast challenge for Governmental consistency and productivity.

- Many firms operating in Vietnam, both foreign and domestic, find ineffective protection of intellectual property to be a significant challenge.

- “Tied” official development assistance, in addition to corruption, continues to be a significant challenge for U.S. firms bidding on infrastructure projects.

- While Vietnam has reduced tariffs on many products in line with its WTO commitments, high tariffs on selected products remain. U.S. industry has identified a range of products, including agricultural products, processed foods and nutritional supplements, where it sees significant potential of export growth if Vietnam’s tariffs could be reduced further.

- Investors often find poorly developed infrastructure, high start-up costs, arcane land acquisition and transfer regulations and procedures, and a shortage of skilled personnel.

- Vietnam’s labor laws and implementation of those laws are not well developed; international companies sometimes face difficulties with labor management issues.

- Lack of financial transparency and poor corporate disclosure standards add to the challenges U.S. companies face in performing due diligence on potential partners and clients.

Market Opportunities

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- Continued strong economic growth, ongoing reform and a large population of 86 million—half of which are under the age of thirty—have combined to create a dynamic and quickly evolving commercial environment in Vietnam.

- Sales of equipment, technologies and consulting and management services associated with growth in Vietnam’s industrial and export sectors and implementation of major infrastructure projects continue to be a major source of commercial activity for U.S. firms.

- Per capita GDP surpassed $1,000 in 2009 and is estimated to be at about $1,100 as at the end of 2010. With disposable income levels in major urban areas four to five times this level, significant opportunities in the consumer and services sectors are fast emerging.

- Telecommunications, information technology, oil and gas exploration, power generation, highway construction, environmental project management and technology, aviation and education will continue to offer the most promising opportunities for U.S. companies over the next few years as infrastructure needs continue to expand with Vietnam’s pursuit of rapid economic development.

- The GVN plays a significant role in the economy, with state-owned enterprises (SOEs) making up 38 percent of GDP. The GVN strategy to “equitize” (partially privatize) SOEs in all sectors of the economy is slowly moving forward. While the GVN will maintain majority ownership in the largest and most sensitive sectors of the economy, including energy, telecommunications, aviation and banking, the equitization process will nevertheless create opportunities for many U.S. companies.

- Key U.S. agricultural inputs to production such as hardwood lumber, cotton, hides and skins and feed ingredients also continue to play a key role in helping fuel Vietnam's export led manufacturing strategy. Demand continues to also grow for consumption oriented products such as meat, dairy and fresh and dried fruits.

- A new telecommunications law and a new radio frequency law were passed by the National Assembly in November 2009 and went into effect on July 1, 2010, potentially opening up new opportunities for trade and investment by foreign firms in this rapidly expanding market segment.

Market Entry Strategy

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- American companies interested in doing business in Vietnam may do so indirectly through the appointment of an agent or distributor. U.S. companies new to Vietnam should conduct sufficient due diligence on potential local agents/distributors to ensure they possess the requisite permits, facilities, manpower and capital. Firms seeking a direct presence in Vietnam should establish a commercial operation utilizing the following options: first, a representative office license; second, a branch license; and lastly, a foreign investment project license under Vietnam's revised Foreign Investment Law.

- From 2005 to 2010, Vietnam's National Assembly passed a number of laws affecting the commercial environment, including new enterprise, investment and intellectual property legislation, as well as industry specific laws, such as the 2009 telecommunications law and the 2010 minerals law. Effective implementation, including formulation and issuance of follow-on implementing regulations and decrees continue to be important in determining the on-going impact of many of these legislative initiatives.

- Over $12 billion of untied ODA (Official Development Assistance) funding has been committed to VN, primarily for infrastructure development. U.S. companies doing business in transportation, telecommunications, energy, environmental/water, civil aviation, financial services and other infrastructure sectors are advised to develop core strategies and capabilities for bidding on ODA (World Bank, Asian Development Bank, USAID) projects.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn/4130.htm

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Chapter 3: Selling U.S. Products and Services

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Using an Agent or Distributor

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According to current Vietnamese regulations, unless a foreign company has an investment license permitting it to directly distribute goods in Vietnam, which includes invoicing in local currency, a foreign company must appoint an authorized agent or distributor.

Agents: A Vietnamese agent sells a foreign supplier's goods in Vietnam for commission. In this case, the sale is normally transacted between the foreign supplier and a local buyer in Vietnam while the Vietnamese agent typically performs the following responsibilities: market intelligence, identifying sales leads, pursuit of sales leads, sales promotions, and often after-sales services. The specific responsibilities of a Vietnamese agent depend on the agency agreement between the agent and the foreign supplier. The risk of non-payment rests with the foreign supplier. Vietnam's Trade Law recognizes the right of foreign companies to appoint agents provided that the Vietnamese agent's registered scope of business includes such activities.

Distributors: Under a distributorship arrangement, the question of legal protection and recourse is clear. The Vietnamese distributor buys the goods from the foreign supplier for resale in Vietnam and thus is liable for the full amount of the goods purchased. In many cases, a distributor also acts as an agent for the same foreign supplier and this typically occurs when a local buyer wants to purchase directly from the foreign supplier commonly in a contract of high dollar value.

Legal and Practical Considerations: U.S. companies should conduct sufficient due diligence on potential local agents or distributors to ensure that they have the specific

permits, facilities, manpower, capital, and other requirements necessary to meet their responsibilities. Commercial agreements should clearly document the rights and obligations of each party, and stipulate dispute resolution procedures. In most cases, payment by irrevocable confirmed letter of credit is recommended initially and credit terms may be considered after U.S. companies have an in-depth knowledge of their local partners.

Going to court is generally not a recommended strategy to enforce agreements or seek redress for commercial problems in Vietnam. Foreign firms that have dealt with the court system in Vietnam report it to be slow and non-transparent. Similarly, although a framework for commercial arbitration exists in Vietnam, the process is not usually considered a desirable option for foreign entities. When the need to consider such strategies arises, the advice of an international law firm operating in Vietnam should be sought.

Foreign-Invested Trading Companies in Vietnam: When seeking prospective agents or representatives in Vietnam, U.S. exporters may wish to consider not only Vietnamese firms, but also foreign trading companies operating in Vietnam. These often have distinct advantages in communication, experience in importing, expertise in product and package modification, and marketing capability. As of January 1, 2009, under Vietnam's WTO commitments, wholly owned foreign-invested companies are permitted to engage in import, trading and distribution services (i.e. wholesaling and retailing) in Vietnam. This move is expected to increase competition and service quality in the distribution sector over the next several years.

Establishing an Office

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Foreign companies have a number of options to establish a commercial presence in Vietnam. Firms should seek advice from a competent law firm to evaluate the legal and tax implications of the various options, and to review the most up-to-date regulatory information.

Representative Office License: A representative office is generally easy to establish, but is the most restrictive form of official presence in Vietnam. The license is issued by the Department of Trade (DoT) in the city or province where the representative office is to be established. A representative office license allows for a narrow scope of activities, as stipulated in Decree 72/2006/ND-CP, July 25, 2006, and in Circular 11/2006/TT- BTM.

A representative office may rent office space/residential accommodations, employ local staff along with a limited number of expatriate staff, and conduct a limited range of business operations. Permitted activities include market research and monitoring of the marketing and sales programs carried out by its overseas head office, as well as pursuing long-term investment activities. As the representative office is regarded as a commercial liaison office and not an operating entity, it is strictly prohibited from engaging in any revenue-generating activities, such as trading, rendering professional services, revenue collection, invoicing or subleasing of its office space.

Application Procedures: The procedure to establish a representative office is relatively straightforward. An application with stipulated supporting documentation must be

submitted to the relevant DoT. The application and profile must be prepared in English and Vietnamese, and the license is usually valid for five years and may be extended.

Branch License: The term “branch” office under the laws of Vietnam refers to an entirely foreign-owned business that operates in certain designated service sectors. These sectors, which are restricted and closely monitored by the Vietnamese government, include banking and finance, law, insurance, marketing and advertising, education, tourism, logistics, construction, and other types of services. Many foreign branch offices first entered Vietnam as representative offices and later applied for a branch license. Branch status authorizes a foreign business to operate officially in Vietnam, including invoicing/billing on-shore in local currency and the execution of local contracts.

Decree 72/2006/ND-CP dated July 25, 2006 states that “Foreign businesses can establish their branches in Vietnam in accordance with Vietnam’s commitments in international agreements that the country is a member of, to carry out goods purchasing activities and other activities directly related to goods purchasing in accordance with Articles 16, 19, 20 and 22 of the Commercial Law and the regulations as specified in the Decree”.

Foreign Investment Licenses (FIL): Foreign direct investment (FDI) in Vietnam is regulated by the Department of Planning and Investment (DPI) at the local level and the Ministry of Planning and Investment (MPI) at the central level through related implementing regulations, decrees, and circulars. Compared to previous legislation, the current FIL rules delegate more authority over investment licensing to provinces, municipalities, and investment zones. However, larger investments (usually above $100 million), and those requiring complex licensing approval often require extensive consultation between the provincial DPI and MPI – a process that can take many months. The Prime Minister's office retains authority over larger projects and projects deemed sensitive. MPI remains the principal government agency acting as an advisor for the Prime Minister with regard to approving licenses.

Primary forms of direct investment include:

1. To establish economic organizations in the form of one hundred (100) percent capital of domestic investors or (100) percent capital of foreign investors.

2. To establish joint venture economic organizations between domestic and foreign investors.

Under (1) and (2) investors shall be permitted to make an investment to enable the establishment of the following economic organizations:

> a) Enterprises organized and operating in accordance with the Law on Enterprises; credit institutions, insurance enterprises, investment funds and other financial organizations in accordance with various laws;
>
> b) Medical service, educational, scientific, cultural, sports and other services;
>
> c) Establishments which conduct investment activities for profit-making purposes;
>
> d) Other economic organizations in accordance with law.

3. To invest in the contractual forms of Business Cooperation Contract (BCC); Build-Operate-Transfer (BOT); Build-Transfer-Operate (BTO); and BT (Build-Transfer).

4. To invest in business development. Investors shall be permitted to invest in business development through expanding scale, increasing output capacity and business capability and renovating technology, improving product quality and reducing environmental pollution.

5. To purchase shares or to contribute capital in order to participate in management of investment activities. Investors shall be permitted to contribute capital to and to purchase shareholding in companies and branches operating in Vietnam. The ratio of capital contribution and purchase of shareholding by foreign investors in a number of sectors is regulated by the Government.

6. To invest in the carrying out a merger or acquisition of an enterprise. Investors shall be permitted to merge with and to acquire companies and branches. The conditions for the acquisition of companies and branches are largely regulated by the 2005 Investment Law and the Law on Competition, among others.

Franchising

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Franchising is a relatively new business concept in Vietnam, although it has been gaining popularity in the last few years.

Decree No 35/2006/ND-CP, dated 31 March 2006, regulating franchises in Vietnam provides for key concepts in franchising, requirements of franchise agreements and State administration of franchises. This provides a clearer legal basis for franchising operations than existed previously and is a significant step in spurring the development of this sector. Companies wishing to utilize the franchise model should consult with qualified legal counsel for the latest franchise laws and regulations.

Please see the Franchising Sector in Chapter 4 of this report for additional information on franchising.

Direct Marketing

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Direct marketing and multi-level marketing in Vietnam have been spurred by the arrival of several internationally recognized players in the market. Decree 110/2005/ND-CP, the Decree on the Administration of Multi-Level Sales Activities, issued August 24, 2005, provides the basis for regulation of this sector. There are still issues governing this sector that await clarification as the legal environment evolves. Firms interested in direct marketing or multi-level marketing are strongly encouraged to seek the advice of a competent legal counsel. In addition, the American Chamber of Commerce in Vietnam has established a Direct Selling Committee which meets regularly to discuss industry developments.

In recent years, multinational firms with global reputations for multi-level and/or direct marketing prowess have introduced new techniques and structures to Vietnam and the ranks of sales agents/distributors are beginning to grow. These include companies in personal care, cosmetics, and nutrition as well as household products – and a few have set up production in Vietnam as well. Foreign life insurance companies have been licensed for some time and have assembled large teams of agents who engage in traditional telemarketing, door-to-door selling, and workplace marketing in urban areas.

For business-to-business marketing, direct mailings/faxes and emails are widely used; however, mailing list databases are typically created in-house. Some leading international consumer market research firms operate in Vietnam and develop demographic data for their clients.

Joint Ventures/Licensing

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Joint Ventures: A foreign joint venture, one of the most popular forms of investment by foreign companies, is understood as an economic entity with at least one foreign company partner. Like all business formations, joint ventures have advantages and disadvantages. On the positive side, a Vietnamese partner can contribute crucial relationships with government officials and clients, local market know-how, access to qualified staff, and knowledge of land-use rights. However, there are many potential challenges including differences in management styles and organizational cultures as well as fundamental differences in outlook and objectives among the partners. In some sectors where 100 percent foreign ownership is not allowed, a Joint-Venture many be the only viable investment option.

Technology can be transferred by outright sale, licensing, or contribution as capital. Foreign JVs often contain technology transfer provisions. The Ministry of Science and Technology has primary authority to approve technology transfer contracts. The implementing regulations of the law governing technology transfer have made such deals difficult. The key areas to note are strict requirements for precise details on the timetable for the delivery of technology; provisions requiring extensive warranties; the limited duration of contracts; and restrictions on royalty rates.

Licensing: Despite recent improvements, licensing arrangements must contend with: stringent regulations, long approval times and restrictions on payments, limited contract duration, weak legal frameworks and intellectual property rights (IPR) problems. Nevertheless, there is considerable licensing of trademarks, technology, and after-sales service activities from overseas companies to affiliated joint ventures in Vietnam.

Selling to the Government

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The Vietnamese Government is the leading purchaser of goods and services in Vietnam. If provincial and municipal governments and SOE's are included, the potential for sales to this sector is very large. Bolstering state budget allocations, Vietnam is also the recipient of significant levels of Official Development Assistance (ODA). Infrastructure is the principal development priority for ODA, but other key sectors include: transportation,

telecommunications, energy, environmental/water, civil aviation, education and financial services.

Government procurement is regulated by the Law on Tendering and Decree 111/2006/ND-CP dated September 29, 2006, providing guidelines for the implementation of the Law on Tendering and the selection of construction contractors. Government procurement funded by ODA loans and grants is normally governed by regulations on tendering of relevant donors in accordance with loan agreements between the Vietnamese government and donors. Government procurement practices can be characterized as a multi-layered decision-making process, which, despite some recent improvements, often lacks transparency and efficiency. Although the Ministry of Finance allocates funds, various departments within the ministry or agency are involved in determining necessary government expenditures. Currently, ministries and agencies have different rules on minimum values for the purchase of material or equipment, which must be subject to competitive bidding. High value or important contracts, such as infrastructure, require bid evaluation and selection and are awarded by the Prime Minister's office or other competent body, except for World Bank, Asian Development Bank, UNDP, or bilateral official development assistance (ODA) projects. Some solicitations are announced officially in the Vietnamese language newspapers such as Dau Thau, Nhan Dan, Lao Dong and Saigon Giai Phong, and in the English language newspapers Vietnam News and Vietnam Investment Review. American firms may also be able to register to obtain a consolidated listing of government or private tenders in Vietnam at http://www.intellasia.com or may check the public procurement website of the MPI at http://muasamcong.mpi.gov.vn/.

The key to winning government contracts includes a high degree of involvement and communication between the foreign supplier, the local distributor or representative, and relevant government entities. Interaction should begin during the project planning stage. In order to secure orders in competitive bidding, it is necessary to establish rapport and credibility, as well as to educate the procuring entity as to how the product or service can support project needs well before the bid is publicly announced. Although the timing for tender opening, bid closing and award notification varies from project to project, preparation of government budgets generally occurs between June and October, with actual purchases often made in December and January. Experienced foreign suppliers caution that even after awards are made, negotiations on price, specifications, payment terms, and collateral may continue for some time.

Distribution and Sales Channels

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Import Trading Rights: Vietnam, under both its WTO Commitments and its domestic laws, extends import and export activities to "all foreign individuals and enterprises (including foreign-invested enterprises)."

In effect, with import rights, a foreign-invested company: (i) can be the importer of record; and (ii) can sell its imported products to distributors (licensed wholesalers or retailers) in Vietnam; but (iii) with just import rights alone, it cannot sell its imported products to final consumers. Vietnam reserves the import rights for several product categories for State-owned companies.

Companies that do not have their own import license must work through licensed traders, who typically charge a commission of between one and two percent of the value of the invoice. Under Vietnamese law, the importer is the consignee. Therefore, it is important to identify a reliable importer with the ability to clear merchandise through customs quickly and efficiently. If a licensed third-party importer is used, the importer will handle customs clearance. If a foreign-invested firm imports products directly, it will have to make arrangements to handle customs clearance at the port.

Many foreign firms have complained that the administration of customs can be opaque and inefficient. Importers have claimed that duty classifications for the same product differ from office to office, and that even the same inspector may charge different rates for the same item at different times. Should the importer disagree with the classification, it can appeal before the local Customs office, Customs HQ in Hanoi or an administrative court. Companies also complain about arbitrary fees, the expectation of undocumented facilitation payments and other problems with the clearance process.

Customs issues will continue to play an important role particularly with recent import licensing hurdles including automatic import licensing rules (see Chapter 5 Trade Barriers), new country of origin rules, and more aggressive enforcement of customs duty collections.

The right to import does not include the right to organize or participate in a goods distribution system in Vietnam.

Distribution Services: According to Vietnam's WTO Commitments, 100 percent foreign-owned companies may engage in distribution services (including wholesale or retail sales) of most legally imported or domestically produced products as of January 1, 2009. Distribution services include commission agent sales, wholesaling, retailing and franchising.

Some products are excluded from Vietnam's commitment to open distribution services. Foreign Invested Enterprises (FIEs) are currently prohibited from distributing cigarettes and cigars, books, newspapers and magazines, video recordings, precious metals and stones, pharmaceutical products and drugs, explosives, processed oil and crude oil, rice, cane and beet sugar.

Wholesaling: According to Vietnamese law "wholesaling" means the activity of selling goods to other business entities and organizations. This activity does not include the activity of selling goods directly to the final consumer or end user. Foreign companies engaging wholesalers in Vietnam should examine the investment certificate or business registration certificate of each reseller or distributor to make sure that the reseller is properly licensed to engage in wholesaling or retailing of the products sold to them.

Retailing: Fully foreign businesses without equity limitation can engage in retailing activities as of 2009. According to Vietnamese law "retailing" means the activity of selling goods directly to the end-user (Decree No. 23, Article 3.8). Being licensed to engage in retail services would enable the foreign-invested company to sell directly to end users, without having to go through a licensed local distributor.

A company licensed to engage in retailing has the right to establish a single retail sales outlet. Subsequent outlets are subject to approval from the relevant local Department of

Planning and Investment (DPI). Local authorities will take into consideration the "master plan" of the province, including the "economic needs" of the proposed establishment that takes into consideration such factors as available parking and access roads, the number of retail sales outlets already in the locality, and population density. While few cases have been tested, this so-called "Economic Needs Test" (ENT) remains a significant consideration and potential hurdle for foreign multi-outlet retail chains.

In recent years, Vietnam's retail landscape has been going through rapid transformation, providing more venues for proper display and marketing of products. A number of new shopping malls are under development in the major cities, and several Western-style grocery stories, mini-markets and convenience stores (e.g., Lotte, MaxiMart, Metro, CitiMart and Saigon Coop) are popping up in the major urban areas.

Showrooms and service centers for specialized products such as electronics, appliances, automobiles, and industrial goods are also expanding. Still, retail outlets consist mainly of family-run market stalls or small street-front shops. Wet markets are also prevalent throughout the country.

Warehousing: Manufacturing companies can warehouse their processed products. The situation tends to be more complicated for trading companies, which, even though importing their own brand products, are considered rendering a service to their parent companies. Therefore, they are subject to WTO phase-in, e.g., foreign investors should operate through a 51 percent joint venture until 2014 or outsource warehousing activity to a licensed local warehousing company or their distributors (See Table Below).

While a small number of foreign-invested warehousing operations offering modern and efficient facilities have been established in recent years, warehouses and other storage infrastructure in Vietnam are for the most part quite basic. Climate control is rare and security may be a problem.

CURRENT FOREIGN-INVESTMENT CAPS FOR DISTRIBUTION AND RELATED INDUSTRIES

WTO Service Sector	**JV Requirement**	**Percentage of Foreign-Ownership Allowed**
Distribution Services: • Commission Agent's Services • Wholesale Trade Services • Retailing Services	No	100 percent
Warehousing Services (CPC 742)	Yes, until	51 percent

	2014	
Advertising/ Marketing Services (CPC 871)	Yes	In principle, up to 99 percent.
Freight transport agency Services (CPC 748) including freight forwarding services	Yes, until 2014	51 percent

Selling Factors/Techniques

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Development of Consumerism: Foreign brands have proliferated in Vietnam over the past decade. This is indicative of rising urban incomes and increasing integration with the global economy. Market observers speak of the growth of "consumerism" in Vietnam, but it must be borne in mind that per capita GDP is relatively low, at approximately $1,200. The market for most imported consumer goods is concentrated in a handful of large cities where incomes are considerably higher than the national average, and in some parts of the Mekong Delta.

Market observers note much trial usage, little brand loyalty and much price sensitivity for many consumer goods and household products. However, foreign products can and do compete in the local market, relying on marketing, branding and reputation for quality, safety and reliability. Among foreign products, there is a general hierarchy of perceived quality, based on the country of origin. Recent international product recalls and high-profile safety issues from manufacturers in Asia have increased consumer awareness in Vietnam.

Awareness of brands comes from word of mouth, promotions and advertising. Consumers are remarkably familiar with leading foreign products, even those not generally available in Vietnam. One major reason for this is a high penetration of internet users; another key reason is contact with relatives abroad. Overseas Vietnamese, mostly first-generation immigrants, amount to a few million people concentrated primarily in the United States, Canada, France, Australia, and Southeast Asia. These populations often maintain close contact with their families in Vietnam, and transfer information on lifestyles abroad.

Market segmentation: Geography is a key factor in segmenting Vietnam's market. This includes not only the regional segmentation of North-Central-South, but also urban versus rural areas. Vietnam is roughly separated into three economic regions surrounding core urban centers: the South centered on Ho Chi Minh City, the North based in Hanoi, and the Center focused on Da Nang. The main distinctions among these regions are consumer purchasing ability, brand awareness and recognition. For many consumer goods and retail-related companies, the first marketing goal tends to be to penetrate Ho Chi Minh City.

By contrast, companies that sell products related to Vietnam's infrastructure development (energy, environment, aviation, telecommunications, etc.) frequently focus selling efforts in Hanoi, which is headquarters to most state owned enterprises (SOEs), the multilateral development banks (Asian Development Bank and World Bank) and

other development organizations offering official development assistance. Even with Vietnam's rapid transition to a more consumer-based society, SOEs and their subsidiaries still control a large portion of the economy and account for a significant portion of overall imports on a total value basis.

Product Information: Foreign companies in Vietnam utilize trade fairs, product seminars, product demonstrations, and point-of-sales materials, as well as print and broadcast advertising. Successful brands typically must adapt to local tastes, particularly consumer goods. It may also be necessary to educate the buyer as to the features and benefits of the product. Detailed product information in the Vietnamese language should be provided to agents and distributors, and companies to establish websites in Vietnamese. It should be noted that public seminars, product promotions, workshops, and press conferences might require approval in advance by local authorities.

Practical Considerations: Hands-on involvement is required to achieve commercial success in Vietnam. U.S. firms should foster close relationships and maintain regular communication with Vietnamese representatives, agents, and/or distributors. Not only are many products competing for limited shelf, showroom or warehouse space, but Vietnamese representatives also often handle multiple brands of the same product category. A close relationship allows the foreign supplier to keep abreast of the changes and developments in local market conditions and assess the competitiveness of its products. This approach ensures that the Vietnamese partner is updated on product information and motivated to market the product. Frequent training and support for marketing and after-service activities are also key elements to success.

Electronic Commerce

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E-Commerce in Vietnam, although still in a relatively early stage, has seen significant development over the last several years as the country continues its integration with the global economy and as the domestic economy grows. This growth follows naturally as the Vietnamese government, rapidly expanding business community and increasingly sophisticated citizenry become aware of the benefits and conveniences brought about by the Internet. As Internet infrastructure continues to improve, bandwidth and speed are up and service is increasingly reliable. As of the end of 2010, Vietnam had a 31 percent Internet penetration rate. In urban areas, even as many homes still lack computers, Internet cafes are ubiquitous and WiFi access increasingly common.

The Government of Vietnam has issued regulations governing E-Commerce with a view to encouraging and facilitating the country's E-Commerce development, including the E-Commerce Law No. 51/2005/QH11 dated November 29, 2005, Decree No. 26/2007/NDCP dated 15 February, 2007 on e-signatures and certification of E-signatures, Decree No. 35/ND-CP dated March 8, 2007 on E-Commerce in banking transactions, and others.

As part of its effort to reform administrative processes throughout all levels of government, the Office of the Government is attempting to increase national competitiveness through modernization of administrative systems and by a increasing the role for E-government.

Trade Promotion and Advertising

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Advertising remains heavily regulated by the Vietnamese Government. In principle, only companies licensed in Vietnam may place advertisements. Advertisements for tobacco and liquor (excluding beverages with alcohol content below 15 percent by volume) are prohibited in the mass media. Advertising for pharmaceuticals, agrichemicals, cosmetics and toiletries require registration and approval from the appropriate ministries before being run, while the Ministry of Culture, Sports and Tourism must approve all advertising content. Arbitrary enforcement and interpretation of the regulations continue to hinder the development of the advertising industry. Limits on advertising and promotional expenditures exist for companies, and are tied to a percentage of total sales. The Government's current regulations essentially prevent domestic enterprises from investing more than 10 per cent of their total spending on advertising.

Foreign Ad Agencies in Vietnam: The country now has more than 1,000 domestic ad companies, of which about 700 are operating in HCM City. Vietnam hosts over 30 representative offices of the world's leading advertising companies, including J. Walter Thompson, Dentsu, Saatchi & Saatchi and McCann. Foreign advertising firms are generally not permitted to directly sign contracts with local media agencies. Instead they must partner with local advertising companies to implement ad campaigns in newspapers or TV commercials.

Television: Many foreign brand managers make heavy investments in television advertising campaigns. Over 90 percent of Vietnam's urban population own televisions. Nation-wide penetration is approximately 87%. There are 64 local and one national broadcaster (VTV). With the emergence of satellite dishes and cable networks, many households also watch international networks (CNBC, CNN, StarTV).

Print Media: A high literacy rate, a surge in new publications, and increased print media circulation all support the print media's growing popularity as an effective channel for advertising. Regulations place limits on space allocated for advertisements. There are over 400 newspapers and other publications in Vietnam, but few have nationwide circulation. Among the more popular publications are "Thanh Nien" (Young Adult), "Nhan Dan" (The People), "Tuoi Tre" (Youth), and "Lao Dong" (Labor). In recent years, quite a few international quality publications have begun circulation, including "Nha Dep" (Beautiful Home), "Dinh Cao" (Sports & Fitness), "M" (Fashion) and "Phu Nu The Gioi" (Woman's World), Gia Dinh & Tiep Thi (Family & Marketing). These latest publications are setting new standards for the quality of publishing in Vietnam. English newspapers and publications include the Saigon Times Daily, Vietnam News, Vietnam Economic Times, Thanh Nien English News, and Vietnam Investment Review.

Outdoor Advertising: Outdoor advertising ranges from billboards and signboards to public transport, building walls, bus stations, and wash and service stations, among others. Firms should confirm that the advertising agency has proper permits to lease the space. For example, billboard advertising in Ho Chi Minh City is restricted to the vicinity of the airport. Advertising on articles such as umbrellas, scooters, etc. does not require a permit; however, it must comply with advertising regulations.

Radio: Radio advertising is not yet widely used for product promotion, but radio ad volume is growing. This is largely due to improvements in programming, such as the inclusion of English lessons and international music along with the standard selection of

Vietnamese pop music. Today, the audience represents a cross-section of the population with increasing buying power. There are many local and one national broadcaster, Voice of Vietnam (VOV).

Trade Fairs: Trade fairs are numerous and cover a broad range of sectors, and are generally becoming a more attractive and sophisticated method for product promotion and industry networking. Many exhibitions are co-sponsored by Government ministries, SOEs, and industry associations. Common venues are the Giang Vo Exhibition Center, the National Convention Center and the Viet-Xo Cultural House in Hanoi. In Ho Chi Minh City, the Reunification Palace, international hotels, the Ho Chi Minh City International Exhibition and Convention Center and the newly opened Saigon Exhibition & Convention Centre (SECC) are the main venues.

Pricing

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The overriding factor in pricing for the Vietnam market is the low level of per capita income. While consumers want quality and understand that quality comes at a premium, most buying decisions are highly price-sensitive.

Imported products generally must incorporate the following elements into the pricing structure:

- Import agent fees
- Customs duty
- Value-added tax (VAT) in the range of 5 to 10 percent is levied on the landed cost when the goods change title
- Luxury/Consumption Tax (especially autos, beer and alcoholic beverages)

Price also plays an important role in consumer perception of the product. Although Vietnamese consumers expect to pay a premium for a foreign label or brand, in practice, the actual number of consumers who are willing to pay the higher price is limited. Market analysts agree that one notable exception to this generalization is big-ticket purchases of motorbikes, cars, and some fashion items which convey status and may also be considered an investment for long-term use. One important pricing cycle to note is linked to the Christmas Holiday and the Lunar New Year “Tet” celebration (several days between late January and mid February, depending on the year). As there is a flurry of buying in the few months preceding these holidays and little activity immediately afterwards, price hikes and reductions follow accordingly. Savvy marketers also develop promotions and incentives surrounding these gift-giving holidays.

Sales Service/Customer Support

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After-sales service and customer support are important components of a sale; purchasers of foreign products will expect access to a local provider, rather than from a regional base. This will be especially true for SOE or government customers. Foreign firms should invest in customer service training for front-line local sales staff, as well as technical training for technicians.

Warranties are also an effective marketing tool to assure customers that they are buying a genuine, high-quality product. Foreign (offshore) suppliers are generally not permitted to directly provide after-sales service and customer support unless they have a licensed foreign investment project in Vietnam. Otherwise, a Vietnamese company must provide these services.

Protecting Your Intellectual Property

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Introduction

Several general principles are important for effective management of intellectual property rights in Vietnam. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in Vietnam than in the U.S. Third, rights must be registered and enforced in Vietnam, under local laws. Companies may wish to seek advice from local attorneys or IP consultants. The U.S. Commercial Service in Vietnam can provide a list of local lawyers upon request.

It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in Vietnam. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. While the U.S. Government is willing to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should USG advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

A good partner is an important ally in protecting IP rights. It is always advisable to conduct due diligence on partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Vietnam require constant attention. Work with legal counsel familiar with Vietnamese laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-sized companies understand the importance of working together with trade associations and organizations to support efforts to protect IPR and stop counterfeiting. There are a number of these organizations, both international and U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)

- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- Business Software Alliance (BSA)

IPR Resources

A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the U.S. and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at **www.StopFakes.gov**.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the U.S., contact the U.S. Copyright Office at: **1-202-707-5959**.
- For U.S. small and medium-sized companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: **http://apps.americanbar.org/intlaw/intlproj/iprprogram_consultation.html**
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **www.StopFakes.gov** This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
    - For an in-depth examination of IPR requirements in specific markets, toolkits are currently available in the following countries/territories: Brazil, Brunei, China, Egypt, European Union, India, Italy, Malaysia, Mexico, Paraguay, Peru, Russia, Taiwan, Thailand, and Vietnam.
    - For assistance in developing a strategy for evaluating, protecting, and enforcing IPR, use the free **Online IPR Training Module on** www.stopfakes.gov**.**
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Vietnam at: http://www.buyusa.gov/thailand/en/contact_us.html

IPR Climate in Vietnam

Vietnam is a member of the World Intellectual Property Organization (WIPO) and is a signatory to the Paris Convention for the Protection of Industrial Property. It has acceded to the Patent Cooperation Treaty and the Madrid Agreement Concerning the International Registration of Marks, and in 2004 joined the Berne Convention. In 2007, Vietnam joined the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations.

While significant progress on the legal regime for protecting IPR has taken place in recent years, enforcement of IPR remains inadequate at the street and market level, at least with regard to music, motion picture, software and trademark violations. Most major cities in Vietnam are rife with pirated music CD and DVD shops. A wide variety of consumer products bearing false or misleading labels are also readily available in the markets, as are counterfeit labels themselves.

There are several enforcement agencies involved in and vested with authority to address IPR infringement issues. These include the Ministry of Science and Technology Inspectorate, the Ministry of Culture, Sports and Tourism Inspectorate, the Ministry of Industry and Trade's Market Management Bureau, the Ministry of Public Security's Economic Police, the Ministry of Finance Customs Office and the People's Court (Civil Court). As a result, there are no clear-cut lines of responsibility among these agencies. Generally, sending warning letters to 'infringers' or bringing civil actions to the courts has not been very effective. Warning letters that are not accompanied by a decision of infringement from the National Office of Intellectual Property (NOIP) are often ignored and court actions are lengthy and relatively costly. Administrative enforcement has been the most effective approach and is recommended as the first step for dealing with infringement cases in Vietnam.

Foreign firms, which have attempted to work with Vietnamese authorities to enforce IPR regulations at the street level, have reported mixed success. A number of U.S consumer goods manufacturers audit black market and pirated product in the marketplace and attempt to counter it with consumer education and marketing.

Due Diligence

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Any firm establishing a new business venture in Vietnam should develop business relationships in a positive, but cautious manner. It is imperative that relationship building include adequate due diligence prior to entering into contracts or other commercial arrangements: check the bona fides of every business, be it agent or customer, before entering into a business arrangement.

One obvious way to check the quality of a business and its management is to request a list of customers and suppliers that are currently transacting business with that entity. One should make the effort to contact a number of references in order to verify the validity and integrity of the business. This may be especially true for consultants, whether local or foreign. These firms should be able to supply a list of satisfied customers. There have been cases of consulting firms that have failed to perform in this market. Confirming that the firm has actually completed successful transactions on behalf of foreign clients can decrease risk of problems later.

One of the most challenging aspects of developing partnerships in Vietnam is verifying the bona fides of prospective partners. As noted elsewhere, relatively few firms in Vietnam are audited to international standards. This situation is improving as joint-stock companies submit to more rigorous audits with a view to listing on Vietnam's young, but growing, stock exchange, and as the business sector becomes more sophisticated. Private firms may prefer not to disclose assets and funding sources (let alone liabilities), while information on SOE's may be considered sensitive by the authorities.

Commercial credit information services in Vietnam are very limited. Until recently, the Credit Information Center (www.creditinfo.org.vn), operating under the State Bank of Vietnam (SBV) had been the only credit information resource in Vietnam. Vietnam's existing public credit registry collects information on large loans from banks, but does not have the resources to cover smaller SMEs, consumer loans, and other credit providers. Faced with such challenges, many foreign parties request international law firms with a presence in country to investigate prospective local partners.

In 2008, the government issued a license to Vietnam WorldVest Base (WVB) Financial Intelligence Services Co. Ltd. (www.vietcr.com), allowing it to provide credit rating services on Vietnamese companies. Other firms such as Dun and Bradstreet have also established operations in Vietnam.

Additional information may be obtained from databases of leading English language periodicals such as the Viet Nam News (http://vietnamnews.vnagency.com.vn), the Vietnam Investment Review (www.vir.com.vn), Vietnam Economic Times (www.vneconomy.com.vn) and Thanh Nien (www.thanhniennews.com). These sources may be helpful in determining whether negative information on a company has been published.

Local Professional Services

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Foreign Law Firms: Branches and subsidiaries of foreign law firms in Vietnam an important partners for firms seeking to enter the market in Vietnam. Foreign law firms are allowed to hire licensed Vietnamese lawyers and trainee solicitors. Licensed Vietnamese lawyers working at foreign firms can provide formal legal opinions on matters of Vietnamese law. Although foreign lawyers who have not been admitted to the Vietnamese Bar Association cannot appear as representatives of their clients in Vietnamese courts, Vietnamese lawyers who work for foreign firms do so.

The U.S. Commercial Service Offices in the U.S. Embassy in Hanoi and in Ho Chi Minh City maintain a list of foreign law firms with offices in Vietnam for reference purposes.

Other Professional Services: The American Chamber of Commerce has several reputable professional service providers, including consultants, accountants, advertising, freight-forwarders, etc among its membership (http://www.amchamvietnam.com/)

Web Resources

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U.S. Foreign Commercial Service in Vietnam: http://www.buyusa.gov/vietnam/en/

American Chamber of Commerce (AmCham) HCMC: http://www.amchamvietnam.com/

AmCham Hanoi: http://www.amchamhanoi.com/

Vietnam Embassy in Washington DC: http://www.vietnamembassy-usa.org/

Vietnam Consulate General in San Francisco: http://www.vietnamconsulate-sf.org/ecms/

Vietnam Ministry of Planning and Investment: http://www.mpi.gov.vn/

Vietnam Ministry of Industry and Trade: http://www.moit.gov.vn/web/guest/home

Vietnam Customs: http://www.customs.gov.vn/

Vietnam Chamber of Commerce and Industry: http://vccinews.com/

Vietnam Economy: http://www.vneconomy.vn/

Vietnam Investment Review: http://www.vir.com.vn/news/home

National Office of Intellectual Property of Vietnam www.noip.gov.vn.

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

- Power Generation, Transmission and Distribution
- Telecommunications Equipment and Services
- Oil and Gas Machinery and Services
- Information Technology (IT) Hardware and Software
- Airport and Ground Support Equipment, Air Traffic Management Systems, and Aircraft Landing Parts
- Environmental and Pollution Control Equipment and Services
- Medical Equipment
- Safety and Security
- Education and Training
- Franchising
- Plastic Materials, Equipment and Machinery
- Architecture, Construction and Engineering

Agricultural Sectors

Power Generation, Transmission and Distribution

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Overview

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	2008	2009	2010	2011 (estimated)
Total Market Size	2,287	2,500	2,750	3,162
Total Local Production	960	1,075	1,183	1,360
Total Exports	N/A	N/A	N/A	N/A
Total Imports	1,327	1,425	1,568	1,803
Imports from the U.S.	79	92	101	116

Figures are in $000. Total market size for equipment and services is based on official statistics and estimates. Other statistics are unofficial estimates.

The electric power sector represents one of the most promising areas for U.S. commercial prospects in the Vietnamese market. At present, Electricity of Vietnam (EVN), a state owned enterprise which reports directly to the Prime Minister, holds a monopoly on electricity transmission and distribution. The electric power industry is under the jurisdiction and management of the Ministry of Industry and Trade (MoIT).

The Vietnamese government relies on Power Development Master Plans to advance the development of the electric power sector. These plans forecast growth in demand and map out the overall development of the power industry to meet that demand going out ten years, while also providing a twenty-year overview. In 2007, the Vietnamese Prime Minister approved the Sixth Master Plan, covering the period 2006 – 2015, with an overview extending to 2025. Vietnam's relevant authorities are working on the Seventh Master Plan covering the period 2010-2020 with an overview extending to 2030 that is expected to become public in the first quarter of 2011. The Master Plan VII will emphasize EVN restructuring, power market liberalization, energy efficiency (smart grid), and renewable energy development.

Electricity Demand: Vietnam's annual power consumption growth over the period of 2006-2010 was 15 percent. In 2010 alone, according to estimates by EVN, the country's power consumption was 85,600 GWh, 14.4% increased in comparison with that of 2009. The draft of Master Plan VII envisions that with forecasted GDP growth at 7.1 – 9.8 percent over the period 2011-2030, the demand for electricity will grow by 12.1 percent per year (low-case scenario), 13.4 percent per year (base-case scenario) or 16.1 percent per year (high-case scenario) during the period 2011- 2015. This soaring demand is attributed both to increasing industrial and residential use. Power shortages are expected during this period if adequate measures are not taken to increase the power supply accordingly. It is also estimated that an additional capacity of 4,100 MW will be required per year on average during the 2011 – 2015 time period to meet rapidly growing demand.

Electricity Supply: According to EVN, Vietnam's total generation capacity (peak) in 2010 was 97,250 GWh, an increase of 14.73% over 2009. EVN's facilities accounted for

approximately 70 percent of Vietnam's electricity production. The remainder was under the control of local and foreign Independent Power Producers (including 27 IPPs).

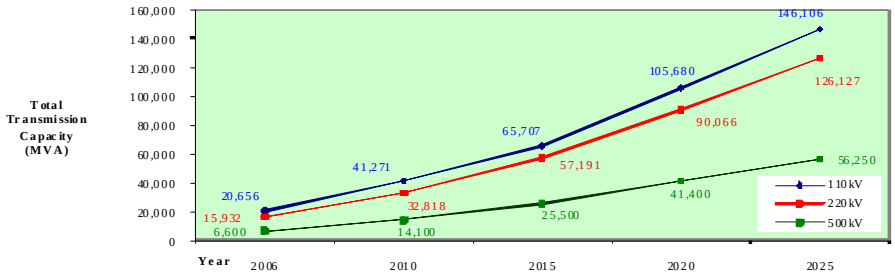
The power generation system relies mainly on thermal power (39 percent) and hydropower (36 percent). Thermal coal-fired power, currently accounting for 10.5 percent, will play an increasingly important role in the medium and long term.

In 2010, the total installed capacity was approximately 20,000 MW, of which hydropower, coal-fired, oil-fired, gas-fired, diesel and small HPPs, and IPP/BOT/Import account for 36, 10.5, 3.3, 18.5, 2.6, and 29.1 percent, respectively.

The current number of power plants under construction in Vietnam is 29 with total capacity of 13,766 MW that includes 20 hydropower plants and 9 thermal power plants. In order to meet increased market demand, Vietnam is planning on building two nuclear power plants with a capacity of 2,000 MW each, and at total estimated cost of approximately $6 billion. GVN's current plan is to build the plants in the southern province of Ninh Thuận, with the first becoming operable by 2020.

Transmission and Distribution Systems:

In 2010 the rural electrification rate in Vietnam was 95 percent and is expected to reach nearly 100 percent by 2020. The following chart shows the current transmission system as well as its projected development to 2025.



Projected Expansion of the Power Transmission System to 2025
(Source: EVN http://www.evn.com.vn)

In addition to the transmission system, Vietnam currently operates a power distribution system of about 115,659 km of 6kV, 10kV, 15kV, 22kV and 35kV lines with a total capacity of 3,662 MVA and 109,199 km of 220V lines with a total capacity of 32,061 MVA. The rapid development of power generation and transmission systems will require a respective expansion of the distribution system.

Vietnam has developed an investment plan for the period 2010-2015 with the total capacities of 48,900MVA for substation (S/S) and 8,219 km of transmission lines (T/L) corresponding to the total investment of USD4.3 billion. With such major investments, Vietnam is expected to have demand for control and protection equipments and devices such as power transformers, circuit breakers, disconnect switches, capacitors,

calculated software, telecommunication and information technology equipment, etc. for transmission grid.

INVESTMENT PROJECTS FOR THE PERIOD 2010-2015

Names of Projects	Number of Projects	Capacity	
		S/S (MVA)	T/L (km)
500kV S/S	26	23,400	
220kV S/S	108	25,500	
500 kV T/L	21		2,351
220 kV T/L	156		5,686
Total	**311**	**48,900**	**8,219**

Investment Requirements: According to EVN's estimates, in the longer term Vietnam's electric power industry will require over $40 billion in order to achieve its goals set for the year 2015. Of this estimated investment, about $30 billion will be allocated to power generation and the remaining $10 billion will be needed for the development of the transmission and distribution network. Also, according to EVN, in the next 8-9 years, in the base-case scenario, Vietnam plans to build 95 power plants with a total capacity of up to 49,044 MW, of which 44 power plants with total capacity of 24.045 MW will be invested by EVN itself. In the high-case scenario, Vietnam plans to invest up to 98 power plants with total capacity of 59,444 MW, of which EVN would build 48 power plants with 33,245 MW, with an estimated total investment of $39.6 billion (including $26.8 billion for power generation.)

In 2010, Vietnam brought into operation 11 generation units with 1,895 MW, including Generation Unit 1 of Hoa Binh Hydro Power Plant (400MW), which was completed two years earlier than dictated by the Vietnamese National Assembly. EVN implemented 39 power plants with total capacity of 27,729 MW. EVN's total paid-in investment in 2010 was more than $3 billion (VND 59,428 billion).

Independent Power Producers (IPPs): As EVN's self-financing and other sources of debt financing can meet only about 66 percent of the total investment requirement, IPPs are expected to carry a large portion of the investment in the power generation sector, including those to be developed by foreign investors. In 2006, MoIT, the government agency responsible for planning, executing bidding, and contracting procedures for large IPPs, issued Decision 30/2006/QD-BCN to regulate the investment, construction and operation of IPPs. To date, a considerable number of foreign investors have shown interest in developing IPP projects in Vietnam, yet few projects have been realized due to obstacles including legal and regulatory issues, low electricity purchase prices by EVN, the lack of a transparent and competitive market, and poor coordination among related government agencies. In recognition of these hindrances, MoIT has taken radical measures in an effort to facilitate IPP development including signing a financial advisory agreement in 2006 with the International Finance Corporation (IFC), a financial arm of the World Bank (WB). The major goal of this agreement is to increase private participation in the power sector through open competitive bidding.

Electricity Retail Price: The government strictly regulates electricity retail prices, with adjustments recommended by MoIT and requiring approval by the Prime Minister. A unified tariff is applicable across the country and is low in comparison with other regional countries. Both average urban and rural residential rates are cross subsidized by higher

rates for industry, commerce, and foreign consumers. To attract more investment from the private sector in developing IPP projects, MoIT and EVN have been working on a roadmap for price increases and gradual elimination of government's control.

Establishment of a Competitive Power Market: In 2004, the Vietnamese National Assembly passed the new Electricity Law that outlines the development of a competitive electricity market. In 2006, the Prime Minister issued Decision 26/2006/QD-TTg to detail the implementation of a competitive power market which will be carried out in three phases: (1) The first phase (2005-2014) focuses on creating competition in power generation with a single buyer, (2) the second phase (2015 – 2022) introduces competition for bulk supply of electricity (wholesale) including supply directly to major industrial customers, and (3) the final phase (after 2022) involves competition at the retail level.

Industry Restructuring: One of the many key transitional steps towards a competitive electricity market is the restructuring of EVN, a state owned monopoly with many wholly owned subsidiaries, into shareholding companies with different types of shareholders including local and foreign private investors. This restructuring aims to create an increasingly business-oriented enterprise with an increased degree of separation from the government. This enterprise reform involves splitting various subsidiary entities away from EVN to form new shareholding companies.

FDI Encouragement and Challenges: Government of Vietnam's policies are to diversify investment sources, encourage foreign investors in power development with BOT, BOO and other related schemes. However, Vietnam has been facing a number of difficulties. For instance, (i) electricity prices are still low. Therefore, existing thermal power plants are unable to buy coal at a price (regulated by the Government) lower than the coal price in the region, leading to unattractiveness of new power plant projects; (ii) the procedures for investors under the scheme of BOT are still complicated, with insufficient guidelines; and (iii) equipment prices have sharply increased, leading to increased production cost and thereby reducing the financial attractiveness of power generation projects.

Nuclear Power Subsector

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In order to meet the energy demand for socio-economic development the Vietnamese Government decided that it is necessary to introduce nuclear power plant into Vietnam no later than 2020.

In June 2008, the National Assembly adopted the Atomic Energy Law to regulate the safe, secure, and peaceful use of atomic energy, including participation in and implementation of international nuclear treaties, as well as strengthen international cooperation. In 2009 the National Assembly approved the construction of two nuclear power plants in Ninh Thuan province. In 2009, the GVN agreed to adopt Russian nuclear technology for Vietnam's first two reactors (first plant); Rosatum will build the first plant as well as provide training and technical assistance. In October 2010 GVN entered an agreement with the International Nuclear Energy Development of Japan (JINED), a consortium of 13 Japanese firms, to build the country's 3rd and 4th reactors (second plant). JINED includes Toshiba, which own 65% of Westinghouse, and Hitachi, which has a JV with GE for nuclear reactors. Both Westinghouse and GE are interested

in participating in nuclear reactors awarded to JINED visa-vis their respective relationships with Toshiba and Hitachi.

Based on analyses of GDP and population growth rates, Vietnam's plans for nuclear power generation are as follows:

- First nuclear reactor to be in commercial operation by 2020
- Three more reactors to be in operation by 2021-2024
- Total nuclear power capacity for phase two of development is planned to reach 10,000MW and 20,000MW by the years 2030 and 2040, respectively.

Best Prospects/Services

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The power generation market may be divided into five main segments: (1) consulting and engineering services, including project management, (2) installation and construction services, (3) machinery, equipment and materials, (4) supply of equipment, spare parts, materials, consumables, and overhaul and maintenance services (aftermarket), and (5) investment in new IPP power projects in the form of BOT, BT, BTO and JV.

The power transmission and distribution market may be divided into four main areas: (1) consulting and engineering services, project management, (2) installation and construction services, (3) high, medium, and low voltage electrical equipment for the national grid, and (4) medium and low voltage electrical equipment for industrial, institutional and household users.

Opportunities

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U.S. companies will find significant business opportunities in the above market segments, including:

- Sales opportunities in ongoing and upcoming power generation projects, including the nuclear power projects
- Investment opportunities in IPP projects
- EVN-funded power transmission and distribution projects.

Resources

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The following Web sites may be valuable resources for U.S. companies interested in exploring business development opportunities in Vietnam's electric power industry.

Electricity of Vietnam Corporation (EVN)
http://www.evn.com.vn

Ministry of Industry and Trade (MoIT)
http://www.moit.gov.vn

For more information about Vietnam's electric power industry, please contact:

Nguyen Dzung, Commercial Specialist
U.S. Embassy in Hanoi

E-mail: Nguyen.Dzung@mail.doc.gov

Tran My, Commercial Specialist
U.S. Consulate General in HCMC
E-mail: My.Tran@mail.doc.gov

Telecommunications Equipment and Services

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Overview

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Telecommunications Equipment	2008	2009	2010	2011 (estimated)
Total Market Size	2,060	2,575	3,348	3,850
Total Local Production	735	920	1,196	1,375
Total Exports	30	38	49	56
Total Imports	1,350	1,688	2,194	2,523
Imports from the U.S.	170	212	276	317

Telecommunications Services	2008	2009	2010	2011 (estimated)
Total Market Size	3,200	4,000	5,200	5,980
Total Local Production	3,300	4,125	5,363	6,167
Total Exports	355	443	576	662
Total Imports	230	287	373	429
Imports from the U.S.	90	113	147	169

The above statistics are in $ million and are unofficial industry estimates)

Vietnam's telecommunications sector is among the world's fastest growing telecommunications markets. The Government of Vietnam (GVN) has articulated its commitment to boosting the development of the Information and Communications Technology (ICT) industry, particularly in telecommunications and Internet infrastructure development, software production, Information Technology (IT) education promotion, and other forms of human capital development. On September 2010, Vietnam's Prime Minister Nguyen Tan Dzung approved the Project of "shifting Vietnam to the level of strong countries in the world's ICT industry."

It is estimated that Vietnam's posts and telecommunications sector's net revenue in 2010 reached approximately $7.1 billion (or VND 138,800 billion), of which VNPT's revenues accounted for $4.6 billion (or VND 90,000 billion.)

To meet tough competition and increasing market demand, Vietnamese telecommunications operators understand they need to enhance their competitiveness by adopting new technologies and by enhancing their human resource capabilities. They are seeking considerable transfer of technologies and know-how via foreign involvement in the telecommunications sector, although the market will open only at a gradual pace in line with Vietnam's WTO commitments.

In 1988, just after the "doi moi" (renovation/open door) policies carried out by the GVN, Vietnam had less than 200,000 phone subscribers with a teledensity of 0.18 lines/100 inhabitants. In 2000, Vietnam grew to approximately 2.6 million fixed-line subscribers and 640,000 mobile subscribers. In 2006, new phone subscribers in Vietnam more than doubled the total number of subscribers added in the 25-year period of 1975-2000, and the number of 18.5 million new telephone subscribers added in 2007 tripled that of the

period of the previous 3 years. According to Vietnam's Ministry of Information and Communications (MIC), as of December 2010, Vietnam has approximately 162.9 million telephone subscribers (91.2% mobile and 8.8% fixed line), with a teledensity of 189 lines/100 inhabitants. Also, the number of Internet broadband subscribers reached 3.7 million with a teledensity of 4.2%.

The major technologies used in Vietnam include cable, satellite, and wireless cable. Major broadband networks are deployed via ADSL (asymmetric digital subscriber line), VDSL (very high rate digital subscriber line), and leased lines. WiFi is deployed in the major cities, and local ISPs are seriously contemplating WiMax (Worldwide Interoperability for Microwave Access) as a platform to popularize the Internet nationwide. In terms of network convergence, voice/data networks are available nation-wide, while "triple play" networks (voice/data/video) and broadband services have been growing in the big cities. VoIP (Voice over Internet Protocol) services are also expanding. Telecommunications companies own the Internet infrastructure and provide VoIP services. There are also several privately owned VoIP providers, all of which lease lines from major telecom carriers. So far, there are 10 local Internet service providers permitted to run WiMax pilot tests (VNPT, EVN Telecom, FPT Telecom, Vishipel, Viettel, VTC, G-Tel, Saigon Postel, VietsoPetro, and Đông Dương/Indochina Telecom), and one service provider licensed to resell services (VNTT).

As a new member of the WTO, Vietnam will continue to implement tax cuts as part of its commitments under the Information Technology Agreement. Specifically, categories currently in a 5 percent tax bracket decreased evenly to 0 percent in 2010; those in a 10 percent bracket will decline evenly to 0 percent in 2012 and those in a 20-30 percent bracket will go down evenly to 0 percent in 2014.

Vietnam's National Assembly passed the new Telecommunications Law and the Ratio Frequency Law that opens up new opportunities for trade and investment in the telecommunications sector. Notwithstanding, a major outstanding issue is a requirement for foreign companies to partner with SOEs for facilities-based services, which the Ministry of Information and Communications has indicated it will address via a regulatory circular prior to the implementation of the new law.

Excessively rapid growth, including price competition, problems with network connectivity and indifference to the fixed telephone market could cause some bumps in the road affecting the development of Vietnam's telecommunications industry.

Selection of a local partner is not only essential to maximize business development opportunities but also for the provision of certain services, as required pursuant to Vietnam's limitations to its WTO telecommunications market access commitments.

As the hi-tech industry continues to develop in Vietnam, prices will continue to go down, investment will increase and the business environment will become more competitive. By entering the market via equitization/privatization, foreign telecommunications companies will be able to approach this emerging market in a step-by-step fashion.

Best Prospects/Services

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American suppliers should find excellent opportunities in almost every sub-sector, from equipment for telecommunications infrastructure to value-added services. Below is an analysis of the major best-prospect sub-sectors of the telecommunications sector in Vietnam.

Fixed Telephone Networks: As of December 2010, according to Vietnam's General Statistics Office, Vietnam has 170.1 million subscribers, of which fixed telephone and cell phone subscribers make up 16.4 million and 154 million respectively. In 2010 alone, the country had 44.5 million new subscribers, of which of which fixed telephone and cell phone subscribers make up 793 thousand and 43.7 million respectively. Telephone access is currently available to all communities nationwide. State owned VNPT is the major landline telephone carrier in this market with market share of 71.0 percent in 2008. Ministry of Defense-owned Viettel is second with a 34 percent market share. As the traditional PSTN (public switched telephone network) fixed telephone service is no longer a "cash cow" subsector, Vietnam's telcos are instead developing wireless fixed telephone service solutions.

Mobile Phone Networks: At present, there are seven licensed cell phone network operators in Vietnam, not to mention the virtual and infrastructure-leased service providers. Nearly 90 percent of the mobile phone market share in Vietnam is currently divided between three major network operators: Viettel Mobile, MobiFone, and Vinaphone. According to figures reported by network operators to Vietnam's Ministry of Information and Communications (MIC), as of 2010, with a 90 million population, the total number of mobile phone subscribers in Vietnam was approximately 150 million, of which more than 90 percent were pre-paid subscribers. However, industry specialists estimate that there are only 50 million actual subscribers (i.e. being operational). According to MIC's statistics in 2008, Viettel leads the mobile sector with 38.1 percent market share, and VNPT-a telecommunications company that runs the two sister cell phone networks of Vinaphone and MobiFone accounted for a combined share of 51.9 percent. On October 27, 2010, a VNPT representative announced that Vietnam was ranked 7th in the list of top 10 countries in the world that have highest number of cell phone subscribers, even before Japan and Germany.

In terms of the technologies used in Vietnam's mobile phone networks, of the seven licensed mobile network operators, five run global systems for mobile communications (GSM) networks (VinaPhone, MobiFone, Viettel, Vietnamobile, and Beeline), and two run code division multiple access (CDMA) networks (S-Fone, and EVN Telecom). A few potentially new entrants, including Indochina Telecom and VTC Telecom, plan to run their services based on other operators' existing networks. GSM mobile networks presently account for more than 95 percent of the mobile phone market share. At the end of 2010, Vietnam's telecommunications sector witnessed FPT and its subsidiary FPT Telecom's acquisition of 49% of EVN Telecom. This acquisition pointed to the how difficult it is for CDMA technology survive in this market. It also signaled a mergers and acquisition trend amongst Vietnam's telcos.

Four licenses for 3G (third generation) wireless technology were issued by MIC in August 2009 to Viettel, Mobifone, Vinaphone, and an EVN Telecom/Hanoi Telecom joint venture. According to industry estimates, Vietnam will have approximately 4.5 million 3G subscribers by 2013. In terms of pre-4G technology, in September 2010, MIC approved a one-year pilot of 4G LTE (long term evolution) for five service providers namely: VNPT, Viettel, FPT Telecom, CMC và VTC. After the one-year pilot, licenses for

this service will be issued through tender. VNPT/VDC began a joint venture with a Russian business partner to run the LTE pilot test in November 2010.

Internet: The Internet market has also developed rapidly in recent years. Internet usage has increased in popularity as evidenced by the entry of many Internet service providers (ISPs).

Statistics on Internet Development as of December 2010:

Users	26,784,035
Users per capita	31.11%
Total international connection bandwidth of Vietnam	129,877 Mbps
Total domestic connection bandwidth	245,857 Mbps
Total broad bandwidth subscribers	3,643,742

Source: Vietnam Internet Network Information Centre (VNNCI) (http://www.vnnic.vn)

As of December 2010, the number of Internet subscribers in Vietnam stood at 26.8 million, with 31.1 percent of the population using the Internet regularly. Presently, the country's total international and domestic connection bandwidth are 129,877 Mbps and 245,857 Mbps respectively. However, Internet density is not equally spread throughout the country and is concentrated in the urban centers, especially Hanoi and HCMC. Broadband market demand has increased so rapidly that current market supply is not sufficient to meet demand. The broadband market is shared amongst three major ISP's: VNPT, FPT and Viettel. The chart below reflects the market share of broadband service providers in Vietnam as of December 2010.

Internet Broadband Market Share

Service Providers	Market share (percent)
VNPT	74.22
FPT Telecom	11.19
Viettel	9.4
SPT	2.02
EVN Telecom	1.28

Source: Vietnam Internet Network Information Centre (VNNCI)

(http://www.vnnic.vn)

Satellites: Vietnam's first communications satellite, Vinasat-1 (www.vinasat.com.vn) was launched on April 18, 2008. This $200 million satellite was manufactured by the United States' Lockheed Martin and has a lifespan of 15 years. Vinasat is a geostationary satellite, employing 8 extended C-band channels and 12 Ku-band channels to provide broadcast and telecommunications service (video, data, voice) to countries in the Asia-Pacific region such as Vietnam, Laos, Cambodia, India, Australia, Japan, Korea, part of China, and other East Asia countries. It has the capacity to provide around 120 digital television channels and tens of thousands of Internet data transmission and telephone channels. Vinasat-1's principal ground station is in Northern Vietnam (Que Duong, Ha Tay), and back-up ground station in Southern Vietnam (Binh Duong Province). The satellite has a transmission site in Hanoi and terrestrial networks in Hanoi, Ho Chi Minh City and Da Nang City. Vinasat-1 is connected with Intelsat, Thaicom and others.

At the time of the Vinasat-1 launch, it was forecasted that it will be necessary to launch the second satellite within 5-7 years. However, after only one year, the Vinasat-2 project was kicked off as Vinasat-1 had reached 70 percent capacity, and was expected to be at full capacity by 2010. On November 05/11/2010, VNPT and Lockheed Martin signed a contract to provide satellite, control station and launch services for the Vinasat-2 project. It is planned that the Vianasat-2 will be launched into orbit by Q2, 2012 at the 107oE position. The total investment for Vinasat-1 (with 20 emitters) was about $200 million, while for Vinasat-2 (24 MHz emitters) it is estimated at $280-300 million. It is expected that VNPT will recover the capital investment for Vinasat-2 in 10 years, while the capital recovery schedule for the Vinasat-1 has been shortened from 11 years to approximately 10 years. The Vinasat-2 satellite is planned to be launched into orbit on May 4, 2012, from Kourou Space Center in Guyana, a French territory in South America. By this point, Lockheed Martin has completed the design of Vinasat-2 and will put it into production in 2011. Arianespace, the French company that successfully launched Vinasat-1, has been selected to launch Vinasat-2 as well. Vinasat-2 applies state-of-the-art technology that takes advantages of the Vinasat-1 but will have a larger capacity of the 24 MHz Ku-band (36MHz bandwidth). With the design of Vinasat-2, Lockheed Martin committed that the satellite can be handle up to 25 transceivers during its 15-year lifespan. Vinasat-2 will be produced based on Lockheed Martin's A2100 platform frame and will transfer orbit after 24 months from the effective time of the contract. This satellite will cover the Southeast Asia and some neighboring countries.

Apart from telecommunications satellites, Vietnam also has plans for a natural resources, environment and disaster monitoring satellite (referred to as VNREADSat-1). VNREADSat-1 would be a small-sized earth observation satellite, 150 kilograms in weight with a five-year life expectancy. The satellite is scheduled to be operational in 2012 and will be used to help Vietnam map its natural resources and provide information about the environment and disasters. The project would cost an estimated $60-100 million and free Vietnam from relying on satellite images provided by other countries. Any contractor that meets the requisite conditions for technology and capital will be allowed to participate in Vietnam's satellite projects.

Broadcasting: Vietnam's broadcasting industry has developed rapidly in recent years. At present, Vietnam has one national television station (VTV), one national radio station (VOV) and four inter-provincial broadcasting stations. Additionally, each of the country's 63 provinces and cities has its own local broadcasting station. Apart from these broadcasters, other new entrants include cable television, satellite (DTH/Direct-to-Home) and on-line television providers. In terms of network convergence, as noted above, voice/data networks are available nation-wide and "triple play" networks (voice/data/video) and broadband services have been developing in the large cities. Moreover, 40 percent of the country's broadcasting facilities have been digitalized. Market growth in 2009 was estimated to reach approximately 28 percent and is expected to reach 30 percent in the next 2-3 years. Market size in 2010 was estimated to be at $400 million. Vietnam has developed and maintains a large national transmission network including parallel digital Ku-Band and C-Band satellite carriages and hundreds of relay stations in order to ensure coverage of Vietnamese territory.

Opportunities

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American exporters will find tremendous opportunities in almost every sub-sector of the ICT, telecommunications and broadcasting industry.

Below are listed major buyers for equipment and services in this industry:

Telecommunications service providers:

VNPT (Vietnam Posts and Telecommunications Group)
Address: 57A Huỳnh Thúc Kháng, Láng Hạ, Đống Đa, Hanoi.
Tel: (84-4) 3577 5104; Fax: (84-4) 3934 5851
Web site: http://www.vnpt.com.vn

Viettel (Military Electronics Telecommunications Group)
Address: 1 Giang Văn Minh, Kim Mã, Ba Đình, Hanoi.
Tel: (84-4) 6255 6789; Fax: (84-4) 6299 6789
Web site: http://www.viettel.com.vn

VDC (Vietnam Data Communications Company)
Address: Lot 2A, Thăng Long International Village, Cầu Giấy, Hanoi
Tel: (84-4) 3793 0599; Fax: (84-4) 3793 0506
Web site: http://www.vdc.com.vn; http://home.vnn.vn

VTC (Vietnam Multimedia and Communications Group)
Address: 65 Lạc Trung, Hai Bà Trưng, Hanoi
Tel: (84-4) 44512468; Fax: (84-4) 36367728
Web site: http://www.vtc.com.vn

EVN Telecom (Electricity of Vietnam's Telecommunications Company)
Address: 30A Phạm Hồng Thái, Ba Đình, Hanoi
Tel: (84-4) 2223 2323; Fax: (84-4) 2228 6868
Web site: http://www.evntelecom.com.vn

FPT Telecom Company
Address: 48 Vạn Bảo, Ngọc Khánh, Ba Đình, Hanoi

Tel: (84-4) 7300 2222; Fax: (84-4) 7300 8889
Web site: http://www.fpt.net

Saigon Postel/SPT (Saigon Posts and Telecommunications Service Corporation)
Address: 199 Điện Biên Phủ, Bình Thạnh, HCMC
Tel: (84-8) 5404 0608; Fax: (84-8) 5404 0609
Web site: http://www.spt.vn

G-Tel (Global Telecommunications Corporation), and its subsidiary, G-Tel Mobile (G-Tel Mobile Company)
Address: 19 Floor, Ladeco Building, 266 Đội Cấn, Ba Đình, Hanoi
Tel: (84-4) 3767 4846; Fax: (84-4) 3767 4854
Web site: http://www.beeline.vn

Vishipel (Vietnam Maritime Communications and Electronics Company)
Address: 2 Nguyễn Thượng Hiền, Hồng Bàng, Hải Phòng City
Tel: (84-31) 3746464; Fax: (84-31) 3747062
Web site: http://www.vishipel.com.vn

Global Data Service Joint Stock Company (GDS)
Address: Room 204 A, Thăng Long Building, 105 Láng Hạ, Đống Đa, Hanoi
Tel: +84-4-3562 6996; Fax: +84-4-3 5626998
Web site: www.gds.vn
e-mail: gdsinfo@gds.vn

Đông Dương/Indochina Telecommunications Company
Address: C001 Building- The Manor Tower, Mỹ Đình, Từ Liêm, Hanoi.
Tel: (84 4) 3794 0481; Fax: (84 4) 3794 0480
Web site: http://www.itelecom.vn

Hanoi Telecom (Hanoi Telecommunications Company)
Address: 2 Chùa Bộc, Đống Đa, Hanoi
Tel: (84-4) 3572 9833; Fax: (84-4) 3572 9834
Web site: http://www.hinet.net.vn

CMC Telecom Service Joint Stock Company (CMC Telecom)
Address: 15 Floor, CMC Tower, Lot 1CA, Cầu Giấy, Hanoi
Tel (84-4) 3722 6688; Fax (84-4) 3722 6868
Web site: http://www.cmctelecom.vn

<u>Internet Services Providers:</u>
Below are Top 5 among 87 licensed ISPs:

- VNPT (Vietnam Posts and Telecommunications Group)
- FPT (FPT Group)
- Viettel (Military Electronics Telecommunications Corporation)
- SPT or Saigon Postel (Saigon Posts and Telecommunications Service Corporation)
- EVN Telecom (Electricity of Vietnam's Telecommunications Company)

<u>Below are the major buyers for broadcasting equipment and services</u>:

- VTV (Vietnam Television)
- VOV (Voice of Vietnam)
- VTC (Vietnam Multimedia and Communications Corporation or Vietnam Television Group)
- 63 local provincial broadcasting stations (See http://www.vtv.org.vn/home/vtv/daidiaphuong.html), and other local cable TV, satellite, and on-line broadcasters.

Source: MIC (www.mic.gov.vn)

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Ministry of Information and Communications (MIC)
http://www.mic.gov.vn

Ministry of Industry and Trade (MOIT)
http://www.moit.gov.vn

Ministry of Science and Technology (MOST)
http://www.most.gov.vn

Ministry of Planning and Investment (MPI)
http://www.mpi.gov.vn

Vietnam Television
http://vtv.gov.vn

Voice of Vietnam Radio
http://tnvn.gov.vn/

For further information, please contact the following persons/agencies:

Nguyen Dzung, Commercial Specialist
U.S. Embassy Hanoi, Vietnam
E-mail: nguyen.dzung@mail.doc.gov

Huynh Triet, Commercial Specialist
U.S. Consulate General in Ho Chi Minh City
E-mail: triet.huynh@mail.doc.gov

Oil and Gas Machinery and Services

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Overview

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	2008	2009	2010 (estimated)
Total Market Size	1,460	1,600	2,000
Total Local Production	745	800	1,000
Total Exports	0	0	0
Total Imports	715	800	1,000
Imports from the U.S.	215	236	295

The above statistics are in $ millions including equipment and services for the upstream, midstream and downstream segments of the oil and gas industry and are based on U.S. Census Bureau records and unofficial estimates.

Industry Organization: Vietnam's oil and gas industry is one of the country's biggest foreign currency earners and a major procurer of imported technology, services and equipment. In 2010, Vietnam produced 24.4 million tons of oil equivalent, and earned $22.8 billion in revenue, accounting for about 24 percent of GDP. During the year, Vietnam sold 15 million tons of crude oil worth $9.2 billion, accounting for 13 percent of total national exports, which included the export of 8.7 million tons worth $5.3 billion; and the supply of 6.1 million tons worth $3.7 billion to Dung Quat refinery. Oil and gas is one of the top priority sectors for development by the Government of Vietnam since it is viewed as central to national economic growth and energy security. The oil and gas industry in Vietnam is under the principal jurisdiction and management of the Ministry of Industry and Trade (MOIT). PetroVietnam, the national oil and gas group, reports directly to the Prime Minister and holds a monopoly in the upstream, mid-stream and virtually all key downstream areas of the industry. In 2010, PetroVietnam maintained the No. 1 rank in Vietnam's Top 500 biggest companies. In 2010 alone, the taxes paid by PetroVietnam accounted for 30% of Vietnam's state budget.

Upstream and Midstream: Vietnam is currently ranked fourth in Southeast Asia after Indonesia, Malaysia, and Brunei for oil and gas production and oil reserves. Vietnam's range of activity covers about one million sq km, comprising major tertiary basins and groups of basins: Song Hong, Phu Khanh, Cuu Long, Nam Con Son, Malay-Tho Chu (See Map 1). Of these, the Cuu Long and Nam Con Son basins have shown the most hydrocarbon potential.

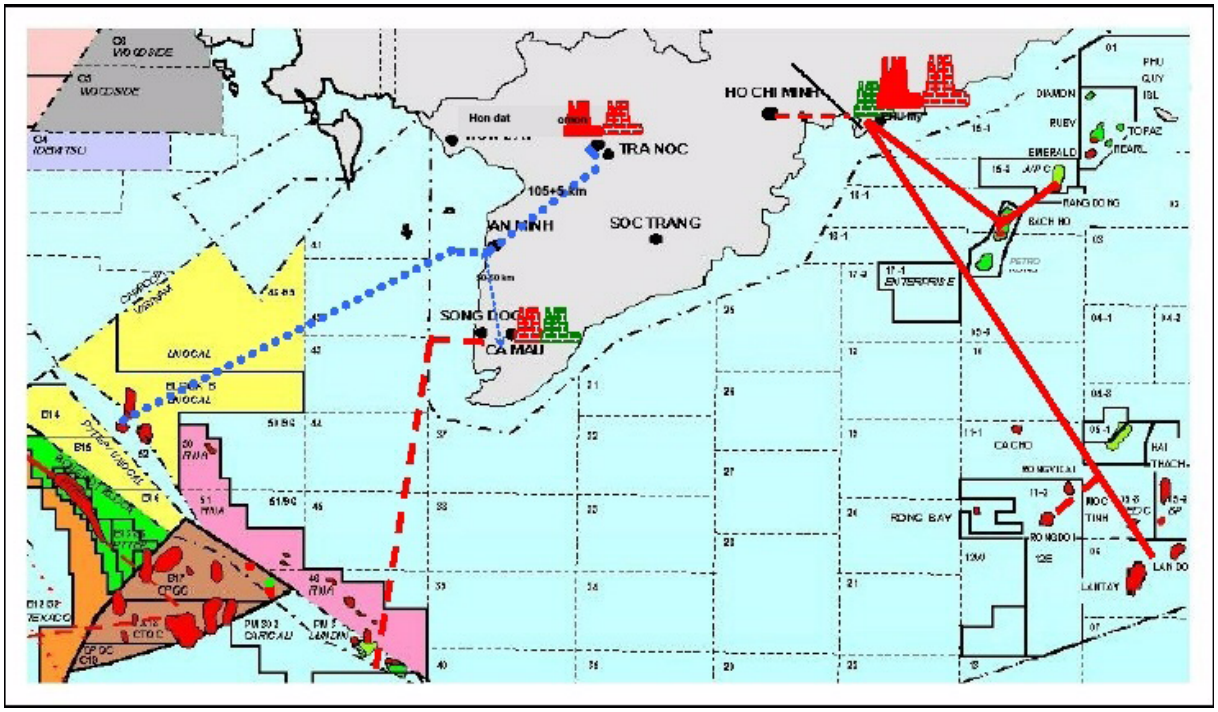
Map 1 – Major Tertiary Basins in Vietnam
Source: PetroVietnam – http://www.petrovietnam.com.vn

To date, about 100 hydrocarbon-bearing prospects have been found in almost 50 fields, with estimated reserves of approximately 643 million tons of crude oil and 644 billion cubic meters (bcum) of natural gas (23 trillion cubic feet -Tcf). Among the 50 structures with oil and gas discoveries, there are 30 commercial fields.

In the last few years, PetroVietnam signed 60 oil and gas exploration and production contracts with foreign companies in the form of Product Share Contracts (PSC), Business Cooperation Contracts (BCC), Joint Ventures (JV) and Joint Operation Companies (JOC). Of these, 30 contracts are currently in effect.

In 2010, the country produced 24.4 million tons of oil equivalent, comprising 15 million tons of crude oil and condensate, a decrease of 6 percent compared to 2009's production; and 9.4 billion cubic meters of gas, an increase of 17 percent compared to last year's output. In the medium term, oil production is expected to decline gradually due to the deteriorating performance of existing oil fields while other new discoveries will not offset this loss in production. PetroVietnam has been expanding exploration to boost reserves, including in foreign countries. In 2010, seven new oil fields were discovered and five new oil wells were put into production including three in Vietnam and two overseas (in Malaysia and Russia).

Gas production, however, is expected to rise significantly since several gas fields will be put in production in the near future. At present, about 85 percent of the natural gas produced in Vietnam is used for power generation, 10 percent for fertilizer and the remaining 5 percent for industries and households. Gas is transported via a network of gas pipelines from offshore gas fields to onshore processing facilities and power complexes (see Map 2).



Map 2 – Gas Pipelines (in red lines) and Projects (in blue lines) in Vietnam (2005-2010)
Source: PetroVietnam – http://www.petrovietnam.com.vn

Along with three gas pipelines Bach Ho, Nam Con Son and Ca Mau, PetroVietnam is building the fourth pipeline from the Thai frontier to Can Tho Province's O Mon and also the second Nam Con Son pipeline to drill gas in West Ocean and Nam Con Son basin. In March 2010, Petrovietnam Gas Corporation (PV Gas), Chevron Vietnam Ltd. (U.S.), Mitsui Oil Exploration Company Ltd. (MOECO) (Japan) and PTT Exploration and Production Public Company Limited (PTTEP) (Thailand) signed a Business Cooperation Contract (BCC) for the Block B Gas Pipeline Project. The Project, when completed, will transport natural gas from Block B&48/95 and Block 52/97, off the Southwest coast of Vietnam, with a capacity of 18.3 million cubic meter per day (equivalent to 6.4 billion cubic meter per year) to power plants at the O Mon Power Complex, Tra Noc of Can Tho City (total capacity of 3,000 MW), and to the power and fertilizer plants in southernmost province of Ca Mau Province.

PetroVietnam has mapped out a five-year plan from 2011-2015 with a combined revenue estimated at $144.8 billion, producing a total of 90 million tons of crude oil and 51 billion cubic meters of gas. Vietnam's domestic demand for crude oil and gas in the future is expected to increase, especially as the country expands refinery capacity.

<u>Downstream:</u> In November 2005, PetroVietnam started construction of its first oil refinery at a cost of $3 billion with a capacity of 6.5 million tons per year in Dung Quat,

Quang Ngai Province (central Vietnam). Operational as of February 22, 2009, the Dung Quat refinery uses local feedstocks from the Bach Ho field and imports from the Middle East. Dung Quat refinery has operated at full capacity since Mid-2010, and was officially inaugurated in January 2011. In 2010, the country's first refiner produced 5.7 million tons of gasoline, liquefied petroleum gas, kerosene, diesel, jet fuel, fuel oil and polypropylene (PP). PetroVietnam plans to raise the capacity of Dung Quat Refinery from 6.5 million tons to 10 million tons by 2016 at a likely cost of $1 billion.

A joint-venture among Kuwait Petroleum International (KPI), major Japanese refiners Idemitsu Kosan Co. and Mitsui Chemicals Inc., and PetroVietnam was established in April 2008 to build the second refinery – the US$7 billion Nghi Son Refinery and Petrochemical complex in Nghi Son, Thanh Hoa Province in the North. The complex is under construction and will be able to process 8.4 million tons of crude oil per year when it is scheduled to come on-stream in 2013.

The third refinery, scheduled to be operational in 2014, is the Long Son Petrochemical complex in Ba Ria-Vung Tau Province. Long Son refinery needs an investment capital of US$8 billion and will be able to refine 10 million tons of crude oil per year. Two local partners, PetroVietnam and Vinachem, have been negotiating with foreign partners including Thailand-based TPC and SCG about setting up a joint-venture. Interested parties also come from Qatar and Itochu (Japan).

Best Prospects/Services

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Under its WTO commitments, the Vietnamese government has opened its oil and gas sector to foreign companies, which it hopes will bring in capital, expertise and technology to help achieve the country's major industry goals. Foreign oil and gas companies active and successful in Vietnam include KNOC (Korea), ONGC Vadesh (India), Nippon Oil (Japan), Idemitsu (Japan), Zarubezneft (Russia), and Petronas Carigalli (Malaysia).

In December 2009, the Vietnamese Government issued Decree 115, essentially supplementing the 2008 Petroleum Law and the 2001 Petroleum Bidding Regulation. The decree outlines the kinds of entities that are allowed to conduct business in the petroleum sector, and confirms that only PetroVietnam and its subsidiaries may conduct exploration activities as primary contractor. The decree outlines licensing processes, tax issues and bidding regulations. A number of decrees delineate surcharges on profit oil and other regulations for this sector, and U.S. entities in this field are encouraged to engage competent legal counsel as they develop their market-entry strategies.

According to Vietnam's Oil and Gas "Master Plan Toward 2015 and Vision to 2025," the industry will require an investment of $203 billion to achieve the goals set forth by the government for the 2006-2025 period, in which PetroVietnam's share will be $81.54 billion (accounting for 40%).

These policies, as well as the recent positive developments in the oil and gas sector, have generated a steadily increasing demand for equipment and services that will continue in the years to come.

Opportunities

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American technologies, expertise and experience are well respected in the oil and gas industry in Vietnam. U.S. companies are highly competitive in supplying sophisticated equipment, advanced technologies and professional services to both new and existing projects.

Significant business opportunities for U.S. companies exist in the upstream, midstream and downstream segments of the oil and gas industry. More details on investment opportunities and a list of specific upcoming projects in the oil and gas sector will be provided to U.S. companies upon request. Potential buyers include PetroVietnam and its subsidiaries, joint ventures and affiliates, as well as foreign oil and gas companies operating in Vietnam, which normally prefer sourcing from the U.S., Europe and Japan.

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Ministry on Industry and Trade (MoIT)
http://www.moit.gov.vn

Vietnam Oil and Gas Group - PetroVietnam
http://www.pvn.vn

Contacts:

For more information about the Vietnamese oil and gas industry, please contact:

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U.S. Embassy in Hanoi
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Mr. My Tran, Commercial Specialist
U.S. Consulate General in Ho Chi Minh City
Email: My.Tran@trade.gov

Information Technology (IT) Hardware and Software

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Overview

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IT Hardware Market (in million US$)

	2009	2010	2011(estimated)
Total Market Size	960	1152	1348
Total Local Production	48	58	67
Total Exports	0	0	0
Total Imports	912	1094	1281
Imports from the U.S.	319	438	512

IT Software Market (in million US$)

	2009	2009	2011 (estimated)
Total Market Size	455	528	604
Total Local Production	182	211	242
Total Exports	0	0	0
Total Imports	273	317	362
Imports from the U.S.	109	126	145

(Note: Unofficial estimates/source: HCMC Computer Association and industry contacts)

The IT hardware and software markets of Vietnam, which are driven by continued higher IT demand and outlay from the public sector, private sector and households, have grown rapidly at about 15 percent per year for the past five years. To meet its dynamic market growth, Vietnam has been importing the lion's share of IT hardware and software as Vietnamese manufacturers are still relatively new and may not be able to offer the same range of solutions and services as foreign suppliers. This trend is expected to continue to offer good sales opportunities for U.S. suppliers for many years to come.

A recent HCMC Computer Association report shows that the hardware market grew at 20 percent in 2010 and is forecasted to grow at 17 percent in 2011. Key players in the hardware market include suppliers from Taiwan, China, the U.S., and Japan. According to International Data Corporation, the software market grew at 16 percent in 2010 and is estimated to grow at 14.4 percent in 2011. Major players in the software market include suppliers from the U.S., Germany, China, Russia, and Vietnam. Software market revenues would be markedly greater without the use of counterfeit software. Protection of software copyright is an issue; Business Software Alliance reported that Vietnam had a software piracy rate of 82 percent in 2010, down from 85 percent in 2009.

Best Prospects

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U.S. IT suppliers have good opportunities for success in penetrating or expanding their business in Vietnam thanks to their reputation for high-quality products, state-of-the-art technology and professionalism.

Hardware: A recent International Data Corporation report shows that the Vietnam's personal computer (PC) market grew at 15 percent in 2010. As the Vietnamese economy is forecasted to grow at about 7 percent over the next few years, this growth trend in PC market is expected to continue at a stronger pace and offers excellent potential for U.S. suppliers. Major suppliers of PCs in Vietnam include Taiwan (Acer and Asus), the U.S. (Hewlett-Packard and Dell), China (Lenovo), and Japan (Sony and Toshiba).

Wireless equipment is another best prospect in the IT hardware market for U.S. suppliers. Government agencies, enterprises, department stores, hotels, restaurants, high-end coffee shops and households in Vietnam are increasingly equipping themselves with Wi-Fi equipment to meet the growing connection demand from their employees and clients. Key suppliers of wireless equipment in Vietnam include Taiwan (D-link and Asus), and the U.S. (Linksys, NetGear and Proxim).

Network equipment, including access points, ADSL equipment, hubs, switches, and network adapters, is also a best prospect for U.S. suppliers. Cisco Systems and Juniper Networks are two major U.S. network equipment suppliers in Vietnam.
In addition, the information security equipment sub-sector offers good potential for U.S. suppliers as the Government and businesses in Vietnam are conducting more business transactions via the Internet and local and wide area networks.

Software: Security software, including anti-virus software and Internet security software, is a best prospect for U.S. suppliers. Symantec and McAfee are successful U.S. suppliers of security software in Vietnam.

Database software is another best prospect for U.S. suppliers, especially in the finance and banking sectors. Key players in the database software market in Vietnam are Oracle, IBM and Microsoft.

Application software for Small and Medium-sized Enterprises (SMEs), including Customer Relationship Management (CRM), Enterprise Resource Planning (ERP) and Human Resources Management (HRM), is also expected to present good potential for U.S. suppliers.

According to industry analysts, while most SMEs in Vietnam tend to use low-priced Vietnamese software, a number of large State-owned and private corporations, especially in finance and banking, aviation, energy, telecommunications and construction, prefer to use high-end software, including customized solutions as well as off-the-shelf products.

Trade Events:

1. CommunicAsia, 21-24 June 2011, Singapore, http://www.communicasia.com/
2. Vietnam Consumer Digital World Expo, 14-17 July 2011, HCMC, Vietnam, http://www.vcw.com.vn/
3. Vietnam Internet and IT 2011, 16-19 November 2011, Hanoi, Vietnam, www.vietnam-internet-it.com

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U.S. Commercial Service in Vietnam: http://www.buyusa.gov/vietnam
Vietnam Ministry of Information and Communication**:** http://www.mic.gov.vn

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Airport and Ground Support Equipment, Air Traffic Management Systems, and Aircraft Landing Parts

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Overview

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	2009	2010	2011(estimated)
Airport and Ground Support Equipment			
Total Market Size	22	23	28
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	22	23	28
Imports from the U.S.	6	8	10
Air Traffic Management Equipment			
Total Market Size	15	18	21
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	15	18	21
Imports from the U.S.	7	8	10
Engines, Engine Parts and Aircraft Parts			
Total Market Size	150	200	250
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	150	200	250
Imports from the U.S.	100	180	200

The above statistics are in $ millions excluding aircraft and are based on U.S. Census Bureau records and industry estimates.

Aviation has been designated as one of the top priority sectors for development by the Vietnamese government, since it is viewed as a prerequisite to rapid national economic growth. The aviation industry in Vietnam is under the principal jurisdiction and management of the Civil Aviation Administration of Vietnam (CAAV), a government agency reporting to the Ministry of Transport.

According to the Civil Aviation Administration of Vietnam (CAAV), Vietnam's overall aviation market in 2010 returned to double-digit growth in both passenger and cargo segments, with cargo shipments surging up to 30 percent year-on-year.

In 2010, 21 million passengers went through the country's airports, an increase of about 20 percent from a year earlier and much higher than the 8.4 percent increase in 2009. The number of passengers on international flights in 2010 rose approximately 20 percent to 10.7 million.

The total throughput of air cargo was more than 460,000 tons in 2010, with the national flag carrier Vietnam Airlines accounting for 166,300 tons on its domestic and

international flights. The volume of cargo on international flights in and out of Vietnam last year increased 37% from 2009 to 340,000 tons. The aviation authority projected the market would grow 16-20 percent in passenger number and at least 20 percent in cargo load in 2011.

Besides the world's improving demand for air travel and cargo shipments, Vietnam was offering more incentives to encourage local and foreign airlines to increase their frequencies and open new routes. The last quarter of 2010 saw a number of foreign airlines fly in and launch new services to the country, including Turkish Airlines, LOT Polish Airlines and Qatar Airways.

As of 2010 Vietnam Airlines (VNA) continued to account for more than 40 percent share of international passenger traffic and 80 percent of domestic passengers, while Jetstar Pacific Airlines holds roughly a 30 percent share of passengers carried on its main routes between Ho Chi Minh City, Danang and Hanoi, and makes up approximately 15 percent of the total domestic air travel market.

There are 41 foreign passenger airlines and 11 cargo airlines with regularly scheduled flights to and from Vietnam. The country currently operates a network of 22 major civil airports including three major international airports: The Noi Bai Airport in the north (Hanoi), Danang in the center and Tan Son Nhat in the south (Ho Chi Minh City) and six planned international airports (Can Tho, Chu Lai, Da Lat, Hai Phong, Hue, Nha Trang). The Tan Son Nhat airport, with a new capacity of about 17 million passengers per year including a new terminal which became operational in September 2007, is the largest airport in the country, handling about 70 percent of the country's international passenger traffic.

Major Airlines in Vietnam

At present, Vietnam Airlines (VNA), Vietnam Aviation Service Company (VASCO), and Jetstar Pacific Airlines (JPA) are the three major air carriers in Vietnam.

<u>Vietnam Airlines (VNA) and VASCO</u>**:** VNA, the national flag carrier of Vietnam, was established as a state enterprise in April 1993 under the Civil Aviation Authority of Vietnam (CAAV). Vietnam Airlines Corporation was subsequently formed in 1996, after bringing together 20 service companies in the aviation sector. The company was then separated from CAAV and is now overseen by a seven-seat management board, members of which are directly appointed by the Prime Minister. As of January 2011, VNA operates a fleet of 69 airplanes with an average age of the VNA fleet is 6.9 years.

Vietnam Air Service Company (VASCO) was established by government directive in 1987, and is a fully-owned subsidiary of Vietnam Airlines, the national carrier. It is headquartered in Ho Chi Minh City and operating scheduled flights from its base at Tan Son Nhat International Airport to the south of the country. It also conducts charter flights, medical evacuations, SAR operations, oil platforms flights, and other aviation services.

Vietnam Airlines expanded domestic and international networks significantly in 2010, with 7 international and 4 domestic routes launched to push up its daily flights to 320 from 225. The SkyTeam member airline transported 12.3 million passengers for its

domestic and international flights compared to just over 9.34 million last year, up 33.7 percent.

The airline ordered four Boeing 787-8 aircraft in 2005 to be delivered beginning in 2009 and ten Airbus A321-200s in 2004 for delivery between 2006 and 2009. Subsequently, it ordered 12 additional Boeing 787-8 aircraft in late 2007, as well as 10 A-350s and 10 A-321s. In 2010 the airline changed its Boeing 787-8 order to the 787-9 model and expected to receive its aircraft starting from 2015. The airline has replaced all ATR72-200s with ATR72-500s and received more modern planes to expand its fleet to 69 at present. The airline is expected to reach 104 and 150 modern aircraft in 2015 and 2020, respectively.

Today Vietnam Airlines' network extends to 20 cities throughout the country and 43 international destinations. In 2006, after being awarded the IATA Operational Safety Audit (IOSA) certificate, a safety standard set by Aviation Quality Services (AQS), Vietnam Airlines joined the International Air Transport Association (IATA) as an official member. Vietnam Airlines, together with the Vietnam Aircraft Leasing Company (VALC) of which Vietnam Airlines was an initiator and founder, signed a purchase order of 12 Boeing B787s, 10 Airbus A350-900, 20 Airbus A321 and 5 ATR72-500 aircraft in 2007. June 2010, Vietnam Airlines joined SkyTeam and code shared with most SkyTeam members.

Jetstar Pacific Airlines**:** Jetstar Pacific Airlines (formerly known as Pacific Airlines) is the second largest air carrier in Vietnam, having started operations in 1992 with VNA as the major shareholder (86.5 percent). It is the first joint stock airline formed in Vietnam following changes in the law to allow foreign investment in the country's airlines. In 2005, it narrowly escaped closure due to inability to pay its debts and continuous loss-making operations. By a decision of the Prime Minister of Vietnam, all of VNA's shares in the company were then transferred to the Ministry of Finance (MoF) and thereafter to the State Capital Investment Corporation (SCIC), a state owned company under MoF, for business and ownership restructuring.

On April 26, 2007, Australian airline Qantas acquired a 30 percent stake in PA for $50 million and became PA's strategic partner. After this restructuring, SCIC continues to hold a 62 percent stake, Qantas 30 percent, Saigon Tourist Holding Corporation 7.53 percent, while the remainder is held by Tradevico (a company under the Ministry of Transport).

Jetstar Pacific is Vietnam's first value based carrier. It is headquartered in Ho Chi Minh City, operates domestic and international services, and charter flights. Formerly known as Pacific Airlines, the airline was renamed Jetstar Pacific on 23 May 2008, becoming part of the Jetstar LCC network operated by its shareholder Qantas.

Jetstar Pacific's existing Vietnamese domestic network includes Ho Chi Minh City, Hanoi, Da Nang, Hue, Vinh, Hai Phong and Nha Trang.

Jetstar Pacific currently operates 5 Boeing 737 - 400 aircraft and two Airbus 320 -200 aircraft, and is moving to 8 more Airbus A320-200 aircrafts in order to expand its network with more domestic and international flights into South East Asia. It is expected to add up to 15 Airbus aircraft by 2014 and the Jetstar Pacific's network will cover most countries in Asia.

Vietjet AirAsia**:** In November 2007, the Vietnamese Prime Minister approved the establishment of the first wholly private airline in the country, Vietjet Aviation Joint Stock Company (Vietjet) with initial chartered capital of about $37.5 million. The founders and major shareholders of this company include T&C Holding, Sovico Group, HD Bank, and a number of aviation professionals. A former Technical Deputy General Director of VNA leads the company. Vietjet recently leased three Airbus A320s and planned to start its first commercial flights sometime in 2010, however, it is delayed till 2011. The airline will first operate domestic flights from/to Hanoi, HCMC, Danang and several other tourist destinations and will expand into international routes in Asia.

VietJet is the country's fourth airline, after Vietnam Airlines, Jetstar Pacific Airlines, and Vietnam Air Service Company (VASCO). In February 2010, the Ministry of Transportation of Vietnam approved the first amendment to the Aviation Business License of VietJet Aviation Joint Stock Company (VietJet Air). This constitutes an approval of the Joint Venture between VietJet Air and Air Asia. Earlier, Hanoi Department for Planning and Investment issued amended Business License of VietJet Air acknowledging Air Asia as a founding shareholder of VietJet Air. Under the Joint Venture, Air Asia will contribute 30 percent of VietJet Air's registered capital.

Vietnam Aircraft Leasing Company**:** In December 2007, Vietnam Aircraft Leasing Company (VALC) was established with initial charter capital of $40 million by a group of major state owned enterprises including the Bank for Investment and Development of Vietnam (BIDV – 20 percent), Vietnam Airlines Corporation (23 percent), Petrovietnam (17 percent), Vinashin (11 percent), and Phong Phu Corporation (8 percent). VALC's main business lines include aircraft leasing, air taxi services, airport operation, and other aviation services. In particular, the company plans to participate in the development of the Cam Ranh, Phu Quoc and Long Thanh Airport projects. One of the main reasons for the establishment of VALC is that VNA is facing funding problems in expanding its fleet and VALC is expected to help VNA overcome these challenges.

VALC started operations in December 2007 by signing a $1.48-billion contract with Boeing to purchase eight B787-8 Airliners for delivery beginning 2016. The company will lease these aircraft to Vietnam Airlines upon receipt of the delivery. In December 2007, VALC continued to sign a contract with Airbus to purchase 10 Airbus A321-200 and leased out to Vietnam Airlines for 12 years. In December 2010, VALC signed contract with International Aero Engines AG (IAE) to buy 20 V2500 Select One engines for the 10 Airbus A321-200 aircrafts. Prior to the V2500 engines contract, VALC also spent more than $100 million to purchase 5 ATR72-500, all 5 aircrafts have been delivered successful by December 31, 2010. VALC plans to raise its charter capital to $1 billion by 2025.

Indochina Airlines: Indochina Airlines is the 5th airline in Vietnam, the second private airline operational in Vietnam. Indochina Airline sold its first tickets on November 12, 2008 and launched its first commercial flight from Tan Son Nhat Int'l Airport in Ho Chi Minh City to Noi Bai Int'l Airport in Hanoi and Danang Int'l Airport on November 25, 2008. As of November 2008, the airline has 2 leased Boeing 737-800 aircraft. In December 2009, this airline closed its business after losing money heavily and could not afford to cover its daily operation costs. Due to the financial problems, the airline's last remaining aircraft has been returned on November 25, 2009. The Indochina Airlines has

officially declared bankrupt on December 15, 2009. On January 11, 2011, it is stated that Indochina Airlines would re-start by the end of 2011.

Air Mekong**:** In November 2008, the Vietnamese Prime Minister approved the establishment of Air Mekong with initial chartered capital of about $36 million.

Mekong Aviation Joint Stock Company (Air Mekong) operates scheduled passenger flights from its base at Phu Quoc Airport and secondary hubs at Noi Bai International Airport and Tan Son Nhat International Airport. Headquarter locates in Phu Quoc, Kiên Giang Province and its flight operations were launched on 9 October 2010. This is the third private-owned airline of Vietnam, after Indochina Airlines (defunct as of 2009), and VietJet AirAsia (previously known at VietJet Air). Air Mekong leased four Bombardier CRJ 900 aircraft SkyWest Airlines, each equipped with 90 seats in both business and economy classes.

Other Foreign Airlines: As of 2010, approximately 52 passenger and cargo airlines from 22 countries are operating scheduled international flights to Vietnam. Industry experts expect that about another 30 air carriers will enter the Vietnam market over the next ten years.

VNA Aircraft Maintenance Facilities

In January 2009, two major commercial maintenance subsidiaries, namely A75 in HCMC and A76 in Hanoi, merged into the Vietnam Airlines Engineering Company Ltd. (VAECO Ltd) with chartered capital of about $20 million and headquarter is at Noi Bai Airport, Hanoi.

The company focuses on performing both daily and periodic maintenance checks according to JAR/VAR-145 standards. Its Ho Chi Minh City facility mainly focuses on Boeing aircraft while the facility in Hanoi specializes in Airbus airliners. At present, Ho Chi Minh City and Hanoi facilities can carry out maintenance services at the following levels: F70 and ATR72 (Dcheck), A310/A320/A321 (Ccheck), B767 and Airbus A330 (Acheck), and B777 (2Ccheck).

Due to its current limited maintenance and overhaul capabilities, VNA sends its aircraft for maintenance and overhaul to Air France, AMECO of China, China Airlines, Evergreen Aviation Technologies, GAMECO, Hong Kong Aircraft Engineering Co., Lufthansa AERO, MTU Maintenance Hanover, Royal Brunei Airlines, Safe Air of New Zealand, or TAT Industries of France. VNA also receives technical and maintenance assistance from Region Air of Singapore and Park Aviation of Ireland.

There are currently no production facilities in Vietnam for aircraft and aircraft parts. VNA seeks to establish a joint venture with a foreign company to provide aircraft maintenance, repair, and overhaul services to VNA's fleet and other international carriers.

At present, Jetstar Pacific and Air Mekong do not own any maintenance facilities but Jetstar Pacific can conduct A-checks on their airplanes in house. However, C-checks must be done abroad and Singapore Technologies Aerospace is one of their key providers for maintenance services, spare parts and training of Vietnamese engineers.

Air Traffic Management

Vietnam's flight information region (FIR) is divided into two areas, namely Hanoi and Ho Chi Minh City. Vietnam Air Navigation Service Corporation (VANSCORP) with over 2,500 employees is the state owned monopoly providing air traffic services to all flights in Vietnam's FIR.

Northern Region Air Traffic Services (NORATS), VANSCORP's subsidiary, covers FIR Hanoi and Southern Region Air Traffic Services (SORATS), is in charge of HCMC. In total, VANSCORP has two area control centers (located in Hanoi and HCMC), three approach control centers (in Hanoi, Danang and HCMC), 17 airport air traffic control towers, six radar stations, 16 satellite stations, 40 beacons, 20 VHF stations, and several digital microwave links. In addition, VANSCORP has three other subsidiaries including Middle Region Air Traffic Services (MORATS), Air Traffic Coordination Center (ATCOC), and Air Traffic Technical Services Center (ATTECH).

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CAAV estimates that Vietnam would require about $15 billion in investment to achieve its development plan for the aviation sector by 2020. Of this, $8 billion will be needed mainly for aircraft fleet expansion, $5 billion for constructing and upgrading airports and the remaining $2 billion for airport operation and air traffic management.

According to the International Air Transport Association (IATA), by 2014, Viet Nam will become the world's third fastest-growing market for international passengers and freight, and the second-fastest in the number of domestic passengers.

Airport Development

At present, the government budget can only meet about 20 percent of the total investment required for airport development. Raising sufficient funds for this development is an immense challenge for Vietnam now and in the future. The plan for the period 2005 – 2010 calls for investment of more than $1.3 billion in airport modernization and expansion and rehabilitation in order to accomplish an efficient network of 20 airports in operation including projects such as Noi Bai (second terminal), Na San, Dong Hoi, Cam Ranh, Chu Lai, Lien Khuong, Con Dao, Phu Quoc (International), Can Tho, Ca Mau, and Rach Gia. However, some projects have been delayed due to financial difficulties, including Noi Bai (second terminal) and Phu Quoc. Funded by Japanese ODA, the Noi Bai's second terminal project is planned to reboot in April 2011 and completed in 2013. During the period 2010 – 2020, several other airports will be constructed or upgraded including Long Thanh (International), Chu Lai (Cargo), Cat Bi (Hai Phong), Quang Ninh (International), Lao Cai, and Cao Bang. The lion's share of the investment in airport projects is expected to come from Official Development Assistance (ODA) loans from foreign governments such as Japan as well as financing from the private sector.

Long Thanh, Chu Lai and Phu Quoc Airports are three key projects that are expected to be developed with investment from the Vietnamese government as well as the private sector. To develop these projects, the Vietnamese Ministry of Planning and Investment (MPI) has submitted proposals to the Prime Minister to seek foreign direct investment. If approved, foreign investors will be allowed to develop these projects under the form of

Build-Operate-Transfer (BOT), BT (Build-Transfer), Build-Operate- Own (BOO), or Public-Private Partnership (PPP).

On 9 November 2010 the Government of Vietnam introduced legislation which creates a legal framework for the introduction of Public Private Partnerships (PPP) in Vietnam. The "Regulations on pilot investment under the form of public private partnerships" ("PPP Regulations") will become effective on 15 January 2011 and form the basis upon which investment in a pilot program of PPP projects will be introduced in various sectors from infrastructure through to the provision of public services. Airport development is also considered as a very potential PPP investment sector.

Air Traffic Management

In mid-2008, Vietnam took a decisive step to develop and modernize its air traffic management system. Faced with rising passenger traffic, domestically and internationally, the Vietnamese Government moved to re-organize its national air traffic management (ATM) system. The core component of this was the establishment of the Vietnam Air Navigation Services Corporation (VANSCORP), restructuring the existing Vietnam Air Traffic Management (VATM) body under the Civil Aviation Administration of Vietnam (CAAV).

Vietnam Air Navigation Service Corporation (VANSCORP) will spend over $67 million on its 46 new and ongoing air traffic management projects. Funding for these projects comes mainly from VANSCORP's own budget accumulated from its business activities. Key upcoming projects to be undertaken by VANSCORP, which expected to go to operation from 2011 to 2013, include: ACC/Hanoi Project, Domestic Airport Air Traffic Management (ATM) Towers (for the following airports: Dien Bien Phu, Vinh, Phu Bai, Phu Cat, Dong Hoi, Chu Lai, Pleiku, Can Tho, Phu Quoc, Con Dao, Buon Ma Thuot), Noi Bai and Tan Son Nhat International ATC Towers, Aeronautical Information Service Automation System and Provision of Flight Inspection Service.

In 2009, Viet Nam Air Navigation Services Corporation (VANSCORP) was awarded an IATA's (International Air Transport Association**)** Eagle Award for most improved Air Navigation Service Provider.

Air Fleet Development

According to its development plan to 2020, VNA plans to invest more than $8 billion in expanding and upgrading its aircraft fleet as well as other related facilities. Funding for aircraft fleet expansion mainly comes from the VNA and government budget and bond sales, as well as foreign commercial loans with sovereign guarantees.

According to VNA's fleet expansion plan approved by the Vietnamese Prime Minister in October 2007, VNA's fleet is expected to operate 60 aircraft by 2010, 85 by 2015, and 107 by 2020. Under this plan, over the period 2006 - 2015, VNA is expected to purchase 43 aircraft including 20 A321s (150 passengers), eight B787-8s (280 passengers), five ATR72s (70 passengers), and ten A350s (300 passengers).

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American companies are highly respected in Vietnam as the world's leading equipment manufacturers and service providers in the aviation sector in terms of advanced

technologies, quality, and professionalism. In the above projects, American companies will find significant opportunities for providing architectural, engineering and construction services, and construction management services for airports and terminals. In addition, over the last few years American firms have sold a considerable amount of airport ground support equipment (GSE), equipment for passenger terminals, air traffic management systems, security equipment, telecommunication systems, software, aircraft parts, training services, as well as aircraft maintenance and engine overhaul services.

Web Resources

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Information relating to aviation and airport projects can be found on the following sites:

Ministry of Transport (MOT)
www.mot.gov.vn

Civil Aviation Administration of Vietnam (CAAV)
www.caav.gov.vn

Vietnam Airlines
www.vietnamairlines.com.vn

Further information can be obtained from the U.S. Commercial Service in Hanoi and Ho Chi Minh City via the following addresses and website:

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www.buyusa.gov/vietnam

Environmental and Pollution Control Equipment and Services Return to top

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	2009	2010	2011 (estimated)
Total Market Size	715	750	790
Total Local Production	395	415	435
Total Exports	0	0	0
Total Imports	320	335	355
Imports from the U.S.	27	28.5	29.5

The above statistics are in $ millions and are unofficial estimates, based on total ODA funding of environmental projects underway and in the pipeline, as well as projects undertaken by urban and industrial entities including water resources funds.

Vietnam is facing an increasing number of environmental pollution challenges including air, water, and solid waste pollution. Major factors contributing to these problems include high population growth rate, rapid urbanization, accelerating industrialization, and weak enforcement of the Law on Environmental Protection and Development.

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Water Supply

The lack of clean water is one of Vietnam's most pressing environmental concerns. At present, it is estimated that only about 70 percent of the Vietnamese population has access to potable water. A high rate of water loss, averaging 32 percent, further aggravates the problem. In order to improve upon this situation, the Prime Minister recently issued Decision 1929/QD-TTg on approval of the "Orientation for Development of Water Supply in Vietnam's Urban Centers and Industrial Parks Leading to 2025, and Vision for 2050". The Decision sets a target of supplying clean water to all urban cities, towns, and limiting the rate of water loss in these cities to be less than 15 percent by 2025. By 2050, all urban cities, towns, and industrial parks will be supplied adequately with water in a stable manner with high quality of services.

To this end, the GVN uses Official Development Assistance (ODA) funding to develop water distribution networks. The ODA funds are used for three major water supply programs: (i) World Bank water supply projects for small and medium cities, (ii) Finland water supply projects for the northern mountainous areas, and (iii) AFD (Agence Francaise de Developpement) water supply projects for Mekong Delta provinces. However, it is estimated that ODA will be gradually reduced, since GDP per capita surpassed the $1,000 threshold as of the end 2010. In that context and in view of the enormous demand, the GVN strongly encourages private participation in the development of water supply facilities and has created favorable policies to entice investments. This policy stance is clearly stated in a number of GVN's decrees including decree No. 117 on Water Supply and Environmental Sanitation; decree No. 88 on Drainage System Management; and decree No. 59 on Solid Waste Management.

Currently there are over 240 water treatment plants in Vietnam, producing over 4.7 million cubic meters per day for urban consumption, but these plants currently only meet about 70% of demand.

Waste Water

In addition to water supply, one of the most pressing environmental concerns and a top government priority is drainage and sewage. Due to rapid and ongoing urbanization and industrialization, improved municipal and industrial wastewater treatment has emerged as a critical need. The total investment required to meet sewage and drainage system needs throughout the country is estimated to be two to three times the total investment for water supply projects.

Most of the cities and provinces have no centralized wastewater treatment plants. Both storm water and household wastewater are commonly discharged through combined and outdated drainage systems into canals and rivers without treatment. The development of wastewater treatment facilities in industrial parks has also become a pressing need. Currently, only about ten percent of industrial parks have centralized wastewater treatment plants.

In November 2009, the Prime Minister approved the “Orientation for Development of Water Sewage and Drainage Systems in Vietnam’s Urban Centers and Industrial Parks Leading to 2025, and Vision for 2050”. According to the directive, by 2025 all urban cities class IV and above will have centralized municipal wastewater treatment and collection systems; 70-80 percent of municipal wastewater will be collected and treated properly. All traditional handicraft villages will have centralized or decentralized wastewater treatment facilities. By 2050, all urban cities class IV and above will have storm water discharging systems as well as wastewater treatment systems. The Government will give priority in using ODA funds to developing urban water drainage systems, especially in major cities and in areas that are prone to natural calamity. The Government also encourages funding from both domestic and foreign individuals and institutions in developing water drainage and wastewater treatment systems.

Class I cities: population > 3 million.
Class II cities: populations between 1 million - 3 million.
Class III cities: population < 1 million.
Class IV & V cities: considered as small provinces, cities, and towns.

Municipal Waste Water

According to the Hanoi Drainage Company, the city discharges 450,000 to 510,000 cubic meters of wastewater per day into lakes and rivers. Over 90% of the city's wastewater is discharged directly into lakes and rivers without treatment, making these watercourses seriously polluted. Currently, Hanoi has only one wastewater treatment

plant (Bac Thang Long - Van Tri) and two small wastewater treatment units (Kim Lien and Truc Bach).

Ho Chi Minh City discharges 1.2 million cubic meter of wastewater per day. Similar to Hanoi, the City's wastewater is mainly discharged into rivers. In 2008, a wastewater treatment plant with capacity of 141,000 cubic meters per day (phase 1) and one with 500,000 cubic meters per day (phase 2) was built in Binh Chanh district, and became operational in 2009. According to HCMC's 2020 master plan for wastewater drainage, which was approved by the Prime Minister, the City will need an additional eight wastewater treatment plants of similar size with total investment of up to $4 billion to resolve its wastewater drainage problem. These projects are under the management of the HCMC Steering Center for Urban Flood Control. (http://ttcn.hochiminhcity.gov.vn/web/guest/gioi-thieu1)

In the Prime Minister's Decision No. 1336 of September 2008 on the development of the drainage system and wastewater treatment for economic development zones, total investment requirement for implementation, excluding resettlement cost, was estimated at $3.4 billion. In the decision, the Prime Minister made it mandatory for new urban residential areas and industrial parks to plan and construct separate drainage systems for storm water and wastewater. Municipal and industrial wastewaters are further required to be pre-treated to ensure compliance with environmental standards before being discharged into the city's drainage systems. In this regard, the Government encourages cost-effective and environmental friendly wastewater treatment technologies.

Industrial Waste Water

Pollution violations by industrial manufacturers have drawn much media, government and public attention in recent past. Public interest groups have begun to highlight the impact of polluting manufacturers on the environment and economy. Violating manufacturers are beginning to feel the negative impacts of boycotts by their associates and customers. Polluting companies have also had some difficulty in accessing bank funds, as more banks are adjusting their policies to avoid lending to clients on the environment black list. Highly visible cases have been discussed at National Assembly meetings since Q4 2008. These recent developments have triggered an intensification of monitoring and inspection of industrial environmental pollution.

Industrial parks (IPs) represent an attractive market for wastewater treatment plants since the government is pushing industries harder on environmental compliance. There are many centralized wastewater treatment facilities under construction or were put into operation in industrial parks including the Vinh Loc IP, Tan Binh IP, and High-Tech Park in the south, and the Pho Noi IP in the north. For instance, a wastewater treatment plant with a capacity of 5,000 cubic meters per day in High-Tech Park was put into operation on September 10, 2009; another wastewater treatment plant with a capacity of 10,000 cubic meters per day is under construction in Long Giang IP in Long An province.

Solid Waste

According to the Ministry of Construction, Vietnam's waste amounted to approximately 29 million metric tons in 2008, with municipal waste from households, restaurants, markets, and businesses sources accounting for over 80 percent of the total. Given a growing population, rapid urbanization and increased consumption, municipal waste is expanding considerably. With this growth, it is anticipated that waste generation will increase to 36 million metric tons by 2015, 47 million metric tons by 2020, and 54 million metric tons by 2025, and that the types of waste produced will continue to undergo a change from more degradable to less degradable and more hazardous.

For the most part, municipal waste is concentrated in urban areas, while industrial waste is concentrated in economic zones, industrial parks, and urban areas. Growth in hazardous-waste-intensive industries such as chemical products and electronic products is expected to increase the proportion of hazardous waste in Vietnam. There is an urgent need to establish industrial hazardous waste management systems, including factory-based handling, treatment, and disposal systems, and centralized hazardous waste treatment facilities. Hazardous waste from industries and hazardous healthcare waste from hospitals, while much smaller in terms of quantities, are also burning issues because they pose high health and environmental risks if not properly handled and disposed.

Hazardous healthcare waste is increasing more rapidly as a result of the adoption of new medical techniques, greater use of disposable medical equipment such as plastic syringes, and an increase in tests, therapies, and operations undertaken.

Waste handling in Vietnam, including collection, treatment and disposal is mainly carried out by Public Urban Environment Companies (URENCOs), which are responsible for the collection and disposal of municipal waste, including domestic, institutional, and in most cases also industrial and healthcare waste. Although there have been significant improvements by URENCOs in handling waste, most of the municipal waste in Vietnam is not safely disposed of. The dominant form of disposal of municipal waste remains open dumping. In many areas, self-disposal methods – such as burning or burying waste, or dumping in rivers, canals, and open fields – is common. Out of the 91 disposal sites in the country, only 17 are sanitary landfills.

Hazardous waste handling remains weak. Industrial hazardous waste treatment systems are largely inadequate. Given the lack of treatment facilities and limited incentives for safe disposal, many industries use a variety of unsafe methods of treatment and disposal, including allowing URENCOs to collect and dispose the hazardous waste with municipal waste, store hazardous waste onsite, sell to recyclers, or even dump indiscriminately.

Hazardous healthcare waste treatment capacity is expanding but is hindered by poor technical capacity. Vietnam has built 43 modern medical waste incinerators since 1997, bringing its total capacity for incineration of hazardous healthcare waste up by roughly 50 percent.

The composition of Vietnamese waste makes composting potentially attractive. The high proportion of organic matter in municipal waste provides great potential for composting, which can reduce disposal costs while producing a marketable soil conditioner for agricultural and public uses. Given the strong market for composting fertilizers once source separation becomes successful, the effectiveness of centralized composting facilities could increase considerably.

The government strongly encourages private sector participation in solid waste collection, separation, transportation and treatment. Polluters Pay is compulsory by regulation. Entities generating solid waste are responsible for waste collection, transportation and treatment fees. Regulation also requires that waste be separated at the sources of generation. In order to minimize burying waste, the government recommends new technologies to treat less degradable waste.

Over the past decade, commendable efforts have been made to develop a policy and legal framework for environmental protection, particularly for the management and disposal of waste streams, specifically the Strategy for the Management of Solid Waste (SWM) in Vietnam Cities and Industrial Parks (1999), the National Strategy for Environmental Protection (2003), the government's Decree 59/2007/ND-CP on Solid Waste Management (2007), and the recently approved by Prime Minister 'National Strategy for solid waste management until 2025, with a vision toward 2050'. The Prime Minister also endorsed the list of ten specific programs to implement this National Strategy.

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Funding for water supply and wastewater projects comes from various sources within the state budget, as well as ODA (Official Development Assistance) loans and grants. ODA financing plays a key role, with major donors being the World Bank, the Asia Development Bank and bilateral contributors such as Japan, France, Denmark, the Netherlands, Finland, Germany, and Australia. The World Bank (WB) leads the group of multilateral donors with a commitment of US$2.5 billion for Vietnam in 2010, and US$2.6 billion in 2011. The Asian Development Bank (ADB) has committed US$1.5 billion in 2010 and US$1.5 billion in 2011. Whether funded multilaterally or bilaterally, projects funded by ODA offer numerous opportunities for foreign equipment suppliers, and engineering and consulting firms.

Local production of environmental equipment does not meet market demand, especially the requirements of ODA-funded projects. Technical conditions/requirements governing many ODA projects dictate that many materials must be imported. For instance, equipment for water supply (water meters, valves, pumps, motors, water treatment chemicals, water filtration systems, water control and monitoring equipment, etc.) and most wastewater treatment equipment must be imported. Equipment packages over $500,000 are typically procured through international competitive bidding. Among imports, U.S. products and technologies are highly regarded for their high quality.

In addition to municipal and donor-funded projects, market demand is also being driven by certain industrial users. Industrial parks represent an attractive market for wastewater treatment systems, because Vietnam has to import nearly all of the key components of these systems.

The market for water and wastewater treatment services centers on consultant contracts for ODA funded projects.

Web Resources

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Information relating to environmental projects can be found on the following sites:

World Bank
www.worldbank.org

Asian Development Bank
www.adb.org

Ministry of Natural Resources and Environment (MONRE)
www.monre.gov.vn

Vietnam Environment Administration
www.nea.gov.vn

Further information can be obtained from the U.S. Commercial Service in Ho Chi Minh City and Hanoi via the following addresses and website:

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Medical Equipment

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	2009 (actual)	2010 (actual)	2011 (estimated)
Total Market Size	62	66	70
Total Local Production	5	6	6
Total Exports	0	0	0
Total Imports	57	60	64
Imports from the U.S.	26.8	34.7	36

The above statistics are in $ million and are unofficial estimates.

Vietnam represents a potentially large healthcare, medical equipment and device market. Identified as one of the national development priorities, the Vietnamese public healthcare sector has received increasing government budget allocations as well as interest from the private sector. Multi-lateral Development Banks such as the World Bank are also providing much-needed financing and technical assistance to expand healthcare capacity in Vietnam.

Vietnam presently has more than 13,400 hospitals and health clinics, including more than 1,000 public facilities. However, according to former Minister of Health, Nguyen Quoc Trieu, around 30,000 Vietnamese people go abroad for better check-ups and treatment each year, spending more than US$1 billion every year.

On one hand, the Vietnam Ministry of Health (MOH) points to the considerable progress that Vietnam has made in developing preventive medicine and treatment over the last ten years. On the other hand, they also acknowledge that many public hospitals face the following challenges:

1. Many hospitals in large cities were constructed long ago and face chronic overcrowding. Hospitals in major cities often do not have the capacity to serve both local patients and those from other provinces.
2. Much of the existing medical equipment in public hospitals in Vietnam is out-dated and needing replacement. Many hospitals lack sufficient equipment for surgery and intensive care units. According the MOH, more than 70 percent of hospitals lack a CT scanner. 35 percent of the equipment has been used for more than 20 years, and nearly 40 percent of the equipment been used from 10 to 20 years.
3. Vietnamese public hospitals rely largely on State budget to upgrade their facilities, equipment and services. The total budget for the health sector has increased, but it is still too low to meet the demands in the system. As State-owned facilities, public hospitals only charge patients subsidized fees that represent only a portion of operation costs.

4. A shortage of qualified medical staff is common in many hospitals. Doctors and nurses work under stressful conditions and wages are relatively low.

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The Vietnamese healthcare system needs a wide variety of medical equipment for such areas as cardiovascular, liver cancer, diabetes, and orthopedics. The best sales prospects for this market include imaging diagnostic equipment (i.e., X-ray machines, CT Scanners, Color Ultrasound machines, Magnetic Resonance Imaging machines), operating theaters and sterilizing equipment, patient monitoring equipment and emergency equipment.

Domestic production of medical hardware is still in early stages and manufacturers are small in number and size. They tend to produce products such as hospital beds, scalpels, cabinets, scissors, and disposable supplies. They also tend to offer limited or no warranty or after-sales services, especially in isolated areas.

The market relies almost exclusively on imports. Top foreign suppliers of high-end medical equipment to Vietnam include Germany, Japan and the United States. Vietnam also imports medical equipment from France, Italy, Korea, Taiwan, and China.

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Buyers of medical equipment can be grouped into four categories:

1. Government-funded hospitals, clinics, and healthcare centers that purchase the largest quantity of medical equipment and play a key role in the healthcare system. With financial allocations from the Government, they tend to look for advanced and brand name equipment.
2. Wholly foreign-owned and joint-venture hospitals, clinics, and healthcare centers are significant buyers, although they often procure directly from their sponsoring or affiliated country.
3. Local private hospitals, including those with foreign partners, have emerged in the last few years as the private sector looks to address local needs. Private hospitals and clinics tend to be small, although a number of larger projects are being developed.
4. A number of medical education and research institutions are open to experimenting with new, innovative methods and systems. These end-users present an excellent strategic opportunity to develop partnerships, given their desire to explore new technologies.

Although US-made equipment enjoys a reputation for high quality and reliability, challenges to US sellers to date have included price and the need to develop flexible marketing and distribution strategies encompassing training and after-sales services.

The Vietnamese government encourages import of medical equipment because local production cannot meet demands of the healthcare system. Imported medical equipment

faces low import duties and no quota restrictions. However, medical devices are subject to regulation and licensing requirements set by the Ministry of Health. By regulation, only companies with a legal business entity registered in Vietnam and that have an import license are eligible to distribute medical equipment in Vietnam. To fulfill this requirement, foreign suppliers often sell their products through local distributors or agents. Good representatives provide immediate access to an established marketing network and in-depth knowledge of pertinent regulations.

Buyers and end-users expect a local representative to handle after-sales service and stock spare parts. For those firms that do not establish their own legal entity in Vietnam, it is essential that U.S. companies seeking to export medical equipment to Vietnam have a local partner with strong technical skills and good relationships with MOH, hospitals and other healthcare facilities. CS Vietnam can help introduce U.S. companies to potential partners and distributors in Vietnam.

Most imports of used and refurbished medical equipment are strictly controlled by the MOH. Decision 2019/1997/QD-BKHCNMT dated December 1, 1997, stipulates that the Ministry of Science, Technology, and Environment (MOSTE) must inspect and certify all imports of used medical equipment. Such used medical equipment must retain at least 80 percent of its life expectancy and must have fuel or electricity consumption ratings that do not exceed 110 percent of the consumption of newer versions of the equipment. Because of the restriction, local companies are generally not willing to deal with foreign suppliers of used and refurbished equipment. In practical terms, MOH accepts used equipment for donation purposes only.

The Government of Vietnam has approved a national master plan to develop the healthcare network for the years up to 2020. These cover public health/preventative medicine and primary care systems as well as medicine manufacture and supply. According to this plan, by 2020, 25 hospital beds and at least eight physicians and two pharmacists should be available for every 10,000 people.

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U.S. suppliers of medical equipment interested to export to the Vietnamese market are encouraged to attend the following trade shows:

1. Pharmed & Healthcare Vietnam 2011 in Sept in Ho Chi Minh City (http://pharmed.com.vn);
2. Vietnam Medi-Pharm Expo 2011 In May in Hanoi and Dec 2011 in Ho Chi Minh City (http://www.medipharmvietnam.com)

Vietnam's healthcare useful information is available at the following websites:

Vietnam's Ministry of Health: www.moh.gov.vn
The World Bank: www.worldbank.org.vn
The ADB: http://www.adb.org/VietNam/projects.asp

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Safety and Security

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Safety and Security Equipment (not including defense)	2009	2010	2011 (estimated)
Total Market Size	117	121	145.2
• Safety equipment (60%)	70.2	75	90
• Security equipment (40%)	46.8	46	55.2
Total Local Production	6.5	6.9	8.2
Total Exports	0	0	0
Total Imports	110.5	118.2	141.8
Imports from the U.S.	33	35.3	42.3
• Import of security products	17	18.2	21.8

The above statistics are in $ millions and are unofficial estimates.

Safety and security equipment is a growing market in Vietnam with good sales potential for U.S companies in the medium and long-term future. The demand is largely tied to the development of foreign-invested construction and property projects as well as a growing interest by the government in safety standards. In addition to the state budget, the Government has relied on substantial assistance from outside sources, particularly Official Development Assistance (ODA), to improve and upgrade the country's infrastructure systems. ODA-funded projects also help initiate safety and security upgrades in many government dominated sectors such as banking, maritime, power, oil and gas, and transport. According to experts, safety and security equipment in Vietnam market will grow rapidly in upcoming years. It is expected to increase from 20% - 200% with predominant selling of CCTV. The market assessment was given out basing on the strong investment for infrastructure construction such as Metro systems in Hanoi and HCMC, high ways, airports, seaports, banks, intelligent buildings, complex buildings that require a huge demand of purchasing safety security and fire fighting equipment.

Security equipment import duties range from 0 percent - 40 percent, depending on the components and the manner in which the components and systems are imported into Vietnam. Building-related equipment and systems paid for with foreign investors' capital contributions may be imported duty free.

The private security services market is another growing sector in Vietnam. These services include providing security consulting and equipment, residential and building guards, bodyguards, and lifeguard monitoring. In Vietnam today there are hundreds of companies registered to provide security services. According to the Decree 14/2001/ND-CP, only local companies with police approval can be licensed to enter the security services business. Furthermore, private investigator services are not permitted under the law. Importation of certain kinds of security equipment that service police operations must be approved by the Ministry of Public Security. U.S. exporters must also comply with any applicable export control regulations.

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The installation of safety and security systems usually accounts for 5 to 8 percent of the total investment in construction works or project development. This rate is higher in large projects where safety and security issues are critical during operation such as power plants, oil & gas complexes, and heavy industries. Given the current significant construction and development in Vietnam, across a variety of sectors, there is significant sales potential for access control security (i.e. anti-theft/burglary, and anti-intrusion monitoring systems, entry control and surveillance systems) and specialized fire fighting systems (foam, CO_2 and inert gas suppression systems, gas detection systems)

Further, U.S. suppliers will find increasing opportunities to provide systems to the rapidly growing number of high rise buildings in Vietnam such as: sprinkler systems, sensors, hose/reels, emergency illumination systems, and break-glass alarms. U.S. companies have also been successful in supplying control panels, fire extinguishers, hydrants, and pumps to oil and gas operations, as well as to several power plants and airport projects in Vietnam.

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More than 95 percent of Vietnam's security safety equipment/systems are imported since domestic equipment production by local companies is limited. Local manufacturers currently produce only low-end items such as locks, safes, safety gloves and ropes.

Competition in this sector is intense. Major suppliers include:

Country / Region	Security	Fire & Safety
Japan	33%	5%
European	30%	30%
U.S.	8%	40%
Asian (not including Japan)	27%	25%
Other	2%	0%

In general, U.S. safety and security equipment is highly regarded in the Vietnamese market. However, brand name and high-standard U.S. products are more expensive than those from other countries, which impacts sales volume in this market. Due to good reputation and known quality, many agents and distributors in Vietnam are still eager to represent U.S. companies and products. They are especially interested in U.S. suppliers of automated security systems, such as advanced CCTV systems, integrated security systems, electronic card access control systems, smart card technology and intruder detection equipment.

Trade Events

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Secutech Vietnam 2011
www.secutechvietnam.com
August 24-26, 2011
Hall A1, Saigon Exhibition & Convention Center (SECC)

799 Nguyen Van Linh Street, District 1
Ho Chi Minh City, Vietnam

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Education and Training

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Educational exchange is a cornerstone of the U.S. bilateral relationship with Vietnam and a top prospect opportunity for U.S. universities and educational institutions. The U.S. Mission in Vietnam has strongly emphasized the importance of education, and quickly realized the goal set in 2008 of doubling the number of Vietnamese students studying in the U.S. Surveys repeatedly show that Vietnamese residents recognize that U.S. schools provide the highest quality education. With an average year-on-year growth rate of 30% over the past 5 academic years, Vietnam currently ranks 9th among countries sending students to the U.S. for higher education.

A significant increase in per-capita income in the past ten years, the robust expansion of both the manufacturing and service sectors, and the value Vietnamese traditionally place on education are creating substantial opportunities for education and training services providers.

Improving domestic education is a top priority in various Vietnamese Government plans and initiatives, which include ambitious quantitative and qualitative goals, such as a 10 percent annual increase in university enrollment and developing a higher education system more in line with regional and global standards. To this end, recently the Vietnamese Government has increased budget allocations, liberalized private sector involvement, and encouraged foreign participation in developing education and training services in Vietnam. However, many observers find the reform process to be slow, and domestic higher education falls far short of meeting demand.

While Vietnam's per capita GDP is growing, the median income in 2010 was $1,052. While incomes are substantially higher in the large cities of Ho Chi Minh City and Hanoi, the majority of Vietnamese families cannot afford the costs associated with an overseas education. Tuition expenses, cost of living, financial aid and scholarship assistance are therefore major considerations for students.

In the last few years, a number of U.S.-affiliated companies offering unaccredited programs have created a firestorm of criticism about “diploma mills” and “rogue providers” of education in Vietnam. U.S. schools should provide clear information about their accreditation when recruiting in Vietnam.

Competitors in Asia (including Singapore and Australia) promote close proximity, affordability, and often the possibility of post-graduation employment. Competing school programs from the U.K. and Canada have been very active in Vietnam, and have developed significant reputations and brand recognition.

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Areas of study that are top choices for Vietnamese students include ***business management, finance, engineering, science and technology, IT, and health care programs*****.** In addition, a number of opportunities exist that target the specific needs of

the Vietnamese market:

ESL and English Preparatory Programs
As Vietnam transitions to an open market economy, English skills are becoming essential for many job seekers. Schools that offer ESL and English preparatory programs are attractive choices for students who need to develop these skills before starting their college programs.

Technical and Vocational Training
Vietnam has a growing demand for skilled workers and production technicians as industrial sectors become a key provider of employment. According to the ministry of education (MOET), the country needs 10,000-15,000 skilled workers trained each year in the service and industrial fields. Training facilities in Vietnam cannot satisfy this demand effectively which presents a chance for American schools to provide much needed professional training.

Community Colleges
Community colleges offer financial and academic accessibility, serve as a bridge for Vietnamese students to acclimate to English, American culture and the U.S. education system, as well as a transition to four-year universities. Vietnam is 3rd in the world for sending students to U.S. community colleges.

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Vietnam's economy has seen robust economic growth for the last decade, and Vietnam has ambitious plans to attract foreign investment, create new industries and put in the necessary infrastructure to continue economic development. With more than fifty percent of Vietnam's population under the age of 30, developing a well-trained labor force is a crucial. Education and training are top priorities for the Vietnamese government, which has ambitious plans to equip the labor force with scientific, technological, and management skills. As new industries expand, a university degree is increasingly essential for young Vietnamese workers searching for higher paying jobs in newly emerging industries.

The government has acknowledged that the current education system is unable to meet demand. According to a survey conducted by the Vietnamese government, the World Health Organization, and UNICEF, 90 percent of students in Vietnam want to enroll in a university. In practice, however, opportunities for higher education are limited since the system can accommodate only a fraction of those seeking admission. Last year, Vietnamese universities had room for only 400,000 of the 1.2 million candidates who took university entrance exams, and demand to take the exam continues to rise. The quality of education in Vietnam is also a concern. Although the number of university students has doubled since 1990, the number of teachers remains virtually unchanged.

Key Data (from IIE Open Doors 2010 Report and USG sources)

- Presently there are 13,112 Vietnamese students studying in higher education institutions in the U.S.
- With an average year-on-year growth rate of 30% over the past 5 academic years, Vietnam currently ranks 9th among countries sending students to the U.S. for higher education.

- Vietnam ranks 3rd among international students attending community colleges (2-year associate's degree programs) in the U.S.
- Over half of the Vietnamese students studying in the US are located in Texas, Washington, and California
- The U.S. is the world's second leading English-speaking host of Vietnamese students behind Australia.

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Information about studying in the USA is available at the Education USA website, representing a global network of more than 400 advisory centers supported by the Bureau of Educational and Cultural Affairs at the U.S. Department of State.
http://educationusa.state.gov/

Institute of International Education
http://iievn.org

American Chamber of Commerce in Vietnam
http://www.amchamvietnam.com/

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Franchising

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The franchising model is popular and well-suited to a developing economy like Vietnam. Rising incomes and an emerging middle class are generating growth in consumer-driven sectors. There is considerable demand for lifestyle-oriented products and services, as well as growing interest in western-style food and beverage concepts.

Franchising first took hold in Vietnam in the 1990's with the appearance of well-known foreign fast food chains like KFC, Lotteria, and Jollibee. With the passage of several franchise laws and decrees, franchising businesses have become more widespread in recent years, with a number of foreign and domestic franchise brands operating in the market. And while Vietnam's entry into the World Trade Organization in 2007 heralded the opening of the retail sector to foreign investment, the slow and bureaucratic approval process for retail licenses has made franchising an attractive alternative to market entry.

The market is still relatively small and competition is heating up as more brands enter the market. However, growth prospects are bright as local investors become more familiar with franchising and are increasingly exposed to successful franchise concepts. This is especially true in the urban centers of Hanoi and Ho Chi Minh City, where incomes are significantly higher than the national average. The franchise sector in Vietnam is poised for continued growth not only in traditional sectors of fast food but also in other such sector as retail, education, entertainment, health care, and lifestyle-oriented businesses.

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The market is open for foreign franchisors in various sectors, such as retail, fast food restaurants, fashion, convenience stores, and education. At present there are approximately 70 international franchising systems operating in Vietnam and consumer awareness of American food and beverage franchise brands is quite strong. Food and Beverage brands are by far the most prevalent, with the following key franchises already in the market: Jollibee, Lotteria, Bread Talk, Carl's Jr, Pizza Hut, Hard Rock Café, Domino's Pizza, Coffee Bean and Tea Leaf, Popeye's Chicken, Illy Café, and Gloria Jeans Coffee.

In general, American brands enjoy a reputation for quality. Best prospects for American franchisors include: fast food, quick service restaurants, business services, health and nutrition, education services, health care, children's services, cleaning and sanitation, hospitality, beauty and skincare, entertainment, and convenience stores.

Several Vietnamese businesses have joined the trend toward franchising, such as Trung Nguyen Coffee, Pho 24, Kinh Do Bakery, AQ Silk, Shop and Go, and Coffee24Seven. Highland's Coffee is one of the most visible franchise concepts, especially in Ho Chi Minh City. A number of local restaurant chains have successfully franchised their

winning formulas throughout the country and in overseas markets as well, such as Pho 24 and Trung Nguyen Café.

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There are several factors that will contribute to the growth of foreign franchises in Vietnam and that have attracted foreign franchisors to expand into this market, including:

- Per capita GDP and per capita incomes are on the rise, and incomes in the urban areas (such as Ho Chi Minh City, Hanoi, Da Nang and Can Tho) have seen significant growth.
- An emerging middle-class – with disposable income – is driving demand for high-quality food and beverages, education, entertainment and lifestyle oriented products and services.
- High-end, well-known "premium" brands are in demand. Vietnamese consumers often associate Western brands with quality, life-style, and reliability.

Consumer patterns vary throughout the country: between urban and rural areas, and especially between the regions of Hanoi and the north, Danang and the Central Coast, and Ho Chi Minh City and the Mekong Delta region in the south.

While retail development in Ho Chi Minh City and Hanoi is growing, finding suitable and affordable real estate remains a challenge for retail franchise outlets.

To be successful in Vietnam, new-to-market franchisors should consider the following suggestions:

- One of the biggest challenges is identifying and conducting due diligence on partners to determine suitability and financial viability. Many local companies may not have a full understanding of brand value and/or legal regulations relating to franchising. Establishing good communication, setting clear expectations and achieving mutual understanding should not be taken for granted. U.S. franchisors are advised to work with the U.S. Commercial Service in Vietnam to identify potential partners and to conduct basic due diligence.
- U.S. franchisors should register their intellectual property rights and be prepared to take legal action against IP violators. Also, register your URL's and related websites in Vietnam.
- Franchisors should exercise care in preparing franchising contracts to avoid problems down the road. It is advised to work with a law firm when developing the contract and appropriately register the franchise business.
- Understand cultural differences and adjust market access strategies accordingly. U.S. franchisors should consider adapting to local culture, habits, and tastes to guarantee success in the market.
- Do your research when setting price of the product and the franchising fees to achieve rapid expansion. Local investors are only now becoming familiar with the franchising concept and may be reluctant to make too large an initial investment. Some franchisors opt to make direct investments in their first store in order to prove the concept and generate future franchise sales.

- Seek qualified legal advice to ensure compliance with Vietnamese franchise laws, properly structure contracts and navigate local licensing requirements.

Trade shows and events

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1. Franchising Webinar U.S. franchising companies are encouraged to participate in the upcoming webinar on the Vietnam franchise market hosted by the U.S. Commercial Service in Vietnam on March 26, 2011.

2. International Franchise Expo in D.C. The U.S. Commercial Service will organize a Vietnamese business delegation to visit the International Franchise Expo hosted in Washington D.C. on April 1-3, 2011.

3. Vietnam International Shop and Franchise Show 2011 To showcase your concepts to potential investors in Vietnam, consider taking part in this fair 2011 on November 3rd - 5th, 2011 at the Saigon Exhibition & Convention Centre in Ho Chi Minh City.

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Plastic Materials, Equipment and Machinery

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Plastic Material Market (in million US$)

	2009	2010	2011 (estimated)
Total Market Size	3065	3502	4062
Total Local Production	385	420	518
Total Exports	0	126	155
Total Imports	2680	3082	3544
Imports from the U.S.	134	154	177

Plastic Equipment and Machinery Market (in million US$)

	2009	2010	2011 (estimated)
Total Market Size	398	418	439
Total Local Production	16	17	19
Total Exports	0	0	0
Total Imports	382	401	420
Imports from the U.S.	9.5	10	11

(Note: Unofficial estimates/source: Vietnam Plastics Association and industry contacts)

The plastic product manufacturing industry is one of the fastest growing industries in Vietnam, sustaining an average growth rate of 15 to 20 percent annually during the last ten years. This robust growth is driven by significant increases in both domestic consumption and exports. Plastic consumption per capita grew sharply from 12 kg per year in 2000 to 40 kg per year in 2010 and Vietnamese plastic exports rose dramatically from US$200 million in 2000 to US$1 billion in 2010.

The country produces a broad array of plastic products including packaging products, house wares, construction materials, electronic and electrical components, motorbike and automotive parts, and components for the telecommunications and transportation industries. To date, Vietnam has exported its plastic products, mostly plastic packaging items, to 41 nations and territories in the world and records an average export growth rate of 21 percent per year.

Vietnam is a net importer of plastic materials and machinery needed for its rapidly-growing plastic industry. The country imports approximately 90 percent of input materials, mostly from Taiwan, Korea, Thailand, and Singapore. In addition, Vietnam imports roughly 96 percent of the equipment and machinery, mostly from Taiwan, China, Korea, and Japan.

Best Prospects and Opportunities

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Driven by the urgent need to upgrade its manufacturing technologies and diversify products to increase its plastic products' competitiveness, Vietnam is importing more advanced plastic manufacturing equipment and machines as well as high-quality plastic

materials. This trend offers good sales prospects for U.S. manufacturers and suppliers of plastic machinery and materials.

Furthermore, Vietnam's development strategy includes fostering more value-added up-stream and down-stream industrial capacity. This includes the development of 3 large petrochemical refineries as well as the construction of factories to produce plastic materials, semi-finished products, chemicals, additives and molds, which present opportunities for the U.S. suppliers of plastic manufacturing equipment, machines and mold-making technology. In addition, the country's plan to build a number of plastic waste recycling facilities presents good sales opportunities for the U.S. suppliers of related equipment and machines.

Meanwhile, the country's concentration on producing hi-tech and for-export plastic products presents great market opportunities for U.S. suppliers of high-quality plastic input materials.

On top of these best prospect sub-sectors for U.S. suppliers, there is interest in plastic scrap and second-hand but well-functioning plastic manufacturing equipment and machines. However, at present, the importation of plastic scrap and second-hand plastic manufacturing equipment and machines are subject to fairly rigorous regulations. Details on the regulatory issues related to the importation of these items are available from the U.S. Commercial Service in Vietnam.

Plastic industry analysts estimate that imports of plastic materials and machinery from the United States account for a modest share of 5 percent and 2.5 percent respectively of Vietnam's total imports. However, U.S. suppliers, thanks to a reputation in Vietnam for high quality products, advanced technologies and professionalism, possess good potential to increase their market presence in Vietnam.

Trade Events

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1. **Vietnam Plas 2011,** 19-22 April 2011, Hanoi, Vietnam
   http://www.vietnamplas.com/hanoi/

2. **China Plas 2011,** 17-20 May 2011, Guangzhou, China,
   http://www.chinaplasonline.com/

3. **Vietnam Plas 2011,** 21-24 September 2011**,** Ho Chi Minh City, Vietnam
   http://www.vietnamplas.com/hcm/

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U.S. Commercial Service in Vietnam: http://www.buyusa.gov/vietnam

Vietnam Plastics Association: http://www.vpas.vn

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Architecture, Construction and Engineering

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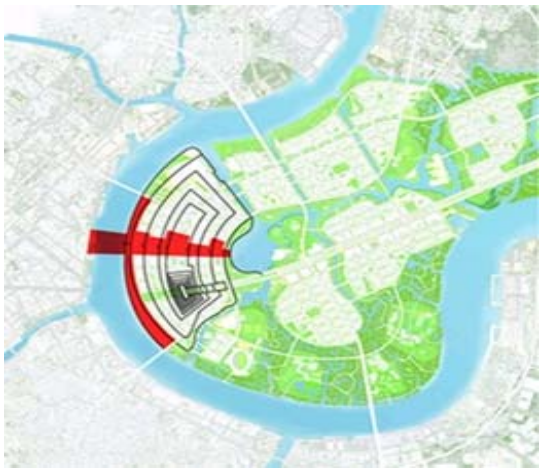

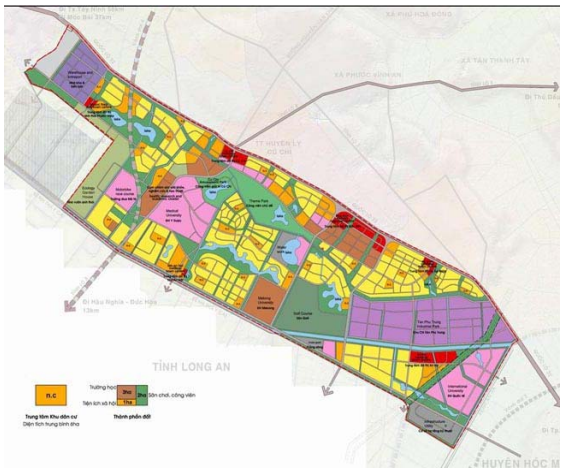

Vietnam Ministry of Planning and Investment estimates that Vietnam needs to invest $200 billion for infrastructure development through 2020. Private investment funds, Multilateral Development Banks such as the World Bank and Asian Development Bank, and Overseas Development Assistance by foreign countries such as Japan have spurred investment in infrastructure but financing continues to be a major challenge.

Business Monitor International (BMI) notes that infrastructure will make up an average of 48 percent of total construction industry value each year between 2009 and 2014 in Vietnam. This is above the global average of 36.4 percent, an indication that investments in infrastructure in Vietnam will continue to dominate the construction sector. The Ministry of Construction reported that in 2010, the total construction value grew 23.1 percent to $27.2 Billion, in which the value from the FDI sector was $750 Million, an increase of 22.7 percent.

As Vietnam makes headway in tackling its massive infrastructure development needs, the country is seeking ways to raise funds from other sources for transport, energy and water infrastructure projects. In January 2010, the Government issued Decree 108 to help facilitate infrastructure construction contracts using Build-Operate-Transfer (BOT), Build-Transfer (BT) and Build-Transfer-Operate (BTO) models. The Government also wants to gain experience from foreign partners to build a legal framework for the public-private partnership (PPP) projects. In November 2010, the Prime Minister issued Decision 71 on “Promulgating the Regulation on Pilot Investment in Public-Private Partnership Form” that came into effect in January 2011. And a recent forecast by US-based Association of Foreign Investors in Real Estate projects Vietnam among the top 5 emerging markets in 2011.

The country is also positioning itself to attract foreign investors, expand industrial manufacturing, stimulate domestic consumption and foster new industries such as tourism, retail and services. As a result, foreign and domestic real estate developers

have responded by making large investments in a wide range of projects throughout the country including commercial/office space, hotels, mixed-use/retail, coastal resorts and housing. Foreign direct investment in the real estate sector was estimated at $6.8 billion for 2010 or 37 percent of total FDI.

In the larger cities like Hanoi, Ho Chi Minh City and Danang, there is a greater interest among developers to utilize international architecture services, imported construction materials, high-end building technologies and construction management as developers look to differentiate themselves among a growing field of competition.

An internal credit boom followed by steep inflation in 2007/08, combined with the financial crisis in 2008/09 has contributed to a start-stop tendency for a number of development projects in Vietnam. While investment dollars have started pouring back into the country, determining which projects are viable and conducting due diligence on potential projects is both challenging and time-consuming.

Best Prospects/Services

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The markets for architecture, construction, and engineering (ACE) services have emerged as concentrated and lucrative business opportunities in Vietnam. Competition is intense, and many international architects and construction services companies are active in the market. However, American products and services can compete, owing to expertise and reputation for quality among U.S. suppliers, and the increasing demand among developers for new, innovative technologies and services.

Architecture services, concept design, construction management, project management, and new building technologies represent the best opportunities for U.S. firms. Specific prospects include high-end hotels and resorts, high-rise office towers, and mixed-use projects, many of which are foreign invested and require high-quality design and construction. Awareness of sustainable and “green” buildings is just beginning to emerge, and suppliers in this area will need to educate project owners on the benefits of green technologies. Other key areas include:

- Landscape architecture, water features and swimming pools
- Hotel and restaurant interiors
- Town planning/master planning
- Use of High-end architectural interior products and designs
    - Decorative surfaces & finishes
    - Distortion-free glass
    - Hardwood floors and architectural features
    - Fire safety, Illumination and alarm systems

Opportunities

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Despite the global financial crisis and the ups and downs of Vietnam’s real estate market in 2008 and 2009, many new projects, big in scale and investment, were launched in major localities, especially in Hanoi and Danang. A number of apartment, office, shopping centre and golf course projects invested by VinaCapital, Indochina Capital, Bitexco, Vincom JSC and other giants kept the market active and attracted the participation of foreign investors.

New Towns: Vietnam is developing a number of “new towns” as satellites of major metropolitan or industrial areas. These master-planned developments often call for investments in industrial parks, commercial areas, residential housing, hospitals, schools, retail, etc. Major new town developments in the South are centered around Ho Chi Minh City and provinces of Dong Nai, Binh Duong, and Ba Ria – Vung Tau. In August 2008, the Government decided to expand Hanoi to include neighboring Ha Tay province and part of Hoa Binh and Vinh Phuc provinces, which tripled Hanoi’s area and doubled its population to 6.2 million. This expansion will result in all government offices moving from downtown to the My Dinh area (west of Hanoi). This has created many major residential projects in My Dinh and Ha Dong towns (south west of Hanoi). There are also major projects being developed in the east and northeast of Hanoi alongside the Hong River on the road to Noi Bai airport and to the Hai Phong port. New towns and industrial zones have also been developing in provinces surrounding Hanoi, such as Bac Ninh, and Vinh Phuc.

Thu Thiem: This is the next chapter in Ho Chi Minh City expansion, encompassing 737 hectares of greenfield development and spurred by the development of 5 bridges and a 1.49km-long tunnel linking Thu Thiem with the downtown and other districts of the city. Plans call for massive investments in infrastructure and utilities, and a full range of new construction including: commercial/business district, retail, hotels, residential housing, schools and parks.

Hospitality/Resort Development: Vietnam is attracting a vacation-going and second-home demographic with more than 3,200 kilometers of coast-line including over one hundred beaches, beautiful and diverse landscape, and cultural heritage. Prominent areas that have been targeted for tourism development include Can Gio, Quang Nam province, Nha Trang, Binh Thuan province, Ba Ria-Vung Tau province, Phu Quoc Island, Da Nang City. While many projects are underway (including many of the top international hotel brands), there are many projects still in the planning stages. There are also a few hotel and resort projects being developed in Ha Long Bay, Bai Tu Long and Van Don in Quang Ninh province, and Do Son and Cat Ba Island in Haiphong. City planners also cite the need for accompanying airports, roads, water treatment and other tourism infrastructure as priorities.

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Ministry of Planning and Investment
www.mpi.gov.vn

Ministry of Construction
www.moc.gov.vn

HCMC Department of Urban Planning and Architecture (DUPA)
www.qhkt.hochiminhcity.gov.vn

HCMC Planning Information Center – DUPA
http://planic.org.vn/map.php?language=en

Asian Development Bank
http://www.adb.org/VietNam/

The World Bank Group
http://go.worldbank.org/KBUY9LVDY0

Vietnam Association of Architects (VAA)
http://kienviet.net

HCMC Association of Architects (HAA)
www.ktsvn.net

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Agricultural Sectors

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Overview

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Vietnam is already a significant importer of U. S. agricultural, fish, and forestry products. This trade should continue to grow as Vietnam's rapidly developing economy leads to further increases in consumption of various kinds of agricultural, fish, and forestry products. Vietnam also needs to import all or most of its domestic consumption of wheat, cotton, wood, hides and skins, and dairy products. Much of this goes into processing for re-export.

The total bilateral agricultural trade between the United States and Vietnam has grown quickly over the last six years, but the trade balance remains in Vietnam's favor. U. S. exports of agricultural, fish, and forestry products to Vietnam have grown over 520 percent over the past six years (from $239 million in 2005 to $1.49 billion in 2010), while Vietnamese agricultural exports to the USA have grown at a slightly slower rate over the last six years (from $1.08 billion in 2005 to $1.87 billion in 2010).

Total bilateral agricultural trade in 2010 between the United States and Vietnam reached a record of $3.37 billion, a year-on-year increase of nearly 36 percent.

Growth in U.S. agricultural exports to Vietnam in 2010 has occurred in all product categories – from bulk, intermediate, forest products, fishery and seafood products to consumer-oriented products. Key U.S. agricultural exports to Vietnam consist largely of manufacturing inputs such as cotton, soybeans, soybean meal, animal feed ingredients like Distiller's Dried Grains with Solubles (DDGS), hardwood logs and lumber, hides and skins, and food ingredients; and consumer-oriented agricultural products (mainly red meats, poultry meat, dairy products, fresh fruits, nuts and dried fruits, processed fruits and vegetables, and wine and beer). Consumer-oriented products took the biggest share of U.S. agricultural exports to Vietnam (about 36 percent). Although exports of most of the product categories in 2010 have increased, there were also decreases in some agricultural products, such as coarse grains (47 percent), soybean oil (76 percent), red meats (9 percent), fruit juices (19 percent), beer (46 percent); and salmon (83 percent). On the other side of the equation, the primary U.S. agricultural imports from Vietnam in

2010 were shrimp, Basa and Tra fish fillets, tuna, coffee, tree nuts (cashews), pepper, rubber, honey, and forest products.

U.S. agricultural export opportunities in Vietnam are bright. Vietnam's textile, leather, and furniture sectors continue to grow and expand; infrastructure continues to improve; and the number of supermarkets, hotels, and resort communities continue to rise. Although Vietnam is currently a net exporter of food, particularly seafood and fresh-water fish, as incomes continue to increase in this fast-growing Asian economy and per-capita arable land is low, even by Asian standards, the demand for protein, especially livestock and aquatic products, is likely to significantly increase. Increasing incomes should also lead to a more diverse diet for many Vietnamese, thus increasing demand for many foods and drinks not yet readily available or locally produced.

For the most up-to-date information, please contact FAS/Vietnam or visit our website at www.fas.usda.gov for agricultural market reports. Key reports for 2010 are the Exporter Guide; the Food and Agricultural Import Regulations and Standards; and the Retail Food Sector Report.

Cotton

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It is estimated that Vietnam sourced 135,000 tons (about 40 percent) of its total cotton imports in 2010 from the United States. Vietnam is the sixth largest importer of U.S. cotton with $253 million worth of imports.

Vietnam has a rapidly growing and vibrant textile industry, largely based on imported raw cotton or synthetic fiber. Textiles continue to be one of Vietnam's top foreign exchange earners, with an estimated $11.2 billion in exports in 2010, which is a year-on-year increase of 23 percent. Local cotton production currently meets less than 10 percent of total demand. U.S. cotton exports to Vietnam by value in 2010 increased by 53 percent. However, U.S. cotton exports in 2010 to Vietnam by quantity decreased by 4 percent over 2009.

Marketing efforts are directed by the Cotton Council's International Regional Office in Hong Kong, and U.S. technical information is provided by Cotton Incorporated's Regional Office in Singapore.

The current Vietnamese import duty for cotton lint is zero percent.

Vietnam Market / Cotton
Unit: 1,000 tons

	2008	2009	2010	2011*	2012*
Total Consumption	290	304.4	332	366	406
Total Local Production	4.0	4.4	5	6	10
Total Import	290	300	327	360	396
Total Export	0	0	0	0	0
Total Import from the U.S.	125	141	135	148	162

- (*): 2011 and 2012 data are projected based on an estimated growth rate of the textile industry of 10 percent.

- Source: Vietnam Statistic Office, Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, World Trade Atlas, and Traders Estimates.

Dairy products

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Data from Vietnam's Ministry of Agriculture and Rural Development (MARD) shows that domestic milk production grew 6.1 percent from 262,160 tons in 2008 to 278,190 tons in 2009. Local milk production is projected to continue to increase due to the growing demand for fresh milk. With the projected dairy cow herd in 2010 and the current average milk yield, dairy production in 2010 is expected to reach 316,800 tons.

Local fresh milk production

	2008	2009	2010**	2011**	2012**
Dairy cow head	107,983	115,518	98,659	NA	NA
Fresh milk production (tons)	262,160	278,190	316,800	358,400	394,200

- (**): 2011 and 2012 data are projected based on an annual estimated growth of the dairy farming sector of 10 percent.
- Source: MARD and traders estimates

Seventy eight percent of Vietnam's total annual dairy demand is imported; mainly from New Zealand, the United States, the European Union, and Australia. Currently, the best-selling U.S. dairy exports to Vietnam are non-fat dry milk, lactose, and whey, which are used in *both* the food- and feed-processing industries. The share of the domestic market made up by imported dairy products in 2009 saw non-fat dry milk at 30 percent, infant formula at 25 percent, full fat dry milk at 10 percent, whey at four percent, and lactose at three percent. Due to the sharp increase in dairy prices in 2010, Vietnamese imports of dairy products in 2010 are estimated at $706 million, a year-on-year increase of 37 percent, of which U.S. dairy products made up $157.5 million. These U.S. exports of dairy products to Vietnam in 2010 increased 177 percent over 2009.

Current import tariffs on most dairy products range from 0 percent to 10 percent.

Vietnam Market / Dairy Product Imports

Unit: $ million

	2008	2009	2010	2011*	2012*
Total Imports	450	516	706	770	850
Total Exports	NA	NA	NA	NA	NA
Total Imports from the U.S.	84.5	57.0	157.5	160	165

- (*): 2011 and 2012 data are projected.
- Source: Vietnam Statistic Office, Vietnam General Customs Department, MARD, U.S. Bureau of the Census Trade Data, World Trade Atlas, and Traders Estimates.

Soybean Meal and Soybeans

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Vietnam's imports of soybeans and soybean meal rose significantly over the last five years in response to lower tariff rates (as a result of WTO commitments) and increased demand from the food processing, livestock, and aquaculture feed sectors. Expectations

are that the demand for soybean meal (SBM) will continue to increase, particularly given that Vietnam does not yet have industrial-scale crushers to produce SBM locally. The United States is not as competitive as India and Argentina in this market segment, due mainly to cost factors.

Vietnam's imports of SBM illustrate the shortage of protein sources in the country. Despite the government's efforts, growth in oilseed production has fallen far short of fulfilling the country's protein needs. In the longer term, this should bode well for U.S. soybean exports to Vietnam. Under the current tariff structure, SBM has zero import duty, unrefined oil has a 5 percent duty, refined oil has a 15 percent duty, and soybeans enjoy a reduced tariff rate of zero percent for imports from WTO member countries. The reduced tariff rate for soybeans may make crushing plants a more attractive investment in Vietnam. In that case, soybean imports could increase considerably.

Vietnam has three deep-water ports, including Phu My-Ba Ria Serece port and the Cai Mep Interflour port – both located on the Thi Vai River of Ba Ria-Vung Tau Province (about 30 miles, but a two hour drive) from Ho Chi Minh City); and Quang Ninh port in Cai Lan, Quang Ninh Province. Unlike the ports in Ho Chi Minh City, these ports can handle big vessels (50,000+ tons). With the latest expansion in late 2010, the Cai Mep Interflour port should be capable of receiving Panamax-sized 75,000 DWT vessels, which will lower freight costs and therefore make it more competitive for U.S. commodities (wheat, soybean meal, soybean, corn (maize) to be shipped to Vietnam.

As Vietnam still has no large-scale crushing facility, most of the soybeans are used for food processing (soymilk beverages, tofu, soy flours, soy sauce, and is used for full-fat soy meal (for feed industry). Reportedly, Vietnam has two soybean crushing plant projects under construction, one in the southern Vietnam with a capacity of 3,000 tons of per day and one in northern Vietnam with a capacity of 1,000 tons per day. The two projects are expected to come online in the second or third quarters of 2011. With these crushing plants, the Vietnamese demand for soybeans will likely be much higher in the coming years.

Marketing efforts in Vietnam are supported by the American Soybean Association – International Marketing (ASA-IM) office in Hanoi.

Vietnam Market / Soybean Meal
Unit: 1,000 tons

	2008	2009	2010	2011*	2012*
Total Consumption	2,460	2,280	2,500	2,550	2,600
Total Local Production	0	0	0	50	100
Total Imports	2,460	2,280	2,500	2,500	2,500
Total Exports	0	0	0	0	0
Total Imports from the U.S.	115	220	380	480	580

- (*): 2011 and 2012 data are projected based on the operation of two crushing plant plants in the second half of 2011.
- Source: Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, World Trade Atlas, and Traders Estimates.

Vietnam Market / Soybeans

Unit: 1,000 tons

	2008	2009	2010	2011*	2012*
Total Consumption	406.6	388.9	476.9	600	725
Total Local Production	267.6	213.6	296.9	320	345
Total Imports	139.0	175.3	180	280	380
Total Exports	0	0	0	0	0
Total Imports from USA	95.2	141.2	178	250	330

- (*): 2011 and 2012 data are projected based on the operation of two crushing plant plants in the second half of 2011.
- Source: Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, World Trade Atlas, and Traders Estimates.

Corn and Corn-by products

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While the Vietnamese domestic agricultural industry is trying to increase corn production to satisfy the fast-growing feed industry, there is strong competition from imported corn, whose pricing is often more competitive. Price is one of the most important factors influencing feed manufacturers to switch from using locally produced to imported corn. In 2009 and 2010, due to both the increased demand of the local feed industry and local corn prices increasing sharply, the demand for imported corn to increased substantially. As a result, import volumes increased to 1.49 and 1.36 million tons, respectively.

Vietnam Market / Corn

Unit: 1,000 tons

	2008	2009	2010	2011*	2012 *
Total Consumption	5,140	5,861	5,969	6,500	7,150
Total Local Production	4,530	4,371	4,607	5,000	5,500
Total Imports	610	1,490	1,362	1,500	1,650
Total Exports	0	0	0	0	0
Total Imports from the U.S.	17.0	57.0	31.0	50.0	60.0

- (*): Estimated data in 2011 and 2012 are based on the annual averaged growth of the feed sector of 10 percent.
- Source: MARD, General Customs Department, U.S. Bureau of the Census Trade Data, World Trade Atlas, and Traders Estimates.

DDGS are also used by the Vietnamese feed industry to minimize manufacturing costs, and are therefore a strong competing product to locally-grown corn. Vietnam's feed industry mainly uses DDGS imported from the United States.

Vietnam Market / DDGS

Unit: 1,000 tons

	2008	2009	2010	2011*	2012*
Total Consumption	117	254	430	470	510
Total Local Production	0	0	0	0	0
Total Imports	117	254	430	470	510
Total Exports	0	0	0	0	0

Total Imports from the U.S.	117	254	431	470	510

- (*): Estimated data in 2011 and 2012 are based on the averaged growth of the feed sector of 10 percent.

Import duty for corn is 5 percent and for DDGS it is zero percent in 2011.

Marketing efforts in Vietnam are supported by the U.S. Grains Council (USGC) office in Hanoi.

Wheat

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As a result of investments in new mills, Vietnam is moving swiftly from being a wheat-flour to a wheat-grain market. Present milling capacity is estimated at 2.1 million tons per year. Compared to "wealthier" neighboring countries, per-capita wheat consumption in Vietnam is low. However, given the prospects for increasing incomes in this fast-growing economy, demand will likely increase, particularly since Vietnam does not produce wheat, but nonetheless has a strong culture of consuming bread, cakes, and other wheat products. Wheat exports from the United States ought to benefit from infrastructural improvements, such as the expansion of grain handling facilities and the new deep water ports.

Vietnamese imports of wheat in 2010 increased sharply due mainly to competitive prices for low quality wheat, which is used mainly for the feed industry.

The current import duty is 5 percent for wheat 10 percent for wheat flour in 2011.

Wheat marketing efforts are directed by the U.S. Wheat Associates' Regional Office in Singapore.

Vietnam Market / Wheat
Unit: 1,000 tons

	2008	2009	2010	2011 *	2012 *
Total Consumption	920	1,385	2,298	2,500	2,750
Total Local Production	0	0	0	0	0
Total Imports	920	1,385	2,298	2,500	2,750
Total Exports	0	0	0	0	0
Total Imports from the U.S.	58	40	58.5	65	72

- (*): Estimated data for 2011 and 2012 are based on the annual average growth of the wheat milling industry of 10 percent.
- Source: Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, World Trade Atlas, and Traders Estimates.

Forest Products

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Prospects are bright for U.S. exports of hardwoods and other forest products to Vietnam. Vietnam's furniture exports in 2010 reached $3.4 billion, a year-on-year increase of 31 percent, while U.S. exports of forest products to Vietnam in 2010 increased by 46

percent to reach a record of $156 million. Of this total, about 90 percent were hardwoods (lumber, logs and veneers).

The American Hardwood Export Council's (AHEC) regional office in Hong Kong, directs marketing efforts in Vietnam.

Current import duties for lumber, logs, and veneer are zero percent.

Vietnam Market / Forest products
Unit: $ million

	2008	2009	2010	2011*	2012*
Total Consumption	NA	NA	NA	NA	NA
Total Local Production	NA	NA	NA	NA	NA
Total Imports	1,090	980	1,100	1,210	1,321
Total Exports	0	0	0	0	0
Total Imports from the U.S.	112	106.8	156	172	190

- (**): 2011 and 2012 data are projected based on the annual average growth of the furniture sector of 10 percent.
- Source: Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, World Trade Atlas, and Traders Estimates.

Hides and Skins

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Vietnam is among the 10^{t} largest exporters of footwear products. In 2010, Vietnam's exports of footwear and other products (bags, suitcases, hats, belts) reached $5.1 billion, a year-on-year increase of 25 percent.

Vietnam will try to maintain the growth rate for the footwear sector at 10 percent over the next two years 2011-2012 (note: the annual growth rate for footwear exports in the 2002-2008 period was about 15 percent).

Recent market reforms have led to sharp increases in investment in Vietnam's leather industry, as Vietnam's low wage rates and efficient labor force make it quite competitive. There are about 25 tanneries in Vietnam, which produce over 150 million square feet of leather.

This in turn has led to steep rise in hides and skins imports in recent years.

Vietnam's imports of hides and skins in 2009 and 2010 are estimated at $250 million and $380 million, respectively. The drop in 2009 was due mainly to the recent Vietnamese government campaign to inspect all tanneries for potential harmful effects on the environment.

U.S. exports of hides and skins to Vietnam have risen from $2 million in 2002 to about $72.6 million in 2010.

The current import duty on hides and skins is zero percent.

Vietnam Market / Hides and Skin

Unit: $ million

	2008	2009	2010	2011*	2012*
Total Consumption	NA	NA	NA	NA	NA
Total Local Production	NA	NA	NA	NA	NA
Total Imports	450	250	380	420	462
Total Exports	0	0	0	0	0
Total Imports from the U.S.	69.8	26.2	72.6	80	88

- (*): 2011 and 2012 data are projected based on the annual growth of the tannery sector of 10 percent.
- Source: Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, World Trade Atlas, and Traders Estimates.

Red Meat (Mainly Beef and Pork):

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Beef**:** In November 2005, Vietnam began allowing imports of U.S. boneless beef from cattle less than 30 months old, and in August 2006, the country lifted the ban on imports of U.S. bone-in beef as part of the Vietnam-United States agreements made during negotiations for Vietnam's accession to the WTO.

Prospects for U.S. beef exports to Vietnam are excellent. Given Vietnam's limited available pastureland and tropical climate, it is unlikely that the country can develop a large enough beef industry to satisfy more than a small proportion of what is expected to be a significant increase in domestic demand for beef over the medium-to long-term. To date, sales of these products have mostly gone to high-end outlets, such as luxury hotels and restaurants aimed at expatriates and well-to-do Vietnamese, but supermarkets have become another prime outlet for U.S. and other imported beef.

A constraint for U.S. beef exports to Vietnam is the Vietnamese requirement that U.S. food business operators (FBOs) of animal products be individually approved by Vietnam's Ministry of Agriculture and Rural Development.

The import duties on frozen beef meat is now 15 percent. Vietnamese official trade data are not available.

Marketing efforts are directed by the U.S. Meat Export Federation (USMEF) Regional Office in Singapore.

Vietnam Market / Beef

Unit: $ million

	2008	2009	2010	2011*	2012*
Total Consumption	NA	NA	NA	NA	NA
Total Local Production	NA	NA	NA	NA	NA
Total Imports	NA	NA	NA	NA	NA
Total Exports	0	0	0	0	0
Total Imports from the U.S.	69.8	157	152	152	152

- (*): 2011 and 2012 data are projected.
- Source: U.S. Bureau of the Census Trade Data

Pork**:** Meat consumption is rising in Vietnam and pork has long been the country's major meat product. The recent blue ear disease outbreaks have slightly reduced the size of the Vietnamese swine herd, which creates opportunity for U.S. frozen pork sales in Vietnam, where pork makes up over 75 percent of total meat consumption.

The major constraints for U.S. pork exports to Vietnam are the relatively high tariffs (ranging from 18 percent to 26 percent) for U.S. pork and the Vietnamese requirement that U.S. food business operators (FBOs) of animal products be individually approved by Vietnam's Ministry of Agriculture and Rural Development.

U.S. exports of pork to Vietnam in 2010 were $2.85 million.

Note: Vietnamese official trade data are not available.

Marketing efforts are directed by the U.S. Meat Export Federation (USMEF) from its regional office in Singapore.

Vietnam Market / Pork
Unit: $ million

	2008	2009	2010	2011*	2012*
Total Consumption	NA	NA	NA	NA	NA
Total Local Production	NA	NA	NA	NA	NA
Total Imports	NA	NA	NA	NA	NA
Total Exports	0	0	0	0	0
Total Imports from the U.S.	24.3	6.7	2.9	4.0	4.4

- (*): 2011 and 2012 data are projected.
- Source: U.S. Bureau of the Census Trade Data

Poultry Meat**:** Meat consumption is rising in Vietnam, including that of poultry meat. The current problems with Vietnamese domestic chicken production as a result of avian influenza, combined with strong growth in domestic demand, has led to higher chicken meat prices and opportunities for exporters. U.S. chicken meat exports, mainly leg quarters and drumsticks, have been able to address the Vietnamese affinity for dark poultry meat. U.S. exports of poultry meat to Vietnam in 2010 reached a record of $75 million, an increase of 53 percent over 2009. The biggest constraints for the current U.S. poultry exports to Vietnam are the Vietnamese standard of zero tolerance of salmonella in poultry meat and the requirement that U.S. food business operators (FBOs) of poultry meat be individually approved by Vietnam's Ministry of Agriculture and Rural Development.

Current import duties for whole poultry carcasses and poultry cuts are 40 percent and 20 percent, respectively.

Vietnam Market / Poultry Meat
Unit: $ million

	2008	2009	2010	2011*	2012*
Total Consumption	NA	NA	NA	NA	NA
Total Local Production	NA	NA	NA	NA	NA
Total Imports	120	116	130	140	140
Total Exports	0	0	0	0	0
Total Imports from the U.S.	72.3	49.2	75	80	80

- (**): 2011 and 2012 data are projected.
- Source: Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, and World Trade Atlas.

Fresh Fruits**:** Vietnam imports many fruits, including apples, table grapes, oranges, pears, cherries, of which apples and table grapes make up the biggest part of these imports. Imports volumes of other fruits are much smaller.

Due to unavailability of official trade data, Vietnam's estimated imports of apples and table grapes combined are $70 million (2009) and $80 million (2010). U.S. exports of apples and table grapes combined to Vietnam in 2009 and 2010 were $16.8 million and $29.6 million, respectively. The exports in 2010 increased 76 percent over 2009. The main competitor for U.S. apples and table grapes is China, due to its proximity and lower tariff rates under the ASEAN-China Free Trade Agreement.

Marketing efforts are directed by the California Table Grape Commission and the Washington Apple Commission, both of whom have a representative in Ho Chi Minh City, Vietnam.

Current import duties on apples and table grapes are 12 percent. In keeping with its WTO commitments to reduce import tariffs, Vietnam should gradually lower tariffs on grapes and apples to 10 percent by 2012.

Vietnam Market / Combined Apples and Grapes

Unit: $ million

	2008	2009	2010	2011*	2012*
Total Consumption	NA	NA	NA	NA	NA
Total Local Production	NA	NA	NA	NA	NA
Total Imports	50	72	80	88	100
Total Exports	0	0	0	0	0
Total Imports from the U.S.	13.3	16.8	29.6	29.6	29.6

- (*): 2011 and 2012 data are projected.
- Source: Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, and World Trade Atlas.

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For more information, please contact the following addresses or visit the following websites:

Foreign Agricultural Service
U.S. Embassy, Hanoi
170 Ngoc Khanh
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Foreign Agricultural Service
U.S. Consulate General, Ho Chi Minh City
34 Le Duan, District 1
Ho Chi Minh City, Vietnam

USDA – Foreign Agricultural Service: www.fas.usda.gov

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Chapter 5: Trade Regulations, Customs and Standards

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- U.S. Export Controls
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- Prohibited and Restricted Imports
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Import Tariffs

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The United States negotiated significant reductions in tariff rates for many important U.S. exports in the context of Vietnam's entry into the WTO in January 2007. As a result, the vast majority of U.S. exports now face tariffs of 15 percent or less. High tariffs on selected products remain, however. U.S. industry has identified a range of products where it sees significant potential for export growth if Vietnam's tariffs could be reduced further. These products include fresh apples, cherries, pears and citrus, almonds, cooked and raw frozen poultry, fresh/chilled and frozen pork, cheese, frozen potato products, flatbread, tomato concentrate and tomato sauce, ice cream powder, cereals and preparations, sugars, and confectionaries. Several beverage products also face high tariffs, including distilled spirits, powdered teas, nutritional supplements (including protein drink mixes) and coffee. In addition, Vietnam imposes high tariffs on selected equipment for restaurant use and on large engine motorcycles.

Vietnam agreed to join the WTO Information Technology Agreement upon accession and, as a result, has eliminated tariffs on information technology products. Vietnam also reduced tariffs on 80 percent of the products covered by the WTO Chemical Harmonization Agreement.

Vietnam currently has four categories of tariff rates: (1) normal trade relations (NTR) / most favored nation (MFN) rates that apply to all WTO Member countries, including the United States; (2) Common Effective Preferential Tariff rates that apply to imports from ASEAN countries; (3) preferential tariff rates applied under Vietnam's FTAs; and (4) general tariff rates (50 percent higher than NTR/MFN) that apply to all other countries.

The National Assembly sets tariff bands for each product, while the Ministry of Finance adjusts applied tariffs within the bands.

Trade Barriers

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Vietnam has made significant progress in eliminating non-tariff barriers (NTBs) under the United States-Vietnam Bilateral Trade Agreement (BTA), which entered into force in 2001. The United States negotiated the removal of additional NTBs through Vietnam's accession to the WTO. As a result, Vietnam has eliminated and has committed not to reintroduce any quantitative restrictions on imports or other non-tariff measures, such as quotas, bans, permits, prior authorization requirements, licensing requirements, or other restrictions having the same effect, which would not be consistent with the WTO Agreement.

Import prohibitions*:* Vietnam currently prohibits the commercial importation of the following products: arms and ammunition; explosives (not including industrial explosives); military equipment and facilities; narcotics; certain toxic chemicals; "depraved and reactionary" cultural products; firecrackers; certain children's toys; second-hand consumer goods; right-hand drive motor vehicles; used spare parts for vehicles; asbestos materials under the amphibole group; specialized encryption devices and software not destined for mass market consumption; polluting waste and scrap; and refrigerating equipment using chlorofluorocarbons.

Quantitative restrictions and non-automatic licensing*:* Salt, tobacco, eggs, and sugar are under a tariff-rate quota regime, according to the 2006 Commercial Law. Separate regulations apply to exports of rice, imports of petroleum and fuel, and imports of cigarettes and cigars.

Special authority regulation*:* The importation of certain categories of goods is limited to state-trading enterprises (see *Trading Rights* below), and others are subject to automatic or non-automatic import licensing (see automatic licensing below).

Foreign exchange system*:* Foreign investors can purchase foreign currency at authorized banks to finance current and capital transactions as well as other permitted transactions. Residents and non-residents can open and maintain foreign exchange accounts, and foreign investors are allowed to transfer abroad profits and other legal income.

Vietnam does not require documenting the discharge of tax obligations when purchasing, remitting or carrying foreign currency overseas in the fulfillment of currency transactions. Foreign investors and foreign invested businesses are required to use Vietnamese currency (dong) in most regular business activities and portfolio investments, except where specifically authorized, such as in tourism-related businesses such as hotels and airlines.

Customs*:* Vietnam implemented the WTO Customs Valuation Agreement through the 2006 Customs Law and related implementing regulations. The Customs Law makes the use of transaction value applicable to all imports and provides for a full application of the computed value and deductive methods. Subsequent regulations have been issued relating to customs procedures and inspection, post-clearance audits, and valuation of imported goods. These changes have significantly improved customs valuation in Vietnam.

The application of WTO Customs Valuation Agreement principles has not been uniform, and importers complain about the low level of automation of Vietnam's customs system. The United States will continue to work with Vietnam to monitor implementation of the

WTO Customs Valuation Agreement as part of the ongoing Trade and Investment Framework Agreement (TIFA) dialogue.

Taxes*:* Vietnam applies a value-added tax on goods and services in a number of categories listed in the Law on Value Added Tax and related implementing regulations. Certain goods in Vietnam are also subject to an excise tax, levied in accordance with the Law on Excise Tax, which was revised in late 2008 to eliminate the discriminatory application of excise taxes. Consistent with Vietnam's WTO accession commitments, the revisions harmonize excise taxes effective January 1, 2010 to a single *ad valorem* rate for all beer, regardless of packaging, and for all distilled spirits over 20 percent alcohol by volume.

Automatic licensing*:* In 2008, Vietnam introduced Circular 17, an import licensing regime on a number of products, mostly consumer goods. On May 28, 2010, Vietnam's Ministry of Industry and Trade (MOIT) published Circular 24, which entered into force on July 12 and replaced Circular 17. Circular 24 extends the list of products for which licenses were required to cover certain food and agricultural products as well as textile and apparel products. Circular 24 requires local importers to obtain an "automatic" import license (AIL) before shipments can be unloaded at a Vietnamese port. The license is not, however, truly automatic, as product cannot move until the importer has the license in hand, a process that is supposed to take seven days but in practice often takes longer. Except for airfreight shipments, importers must wait until they have an original Bill of Lading (BL) before applying for the AIL, which limits their ability to apply for AILs early to avoid delays (a BL cannot be obtained until cargo has been loaded).

Trading rights*:* Import rights are granted for all products except for a limited number reserved for state trading enterprises and those subject to a phase-in period for importation by foreign firms. Vietnam has reserved the right of importation for state trading entities for the following categories: cigars and cigarettes; crude oil; newspapers, journals and periodicals; and recorded media for sound or pictures (with certain exclusions). Since January 2009, foreign firms and individuals have been allowed to import pharmaceuticals; motion picture films; unused postage, printed cards and calendars; certain printed matter; machinery for typesetting and print machinery (excluding ink-jet printers); and certain transmission apparatuses for radio-telephony (excluding mobile phones and consumer cameras). Foreign individuals and enterprises have been given the right to export rice as of January 1, 2011.

Import Requirements and Documentation

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Authorized Importers: As outlined in GVN Decree No. 57/1998/ND-CP, partly revised by Decree No. 44/2001/ND-CP, dated August 2, 2001, Vietnamese traders are entitled to (i) export goods of all kinds, except goods on the list of those banned from export and (ii) import goods according to the business lines stated in their business registration certificates. Foreign-invested enterprises and business cooperation parties, apart from the exportation of their own products, may export goods of other kinds, except those on the list of goods banned from export and a number of goods categories restricted by the Ministry of Industry and Trade (MOIT). (See Prohibited and Restricted Imports for further detail.) The goods imported by foreign-invested enterprises and business cooperation parties must comply with the provisions of their granted investment licenses, the Law on Foreign Investment in Vietnam and other relevant legal documents.

Import Licensing System: Business entities, including foreign invested enterprises with a legally registered business license, may be engaged in direct import and export activities. However, foreign invested enterprises can import materials, equipment and machinery only for the purpose of establishing production lines and producing goods in accordance with their investment licenses. Under Vietnam's WTO commitments, trading rights are now opened to all foreign invested enterprises. Vietnam introduced an automatic import licensing system in 2008, which requires importers of a wide category of goods to obtain a license from the Ministry of Industry and Trade (MOIT) to get their goods through Customs. The latest list of goods includes mostly consumer goods like cosmetics, kitchen and house appliances, furniture, cell phones and automobiles. Distribution rights for these entities are opened to joint venture investment with no limit on capital contribution, and since 1/1/2009 have been opened to wholly foreign invested enterprises. (See Trade Barriers for further detail.)

Special Import/Export Requirements and Certifications: Seven ministries and agencies are responsible for overseeing a system of minimum quality/performance standards for animal and plant protection, health safety, local network compatibility (in the case of telecommunications), money security, and cultural sensitivity. Goods that meet the minimum standards can be imported upon demand and in unlimited quantity and value.

U.S. Export Controls

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Exporters of dual-use and certain military equipment need to be aware of U.S. Government regulations affecting sales of certain equipment to Vietnam and to certain entities within Vietnam. Before initiating marketing activities in Vietnam involving such items or entities, firms should consult with appropriate U.S. Government agencies.

Following George W. Bush's Presidential Determination 2007-09 issued on December 29, 2006, U.S. policy on arms transfers now permits the sale, lease, export or other transfer, on a case-by-case basis, of non-lethal defense articles and defense services to Vietnam. "Non-lethal defense articles" means an article that is not a weapon, ammunition, or other equipment or material that is designed to inflict serious bodily harm or death. Defense articles that will not be approved include: lethal end items; components of lethal end items, unless those components are non-lethal; safety-of-use spare parts for lethal end items; non-lethal crowd control defense articles and defense services; and night vision devices to end-users with a role in ground security.

Effective Date: This rule is effective April 3, 2007

Further information with regard to export control matters can be obtained from the following organizations:

U.S. Department of State, Directorate of Defense Trade Controls:
http://www.pmddtc.state.gov/

U.S. Department of Commerce, Bureau of Industry and Security (formerly the Bureau of Export Administration): http://www.bis.doc.gov

Temporary Entry

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The Ministry of Industry and Trade (MOIT) Decision No. 2504/2005/QD-BTM, Promulgating the Regulations on Management of Temporary Import for Re-export or Border-Gate Transfer of Goods Banned or Suspended from Import, governs the regime for the temporary entry of goods for re-export.

According to the regulation, seven kinds of goods are banned from temporary import for re-export or border-gate transfer. The list includes: weapons, ammunitions and explosives (excluding industrial explosives subject to separate regulations); military technical equipment; antiques; narcotics of all kinds (excluding pre-substances subject to separate regulations); toxic chemicals of all kinds; wildlife and natural, rare and precious animals and plants; special-use codes of all kinds and code software programs used for the protection of state secrets; discarded materials and waste (excluding those permitted for import for use as raw materials for domestic production).

Regarding discarded materials and the procedure of temporary import for re-export of waste products, the Vice Minister of Ministry of Industry and Trade, Nguyen Thanh Bien signed a new decision on September 8, 2008. According to the Document 7893/BCT-XNK, as of September 20, 2008, traders should add a “license of importing discarded materials and waste” to its documents when applying for approval to temporarily import waste goods for re-export. This license is issued by the import country.

A new Circular No. 165/2010/TT-BTC has been issued by The Ministry of Finance (MOF) on October 26, 2010 that guide customs procedures for export, import, temporary import for re-export and border-gate transfer; import of materials for production and mixture; and import of materials for export processing of petrol and oil. This Circular will be applied for all traders that possess petrol and oil export and import licensed may export, import, temporarily import for re-export and transfer from border gate to border gate petrol and oil and materials (except crude oil).

Regulation stipulates that traders who wish to conduct temporary import via international border gates or international seaports and conduct re-export via border gate economic zones must first obtain permission of the People's Committees of the provinces, and then apply for permits for temporary import at MOIT. Traders who have been granted permits by the provincial People’s Committee(s) and from MOIT for temporary import for re-export or border-gate transfer of goods via international border gates or international seaports are then required to produce such permits for the People's Committees of the provinces in order to actually re-export via the border-gate economic zones.

Labeling and Marking Requirements

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The Ministry of Science and Technology has the primary responsibility for coordinating with specialized management ministries in amending and supplementing compulsory contents of goods labels.

On September 30, 2006, the Vietnamese Government issued Decree 89/2006/ND-CP, which became effective on March 13, 2007(Decree 89).

Decree 89 and accompanying regulations provide the requirements for labeling goods produced in Vietnam for domestic circulation and for export, and of goods produced in foreign countries that are imported for sale in the Vietnamese market. These regulations do not apply to goods temporarily imported for re-export; goods temporarily imported for re-export after participation in fairs or exhibitions; transited goods, goods transported from border gate to border gate; gifts; presents; personal effects of persons on entry and exit; or moving property.

According to these regulations, subject goods must bear a label containing:

1. A principal display panel in which the following compulsory contents must be shown so that consumers can easily and clearly see them in a normal goods' display condition:

- Name of goods
- Name and address of the organization or individual responsible for the goods
- Origin of goods
- Quantity
- Date of manufacture
- Expiry date
- Ingredients or ingredient quantities
- Hygiene and safety information, warnings
- Instructions on use and preservation

2. An information section on the right-hand side of the principal display panel in which non- compulsory contents goods may be presented (as well as any compulsory contents which could not fit in the principal display panel) provided that the non-compulsory contents do not conceal or lead to the misunderstanding of the compulsory contents of labels.

The basic requirement of Decree 89 and accompanying regulations is that all letters, numbers, drawings, pictures, signs, and codes on labels of goods must be clear and must determine the substance of the goods. Any ambiguous labeling that causes confusion with other labels of goods is strictly prohibited.

Labels of domestically circulated goods must be presented in Vietnamese. If necessary, foreign language text may be included provided that it is in smaller print than the Vietnamese text. Labels of exported goods may be written in the language of the country or region into which such goods are imported, if so agreed in the contract for sale of the goods. In the case of imported goods, the compulsory contents in Vietnamese may be either printed on the original label or presented in a supplementary label attached to the original foreign language label prior to sale or circulation in the Vietnamese market.

The following acts constitute violations of the law regarding the labeling of goods:

- Circulation of goods without the required labels
- Labeling goods with pictures, figures, or writing that do not correspond to the nature of the goods
- Labeling goods unclearly, or with labels so faint that normal eyes cannot read their contents

- Labeling goods without including all required compulsory contents
- Failing to meet guidelines for the correct size, position, method of presentation, or languages on labels
- Erasing or amending the contents of labels of goods
- Replacing labels of goods for the purpose of deceiving consumers
- Using trademarks of goods already protected by law without the approval of their owners
- Labeling goods in the same manner as those of other business entities, which have been protected by law

To view Decree 89, see the following website:
http://www.dncustoms.gov.vn/web_Eglish/english/nghi_dinh/89_ND_CP_30_08_2006.htm

Prohibited and Restricted Imports

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According to Government of Vietnam Decree No. 12/2006/ND-CP dated 23 January 2006, Vietnam currently prohibits the commercial importation of the following goods: military weapons, arms and ammunition, explosive materials (not including industrial explosives); firecrackers; second-hand consumer goods; reactionary, depraved or superstitious cultural products or those harmful to aesthetical or personality education; right-hand drive motor vehicles; used spare parts for vehicles, used internal combustion engines of less than 30 horsepower; discarded materials and waste; asbestos materials under the amphibole group; toxic Chemicals of Table 1 (under international treaties); narcotics; certain types of children's toys; various encryption devices and encryption software; polluting waste and scrap; and refrigeration equipment using chlorofluorocarbons.

Restricted imports include imports subject to import licenses from the Ministry of Industry and Trade (MOIT) and are subject to special management and oversight by various ministries and agencies such as the Ministry of Health; Ministry of Culture, Sports, and Tourism; Ministry of Information and Communications; The State Bank of Vietnam; Ministry of Agriculture and Rural Development; and others. U.S. exporters should confer with their Vietnamese customer, agent or distributor to determine whether an MOIT import license is required for their restricted goods.

Customs Regulations and Contact Information

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Certain goods to be exported or imported must be inspected before being cleared at customs stations. The inspection covers quality, specifications, quantity, and volume. The inspection is based on Vietnamese standards, with the exception of pharmaceuticals, and should be carried out by an independent Vietnamese or foreign inspection organization. Imported goods subject to inspection include petroleum products, fertilizers, electronic and electrical products, food and drink, machinery and equipment, steel, and pharmaceuticals. This list may be altered from time to time. Imported pharmaceuticals, for example, must go through random lab tests on sample

batches performed by Vietnamese officials. Since January 1998, all imported drugs must have instructions on product use, dosage, and expiration dates printed in Vietnamese and inserted in packages.

The Customs Law, which was ratified by the National Assembly in 2001 and amended in 2005, provides a legal foundation for the operation of the customs sector and creates a favorable environment for import-export activities. The circulars, decisions, and decrees, which have been issued under the Law, can be found at the following link:

http://vbqppl.moj.gov.vn/law/en/2001_to_2010/2001/200106/200106290007_en/diagram_view

Standards

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Overview

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Vietnam's standards system currently consists of over 6,000 national standards (TCVN—based on the Vietnamese language). The first TCVN was developed in 1963. The Directorate for Standards, Metrology and Quality (STAMEQ) of the Ministry of Science and Technology is Vietnam's national standards body. Vietnam's weights and measures standards are based on the Metric system. The electric current is AC 50-60 Hz and voltage ranges are 220/380 volts. The electric distribution system of Vietnam is being standardized at three phase, four wires.

The Law on Standards and Technical Regulations was adopted by the National Assembly in June 2006 and took effect on January 1, 2007. This law marked a turning point for standardization activities in Vietnam and comprehensively reformed the system. Under this law, standards and technical regulations are simplified to three levels: national standards (TCVNs) and organization standards (TCCSs), national technical regulations (QCVNs) and local technical regulations (QCDPs). While standards are applied voluntarily, technical regulations are mandatory. The Law also clearly identified the Ministry of Science and Technology as the responsible agency for issuing and managing national standards, while line ministries are responsible for developing national technical regulations.

Following accession to the WTO, Vietnam's Directorate for Standards, Metrology and Quality (STAMEQ) become the central inquiry and notification point under the WTO Agreement on Technical Barriers to Trade.

Still, Vietnam's system of standards is complicated and not always transparent. Some items are subject to national standards, some are subject to regulations of the functioning agencies and some are subject to both. Thirty eight percent of Vietnam's standards are harmonized with international and regional standards. In general, Vietnam does not appear to use technical measures as non-tariff barriers. The exceptions to this are some goods controlled by specific ministries such as chemicals, toxic chemicals and intermediate materials for their production, wild animals, pesticides and materials for their production, pharmaceuticals, substances that may cause addiction, cosmetics that may impacts human health and medical equipment.

Standards Organizations

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The Directorate for Standards, Metrology and Quality of Vietnam (STAMEQ), under the Ministry of Science and Technology (MOST), is the national standardization agency. STAMEQ is responsible for advising the Government on issues in the fields of standardization, metrology and quality management domestically, as well as representing Vietnam in international and regional organizations in the fields concerned. This organization also has the following responsibilities:

- Prepare rules and regulations on standardization, metrology and quality management and submit them to appropriate authorities for approval.
- Organize the supervision and implementation of approved rules and regulations.
- Establish an organizational system on standardization, metrology and quality management and provide methodological guidance for these activities.
- Organize the formulation of national standards and maintain national metrology standards. Develop policies and management documents on conformance activities: accreditation; certification, testing and inspection
- Provide product quality and system certification.
- Implement state supervision on quality of goods and measurement.
- Conduct studies on standardization, metrology and quality management.
- Carry out informational and training activities related to standardization, metrology and quality management.

STAMEQ now participates as a member in 18 international and regional standards organizations, including ISO, IEC, ITU-T, Codex, PASC, ILAC, OIML, APLAC, APMP, and APLMF.

For more information, see http://www.tcvn.gov.vn

According to the Law on Standards and Technical Regulation, Government Decree127/2007/ND-CP dated 1/8/2007 and Ministerial Circular No 21/2007/TTBKHCN dated 28/9/2007, the procedures for national standards development were stipulated in accordance with the principles of the WTO Agreement on Technical Barriers to Trade (TBTs). For example, draft national standards are to be prepared by relevant line ministries, national standards technical committees and other organizations. In turn, drafts are to be circulated for public comments for at least 60 days, passed onto the standards appraisal committee, and then submitted by STAMEQ to the Minister of the Ministry of Science and Technology for approval and issuance.

About 38 percent of Vietnam's national standards system has been developed by way of adoption of relevant international and regional standards (e.g. ISO, IEC, Codex), The process of national standards development is supposed to be transparent to the public, from the incipient stages of development up until the standard is issued and published. According to the Law on Standards and Technical Regulations and the Government Decree No. 127/2007/ND-CP, and the Government Decree No. 67/2009/ND-CP dated 3 August 2009, existing mandatory standards should be reviewed for appropriate conversion into technical regulations or withdrawn by December 2011.

STAMEQ's Standards Department is responsible for the management of standardization activities in Vietnam, including: preparing, guiding and monitoring the implementation of legislative documents on standardization; suggesting the policy and strategy for standardization and national standards system development; standards development planning; organizing the draft national standards appraisal; and submitting final draft standards to the Ministry of Science and Technology (MOST) for adoption. STAMEQ's Standards Department is engaged in international and regional standardization organization activities.

The Vietnam Standards and Quality Institute (VSQI) is a subsidiary of STAMEQ that is responsible for organizing national technical committee activities; developing and printing national standards, and providing other related services. It has established relationships with relevant domestic ministries/agencies, as well as international and national standardization organizations. For more information see http://www.vsqi.gov.vn/en

National standards (TCVNs) are developed on the basis of research, the application of scientific and technological advances, and the adoption of international, regional standards. TCVNs are developed by consensus, with participation of different interested parties and stakeholders. They are used as the technical criteria for quality certification, suppliers' product conformity declarations, and quality inspection of imported and exported goods. TCVNs are developed through technical committees and ministries with the involvement of any interested parties and are intended for voluntary adoption unless they were referenced in other laws and regulations as mandatory. Any public or private organization or individual is bound to observe mandatory standards. The State encourages the application of voluntary standards.

The National Assembly adopted the Law on Goods and Product Quality in November 2007, taking effect on July 1, 2008. In line with the law, the Government issued Decree 132/2008/ ND-CP on 31 December 2008. As of this writing, the Law on Metrology is in draft form and is scheduled to be ratified by the National Assembly in 2011. On March 25, 2003, Vietnam's TBT Enquiry and Notification point of contact was formally established within the offices of STAMEQ. For more information see http://www.tbtvn.org.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your

access to international markets. Register online at Internet URL: http://www.nist.gov/notifyus/

Conformity Assessment

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Technical organizations under STAMEQ and provincial Standards, Metrology and Quality Departments providing the following services:

- Legal inspection of imported - exported goods.
- Verification for process line equipment.
- Calibration and verification of measuring equipment.
- Testing and inspection of products and commodity.
- Products and systems certification.
- Consultancy, training services.
- Information services.

For more information on conformity assessment in Vietnam, see the following websites:
http://www.quatest1.com.vn
http://www.quatest3.com.vn/
http://www.quacert.gov.vn/
http://www.vmi.gov.vn
http://www.tcvninfo.org.vn

Product Certification

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Under STAMEQ, there are 4 product certification bodies: QUATEST1, QUATEST2, QUATEST3 and QUACERT (Vietnam Certification Centre).

QUACERT is the Certification Body of STAMEQ. QUACERT provides certification services for organizations and individuals who have complied with internationally recognized standards or other technical specifications including:

- Management system certification to international standards: ISO 9001, ISO 14001, OHSAS 18001, ISO 22000, HACCP, GMP, ISO 27001, ISO/TS 29001
- Product certification to Vietnam standards (TCVNs), foreign standards (ASTM, JIS, DIN, GOST, GB), regional standards (EN, CEN) and international standards (ISO, IEC).
- Certification of Electrical – Electronic equipment under ASEAN EE MRA.
- Product certification to Technical Regulations under the Vietnam Law of Standards and Technical Regulations.
- Certification of VietGAP (Vietnam's Good Agriculture Practices regulation established by the Ministry of Agriculture and Rural Development).
- Provision of business management solutions in applying information technology.

For more information, please see: http://www.quacert.gov.vn

Accreditation

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The Bureau of Accreditation (BoA) was established in 1995 under STAMEQ. The BoA consists of three accreditation programs: namely, Vietnam Certification Accreditation Scheme (VICAS), Vietnam Laboratory Accreditation Scheme (VILAS), and Vietnam Inspection Accreditation Scheme (VIAS).

The BOA operates the Vietnam Laboratory Accreditation Scheme (VILAS). VILAS is a voluntary scheme, open to any laboratory that performs objective testing/calibration falling within the scheme and meeting the VILAS criteria of competence. The aims of VILAS are to:

- Upgrade the standard of testing and management of laboratories
- Identify and officially recognize competent laboratories in Vietnam
- Promote the acceptance of test data from accredited laboratories, both locally and internationally
- Integrate accreditation activities with those of other regional and international accreditation schemes

VILAS acts as a contact point for APLAC's inter-laboratory comparisons and proficiency testing. VILAS also offers a variety of training courses for laboratory management, laboratory personnel and assessors.

STAMEQ seeks to keep BoA abreast of the latest international developments in accreditation by guiding BoA to participate in the activities of ILAC (International Laboratory Accreditation Conference), APLAC (Asia Pacific Laboratory Accreditation Cooperation), PAC (Pacific Accreditation Cooperation) and ACCSQ, WG2 (ASEAN Consultative Committee on Standards and Quality- Working Group 2).

As from January 2010, BoA has been separated from STAMEQ and became an organization directly under the Ministry of Science and Technology according to the Decision number 1101/QD-TTg dated 23/7/2009 of the Prime Minister on the professional organizations under the Ministry of Science and Technology.

For more information, please visit http://www.boa.gov.vn/

Publication of Technical Regulations

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Cong Bao is the official gazette of the Vietnamese Government, similar to the U.S. Federal Register. Technical regulations and standards are printed in the gazette, which is issued in both Vietnamese and English.

Contacts

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For more information about standards in Vietnam, please contact:

Tuyet Trees, Commercial Specialist
U.S. Embassy in Hanoi
E-mail: Tuyet.Trees@mail.doc.gov

Trade Agreements

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Vietnam became the 150th member of the WTO in 2007 and upon its accession promised to fully comply with WTO agreements on Customs Valuation, Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary Measures (SPS).

The United States and Vietnam concluded a Bilateral Trade Agreement (BTA) in 2000, which entered into force in 2001. For more information on the BTA please see: www.buyusa.gov/vietnam/en/us_vietnam_bta.html.

Vietnam is a member of the Association of South East Asian Nations (ASEAN) and subsequently, a member of ASEAN Free Trade Area (AFTA). As part of AFTA, ASEAN members (including Brunei, Philippines, Indonesia, Laos, Myanmar, Malaysia, Singapore, Thailand, and Cambodia) are committed to making this region a competitive trading area. Together with the ASEAN countries, Vietnam has also signed trade pacts with China, the Republic of Korea, Australia and New Zealand, India, and Japan. Vietnam is currently negotiating the Trans-Pacific Partnership (TPP) free trade agreement with the United States, Brunei, Malaysia, Singapore, Australia, New Zealand, Peru, and Chile. Vietnam is also negotiating free trade agreements with the EU and Chile, and is studying the feasibility of a Vietnam-EFTA (Norway, Iceland, Liechtenstein, and Switzerland) free trade agreement.

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U.S. Department of State, Directorate of Defense Trade Controls:
http://www.pmddtc.state.gov/

U.S. Department of Commerce, Bureau of Industry and Security (formerly the Bureau of Export Administration): http://www.bis.doc.gov

Vietnam Directorate for Standards and Quality: http://www.tcvn.gov.vn

Vietnam Standards and Quality Center: http://www.vsqc.org.vn/en

Vietnam's TBT Enquiry and Notification point: http://www.tbtvn.org.

Conformity Assessment in Vietnam:
www.quatest1.com.vn
http://www.quatest3.com.vn/
http://www.quacert.gov.vn/
www.vmi.gov.vn
www.tcvninfo.org.vn

The Vietnam Certification Centre (QUACERT): http://www.quacert.gov.vn

The Vietnam Bureau of Accreditation: http://www.boa.gov.vn/

Notify NIST: http://www.nist.gov/notifyus/

Bilateral Trade Agreement:
www.buyusa.gov/vietnam/en/us_vietnam_bta.html.

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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Vietnam encourages foreign investment as part of its development strategy, and the Government of Vietnam (GVN) is committed to improving the country's business and investment climate. The Investment Law of 2005 provides the legal framework for foreign investment in Vietnam.

Vietnam became the 150th member of the World Trade Organization on January 11, 2007. Vietnam's commitments in the WTO increase market access for exports of U.S. goods and services and establish greater transparency in regulatory trade practices as well as a more level playing field between Vietnamese and foreign companies. Vietnam undertook commitments on goods (tariffs, quotas and ceilings on agricultural subsidies) and services (provisions of access to foreign service providers and related conditions), and to implement agreements on intellectual property (TRIPS), investment measures (TRIMS), customs valuation, technical barriers to trade, sanitary and phytosanitary measures, import licensing provisions, anti-dumping and countervailing measures, and rules of origin. Vietnam has made solid progress in implementing its bilateral and international obligations; however, concerns remain in some areas, such as protection of intellectual property rights (IPR) and effectiveness of the court/arbitration system.

The GVN holds regular "business forum" meetings with the private sector, including both domestic and foreign businesses and business associations, to discuss issues of importance to the private sector. Foreign investors use these meetings to draw attention to investment impediments in Vietnam. These forums, together with frequent dialogues

between GVN officials and foreign investors, have led to improved communication and have allowed foreign investors to comment on and influence many legal and procedural reforms.

Despite the GVN's commitment to improving the country's business and investment climate, Vietnam is still transitioning from a centrally planned economy to a more market-oriented and private-sector based model. As indicated by the following indices, Vietnam's business climate is generally improving, but the country still faces development challenges relevant for foreign investors, for example: poorly developed infrastructure, underdeveloped and cumbersome legal and financial systems, an unwieldy bureaucracy, non-transparent regulations, high start-up costs, arcane land acquisition and transfer regulations and procedures, a shortage of skilled personnel, and pervasive corruption. Some companies have experienced delays in obtaining investment licenses, and inconsistent licensing practices have been noted between provinces. Investors frequently face policy changes related to taxes, tariffs, and administrative procedures, sometimes with little advance notice, making business planning difficult. Because Vietnam's labor laws and implementation of those laws are not well developed, companies sometimes face difficulties with labor management issues.

Following are Vietnam's rankings according to various indices.

Index	2010 Rank	2009 Rank	Change in rank
TI Corruption Perceptions Index	116	120	+4
The 2010 Heritage Index of Economic Freedom:	144	145	+1

Index	2011 rank	2010 rank	Change in rank
World Bank's Ease of Doing Business	78	88	+10
Starting a Business	100	114	+14
Dealing with Construction Permits	62	70	+8
Registering Property	43	39	-4
Getting Credit	15	30	+15
Protecting Investors	173	172	-1
Paying Taxes	124	146	+22
Trading Across Borders	63	59	-4
Enforcing Contracts	31	31	0
Closing a Business	124	125	+1

Index	2010 score and % ranking in low-income peer group	2009 score and % ranking in low-income peer group
MCC Government Effectiveness	0.65 (92%)	0.42 (83%)
MCC Rule of Law	0.50 (85%)	0.33 (76%)
MCC Control of Corruption	0.25 (76%)	0.08 (58%)
MCC Fiscal Policy	-3.9 (27%)	-0.5 (58%)
MCC Trade Policy	68.9 (51%)	63.4 (36%)
MCC Regulatory Quality	0.13 (60%)	0.28 (72%)
MCC Business Start Up	0.96 (75%)	0.945 (79%)
MCC Land Rights Access	0.78 (91%)	0.796 (91%)
MCC Natural Resource Management	80.58 (95%)	80.49 (90%)

Investment Regulation

The 2005 Investment Law, together with its implementing decrees and circulars, regulates investment in Vietnam, including investors' rights and obligations, investment incentives, state administration of investment activities and offshore investment. The Investment Law also provides for guarantees against the nationalization or confiscation of assets and applies to both foreign and domestic investors. The Investment Law designates prohibited and restricted sectors for investment, but there are additional laws that apply conditions to investments in sectors such as mining, public post, property trading, banking, securities, and insurance.

The Investment Law provides for five main forms of direct foreign investment: (1) 100 percent foreign-owned or domestic-owned companies; (2) joint ventures (JV) between domestic and foreign investors; (3) business contracts (such as business cooperation contracts (BCC), build-and-operate agreements (BOT and BTO) and build and transfer contracts (BT)); (4) capital contribution for management of a company; and (5) merger and acquisitions (M&A). Foreign investors can invest indirectly by buying securities or investing through financial intermediaries.

Vietnam has gradually opened some sectors for foreign investment through M&A. While foreign investors are allowed to buy shares in some domestic companies without limitation, examples where this has occurred are rare. The ratio of total foreign ownership permitted in a project depends on a number of factors, including Vietnam's international commitments, the economic sector in question, and the type of investor, among others. There are ownership limitations for certain companies listed on the Vietnam stock exchange and service sectors. Foreign ownership cannot exceed 49 percent of listed companies and 30 percent of listed companies in the financial sector. A foreign bank is allowed to establish a 100 percent foreign owned bank in Vietnam but may only own up to 20 percent of a local commercial bank. Individual foreign investors are usually limited to 15 percent ownership, though a single foreign investor may increase ownership to 20 percent through a strategic alliance with a local partner.

Investment Sectors

The Investment Law distinguishes four types of sectors: (1) prohibited sectors; (2) encouraged sectors; (3) conditional sectors applicable to both foreign and domestic investors; and (4) conditional sectors applicable only to foreign investors.

The list of sectors in which foreign investment is prohibited includes cases where the investment would be detrimental to national defense, security and public interest, health, and historical and cultural values.

The list of sectors in which investment is encouraged includes high-technology, agriculture, labor-intensive industries (employing 5,000 or more employees), infrastructure development, and projects located in remote and mountainous areas.

The list of sectors in which investment is conditional applies to both foreign and domestic investors and includes those having an impact on national defense, security, social order and safety; culture, information, press and publishing; financial and banking, public

health; entertainment services; real estate; survey, prospecting, exploration and exploitation of natural resources; ecology and the environment; and education and training.

The sectors where certain conditions are applicable to foreign investors only include telecommunications, postal networks, ports and airports, and other sectors as per Vietnam's commitments under international and bilateral arrangements.

Foreign investors have the right to sell, market, and distribute what they manufacture locally, and to import goods needed for their investment projects and inputs directly related to their production, provided this right is included in their investment license.

Foreign participation in distribution services, including commission agents, wholesale and retail services, and franchising opened to fully foreign-owned businesses in 2009. Vietnam has excluded certain products from its WTO distribution services commitments, including, rice, sugar, tobacco, crude and processed oil, pharmaceuticals, explosives, news and magazines, precious metals and gemstones. Distribution of alcohol, cement and concrete, fertilizers, iron and steel, paper, tires, and audiovisual equipment opened to foreign investors in 2010. For additional details see www.wto.org/english/thewto_e/countries_e/vietnam_e.htm.

Investment Licensing

Provincial authorities in Vietnam's 63 cities and provinces generally have the authority to issue investment licenses. Provincial authorities and the management boards of industrial zones (Industrial, Export Processing Zones, High-tech and Economic Zones) are the issuing entities for most types of investment licensing, with the exception of build-and-operate projects (BOT, BO, BTO), which are still licensed by the central government. Domestic investors with projects of less than VND 15 billion (approximately USD $770,000) do not need to acquire investment licenses.

The procedure to obtain investment certification is complex, requiring investors to get approval from several ministries and/or agencies, depending on ownership (foreign or domestic), size and the sector of investment. Projects deemed to be of "national importance" must be approved by the National Assembly. Key infrastructure projects must be approved by the Prime Minister's Office (see below). Investments in conditional sectors such as broadcasting, mining, telecommunications, banking and finance, ports and airports, and education are subject to a more complex licensing process.

Licensing is required to establish new investment as well as to make significant changes to an ongoing enterprise, such as to increase investment capital, restructure the company by changing the form of investment or investment ratios between foreign and domestic partners, or add additional business activities.

Decentralization of licensing authority to provincial authorities has streamlined the licensing process and significantly reduced processing times; however, it has also given rise to considerable regional differences in procedures and interpretations of relevant investment laws and regulations. For an overview on provincial investment climate perceptions, see the U.S.-funded Vietnam National Competitiveness Initiative website at http://www.pcivietnam.org/.

Investment projects that must be approved by the Prime Minister include:

- All projects, regardless of capital source and size, in airports and seaports; mining, oil and gas; broadcasting and television; casinos; tobacco; higher education; sea transportation, post and delivery services; telecommunication and internet networks; printing and publishing; independent scientific research establishments; and establishment of industrial, export processing, high-tech and economic zones.
- All projects having capital in excess of VND 1.5 trillion (approximately USD $81 million), regardless of foreign ownership, in electricity; mineral processing and metallurgy; railways, roads and domestic waterways; and alcoholic beverages.
- All foreign-invested projects in sea transport, post and telecommunication, publishing and independent science research units.

Vietnamese authorities evaluate investment license applications using a number of criteria, including the legal status and financial capabilities of the foreign and Vietnamese investors; the project's compatibility with Vietnam's "Master Plan" for economic and social development; the benefits accruing to the GVN or to the Vietnamese party, especially acquisition of new production capabilities, industries, technologies, expansion of markets, and job creation; projected revenue; technology and expertise; efficient use of resources; environmental protection; plans for land use and land clearance compensation; project incentives including tax rates and land, water, and sea surface rental fees.

The 2005 Commercial Law and the implementing guidelines contained in Decree 72, which was issued by the Prime Minister in July 2006, allow foreign firms to establish branches or representative offices. Branches may engage in trading activities, while the representative offices are allowed to liaison with customers, negotiate and enter into contracts on behalf of their parent company and conduct market research, but not to engage in commercial or profit making activity.

Participation of Foreign Investors in the GVN "Privatization" Program

Foreign investors are allowed to buy shares in State-owned enterprises (SOEs) being "equitized" (converted to joint stock companies, but not necessarily privatized) by the GVN. Shares are typically offered through a price auction. Foreign ownership in certain specified sectors may not exceed 49 percent. The share price offered to foreign investors must be higher than the average auctioned price.

Other Investment Related Legislation

Vietnam's Bankruptcy Law of 2004 provides that parties other than creditors are able to participate in bankruptcy procedures and gives courts authority to deal with insolvent businesses.

The Law on Competition of 2004 aims to create an equitable and non-discriminative competition environment, and protect and encourage fair competition. The Law acknowledges the importance of the rights of organizations and individuals to compete freely, and addresses anti-competitive agreements, state monopoly, economic concentration and unfair competition.

Taxation

Vietnam lowered corporate income tax rates from 28 to 25 percent in January 2009. Corporate income tax for extractive industries varies from 32 to 50 percent depending on the project, and can be as low as 10 percent if an investment is made in selected priority sectors and in remote areas. Incentives are the same for both foreign invested and domestic enterprises.

Vietnam does not tax profits remitted by foreign-invested companies. However, companies are required to fulfill their local tax and financial obligations before remitting profits overseas and are not permitted to accumulate losses. A new personal income tax regime placing Vietnamese and foreigners on the same tax rate schedule took effect in January 2009. The new law regulates all types of personal income, including income previously subject to other laws such as income from individual businesses and property sales. The lowest and highest marginal tax rates are 5 percent and 35 percent, respectively.

Vietnam and the United States began discussions towards a bilateral agreement on the avoidance of double taxation in December 2010.

Conversion and Transfer Policies

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Foreign businesses are permitted to remit profits in hard currency, revenues from joint ventures, income derived from services, technology transfers, and legally owned capital and intellectual property, after paying all relating tax liabilities. Foreigners are also allowed to remit royalties and fees paid for the supply of technologies and services, principal and interest on loans obtained for business operations, investment capital and other money and assets.

According to the 2005 Ordinance on Foreign Exchange Control, all currency transactions between residents and non-residents of Vietnam shall be conducted freely. Residents are allowed to open foreign currency accounts. Exporters are required to remit all foreign currency earnings into a foreign currency account with an authorized credit institution in Vietnam. Retaining foreign currency earnings overseas requires approval of the State Bank of Vietnam (SBV).

Foreign investors are expected to be "self-sufficient" for their foreign exchange requirements. The laws stipulate that the GVN will assist in balancing foreign currency supplies for foreign investors in transportation infrastructure, energy, and waste management when banks are unable to satisfy their foreign currency requirements.

The SBV publishes daily average interbank exchange rates against the dollar, and then allows dollar/dong transactions to move in a band around this daily rate. The SBV has maintained a trading band of less than +/- three percent since November 2009.

Dollar shortages were reported at various times in 2009 and 2010, which the SBV claimed was a result of the global recession and Vietnam's persistent trade deficits. Many enterprises reported difficulty in obtaining sufficient dollar funds, and claimed they were forced to purchase at higher black-market rates to pay for their imports or pay

additional bank fees that resulted in an approximation of the black-market rate. Dollar shortages remained an intermittent problem at the end of 2010, at which time the black-market rate for dollars had remained approximately eight percent above the official rate for three months.

Expropriation and Compensation

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The U.S. Mission knows of no recent instances of expropriation of a foreign investment by the GVN. During 2010, however, there were several incidents in which foreign investors were pressured by the provincial or national government to increase the pace of project development or risk the loss of their investment license.

Under the U.S.-Vietnam Bilateral Trade Agreement (BTA), in any future case of expropriation or nationalization of U.S. investor assets, Vietnam will be obligated to apply international standards of treatment - that is, taking such an action for a public purpose, in a non-discriminatory manner, in accordance with due process of law, and with payment of prompt, adequate and effective compensation.

Dispute Settlement

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The hierarchy of Vietnamese courts includes: (1) Supreme Court; (2) Provincial Courts; and (3) District Courts. The courts operate in five divisions: criminal, civil, administrative, economic and labor. Parallel to the court systems is the People's Procuracy, which is responsible for supervising the operation of judicial authorities. The People's Procuracy can protest a judgment or ask for a review of a case. In addition, Vietnam has a system of independent arbitration centers, established under the Commercial Arbitration Ordinance (2003), which can grant enforceable arbitral awards.

Foreign and domestic arbitral awards are legally enforceable in Vietnam. Vietnam is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, meaning that foreign arbitral awards rendered by a recognized international arbitration institution must be respected by Vietnamese courts without a review of the case's merit.

Under the investment chapter of the BTA, Vietnam gives U.S. investors the right to choose a variety of third-party dispute settlement mechanisms in the event of an investment dispute with the GVN. Vietnam has not yet acceded to the Convention on the Settlement of Investment Disputes between States and Nationals of other States (ICSID), but has asked the United States to provide advice in this area as part of the U.S. technical assistance program designed to assist Vietnam to implement the BTA. The Ministry of Planning and Investment (MPI) has submitted a proposal to the GVN to join the ICSID, which is still under consideration.

Vietnam's legal system, including its dispute and claims settlement mechanisms, remains underdeveloped and ineffective in settling disputes. Negotiation between the concerned parties is the most common and preferred means of dispute resolution.

Under the 2005 Civil Code, all contracts are “civil contracts” subject to uniform rules over all contractual relations, including those with foreign businesses. In foreign civil contracts, parties are allowed to choose foreign laws as reference for their contractual agreement, provided that the application of the law does not violate the basic principles of Vietnamese law. In addition, commercial contracts between businesses are also regulated by the 2005 Commercial Law.

Performance Requirements and Incentives

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As part of its WTO accession, Vietnam committed to remove performance requirements that are inconsistent with the Agreement on Trade Related Investment Measures (TRIMS). In particular, the Investment Law specifically prohibits the following requirements: giving priority to the purchase or use of domestic goods or services; compulsory purchase of goods or services from a specific domestic manufacturer or services provider; export of goods or services at a fixed percentage; restricting the quantity, value or type of goods or services that may be exported or which may be sourced domestically; fixing import goods at the same quantity and value as goods exported; requirements to achieve certain local content ratios in manufacturing goods; stipulated levels or values on R&D activities; supplying goods or services in a particular location whether in Vietnam or abroad; or mandating the establishment of head offices in a particular location.

The GVN actively promotes foreign investment in certain priority sectors or geographical regions, such as mountainous and remote areas of the country with difficult economic and social conditions. The GVN specifically encourages investment in production of new materials, new energy sources, manufacturing of high-tech products, bio-technology, information technology, mechanical engineering, agricultural, fishery and forestry production, salt production, generation of new plant varieties and animal species, ecology and environmental protection, research and development, labor-intensive projects (using 5,000 or more full time laborers), infrastructure projects, education, training, and health and sports development.

Foreign investors are exempt from import duties on goods imported for their own use and which cannot be procured locally, including all equipment, machinery, vehicles, components and spare parts for machinery and equipment, raw materials, inputs for manufacturing and construction materials that cannot be produced domestically.

Remote and mountainous provinces are allowed to provide additional tax and other incentives to prospective investors.

Vietnam has also instituted a number of incentives designed to attract investment from Vietnamese expatriates and their families. In 2008, the GVN recognized dual citizenship for Vietnamese expatriates. They are allowed to choose their status as either domestic or foreign investors. Real estate laws have also been amended to permit limited categories of these investors to buy land use rights to build homes.

U.S. citizens of Vietnamese descent may be treated as Vietnamese nationals unless they have formally renounced their Vietnamese citizenship. U.S. investors of Vietnamese origin should consult with the U.S. Embassy in Hanoi or the U.S Consulate General in Ho Chi Minh City for more information.

Right to Private Ownership and Establishment

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The right to private property was enshrined in Vietnam's Constitution in 1992, recognizing "the right of ownership with regard to lawful income, savings, housing, chattel, means of production funds and other possessions in enterprises or other economic organizations" (Article 58).

Real estate rights in Vietnam are divided into land ownership, which is collective, and land-use and building rights, which can be held privately. All land in Vietnam is owned collectively and managed by the State and, as such, neither foreigners nor Vietnamese nationals can own it. In addition to land, collective property includes "forests, rivers and lakes, water supplies, wealth lying underground or coming from the sea, the continental shelf and the air, the funds and property invested by the State in enterprises and works in all branches and fields - the economy, culture, society, science, technology, external relations, national defense, security - and all other property determined by law as belonging to the State."

The Land Law of 2003 extended "land-use rights" to foreign investors, allowing title holders to conduct real estate transactions, including mortgages. Foreign investors can lease land for (renewable) periods of 50 years, and up to 70 years in some poor areas of the country. Certain foreigners can own apartments, durable construction, durable trees and planted forests for production purposes in Vietnam, but not the associated land.

Protection of Property Rights

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The basis of the legal system related to property rights includes the 2005 Civil Code, the 2005 Intellectual Property Law, and implementing regulations and decrees. Vietnam has joined the Paris Convention on Industrial Property and the Berne Convention on Copyright and has worked to meet its commitments under these international treaties.

In 2009, Vietnam revised the Intellectual Property (IP) Law and IP-related provisions in the Criminal Code with respect to criminal penalties for certain acts of IPR infringement or piracy. These revisions reinforce previous criminal provisions set out in an Inter-ministerial Circular. The GVN also issued a Decree on Penalties on infringement of IPR, which increased the maximum fines to VND 500 million (approximately USD 30,000) plus seizure of any gains deriving from the infringing act.

Although Vietnam has made progress in establishing a legal framework for IPR protection, various forms of infringement and piracy of intellectual property continues to be widespread. Enforcement of administrative orders and court decisions on IP issues remains inconsistent and weak. In addition, the system of administrative enforcement is complex and rights holders have raised concerns regarding inconsistent coordination among enforcement agencies.

Most often, authorities use administrative actions such as warnings and fines to enforce IPR protection because they are less demanding on limited enforcement time and resources. The United States and other interested countries have conducted training for

enforcement agencies, prosecutors and judges. Some businesses and rights holders have started to assert their rights under the law more forcefully. In recent years, the government pledged and then successfully implemented a plan to rid government offices of pirated software. Vietnamese enforcement bodies have investigated, and in some cases raided and fined, businesses suspected of using pirated software. However, Vietnam still has one of the highest rates of piracy in the world, and enforcement remains uneven, particularly for software, music and movies. Rights holders continue to seek additional enforcement actions against websites containing infringing digital content. However, to date, very little enforcement action has been taken to punish or prevent digital and Internet piracy.

Substantial compensation for IPR violations is only available under the civil remedies section of the IP Law. However, Vietnam's courts are untested in this regard, and concerns remain as to whether rights holders have adequate access to effective civil remedies under the IP Law. Criminal offenses are prosecuted under the Criminal Code, and criminal proceedings are regulated under the Criminal Procedure Code. In practice, however, criminal prosecutions are rarely used to prosecute IPR violations.

Transparency of Regulatory System

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Vietnam has improved its process for making and publicizing laws, particularly with major national laws and regulations. The Law on the Promulgation of Legal Normative Documents requires all legal documents and agreements under the drafting process be published online for comments for 60 days, and published in the Official Gazette before implementation. However, there are reports of regulations sometimes being issued without public notification or with little advance warning or opportunity for comment by affected parties.

Substantial foreign assistance, including by the United States, continues to be provided to assist Vietnam's own efforts to establish a legal structure compatible with international standards. USAID's Support for Trade Acceleration (STAR) I and II Projects made a significant contribution to Vietnam's successful efforts to draft the new laws and regulations required under the BTA and the WTO. The USAID Vietnam Competitiveness Initiative (VNCI) Project provides technical assistance to the Ministry of Justice to implement the requirements under the Law on Laws for regulatory impact assessments for all new laws, decrees and ordinances to improve regulatory quality and provide opportunity for public comment, e.g., by the private sector and civil society, on draft legislation. The Office of Government of Vietnam, with assistance from USAID/VNCI, has launched a new National Database of Administrative Procedures (AP) to improve and simplify the administrative procedures required to establish and conduct business in Vietnam.

Since June 2010 investors have been able to register new businesses online through a government web portal, following the Prime Minister's Decree 43/2010. Although there have been some initial implementation problems, the business community has largely welcomed this new development and expects the business registration process will be more efficient and transparent as a result.

Efficient Capital Markets and Portfolio Investment

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Vietnam's financial system is in the early stages of reform, and to date the financial markets remain weak and poorly regulated. A lack of financial transparency and non-compliance with internationally accepted standards among Vietnamese firms is among the many challenges facing Vietnam's plan to expand the domestic stock and securities markets as a venue for firms to raise capital domestically.

The banking sector is underdeveloped. Only 17 percent of Vietnamese have a bank account and an estimated 50 percent of personal savings are held outside the banking system (in gold or cash, including foreign currency). Most domestic banks are under-capitalized and believed to hold a large number of non-performing loans (NPLs) though, under Vietnamese accounting standards, the official NPL rate is reported at only 2.5 percent. Due to a lack of transparent auditing or financial reporting, it is difficult to estimate the true proportion of non-performing loans. It is expected that in 2010, the size of non-performing loans will be significant in a number of banks following the near-bankruptcy and subsequent default of the Vietnam Ship Building and Industry Group (Vinashin), which may represent as much as four percent of outstanding loans in the banking system. State-directed lending under non-commercial criteria remains a source of concern with state-owned commercial banks (SOCBs).

Vietnam's banking market is highly concentrated at the top and fragmented at the bottom. The four largest banks (Vietcombank, Vietinbank, the Bank for Agriculture and Rural Development, and the Vietnam Investment Bank for Investment and Development) are state-owned or majority state-owned, accounting for 65% of domestic lending, 62% of capital mobilization, and 58% of the total assets of the banking sector in 2009. Among these, the Bank for Agriculture and Rural Development is the largest with total assets of VND 470 trillion (USD 24 billion). Vietnam's 38 joint stock commercial banks are much smaller than the state-owned commercial banks.

Vietnamese banks are now required to maintain minimum chartered capital of VND 1 trillion (about USD 50 million). This requirement will increase to VND 3 trillion (about USD 154 million) effective December 31, 2011, extended at the end of 2010 from the original deadline of December 31, 2010.

The GVN has initiated banking reforms intended to improve the stability of the banking system, especially via the equitization (or privatization) of State-owned commercial banks. Vietcombank and Vietinbank conducted initial public offerings (IPO) in December 2007 and December 2008, respectively, and both were listed on Vietnam's stock market in 2009. The state remains the controlling shareholder in both banks (roughly 90% of the charter capital).

In 2008, the State Bank of Vietnam for the first time granted licenses to wholly foreign-owned banks: HSBC, Standard Chartered Bank, ANZ, Hong Leong and Shinhan Vina. The current ceiling for a foreign shareholder and a strategic shareholder in a local joint stock bank are set, respectively, at 30% and 15% of the total charter capital.

The Vietnamese stock market includes two stock exchanges: Ho Chi Minh Stock Exchange (HOSE) and Hanoi Stock Exchange (HNX). At the end of 2010, 275 stocks were listed in the HOSE with total market capitalization of approximately USD 29 billion and 363 companies were listed in the HASTC with total market capitalization of

approximately $6.8 billion. The majority of listed firms are former SOEs that have undergone partial privatization (equitization). A new trading floor for unlisted public companies (UPCOM) was launched at the Hanoi Securities Center in June 2009, drawing the participation of 107 companies. In September 2009, a separate trading floor for government bonds was established. The GVN caps foreign equity in both listed and UPCOM Vietnamese companies at 49 percent, except for banks which are subject to 30% ownership limit.

Competition from State Owned Enterprises

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SOEs continue to play a prominent role in the economy, accounting for approximately 37.8 percent of GDP in 2009. SOEs are dominant in all strategic sectors, such as oil and gas, telecommunications, electricity, mining, and insurance.

In 2005, the GVN established the State Capital Investment Corporation (SCIC) to represent GVN state ownership in SOEs, with the responsibility to manage, restructure and trade State interests in such SOEs through the process of equitization and privatization. By 2015, SCIC plans to privatize or equitize more than 1000 state-owned enterprises, but the process has been slow. To date, SCIC has largely been given responsibility only for small and medium-sized SOEs. SCIC is also charged with accelerating SOE reforms, improving management in companies in its portfolio.

The 2005 Law on Enterprises requires all SOEs to change their corporate structures to operate, as of July 1, 2010, under the same legal and regulatory framework as all other business entities. However, there are additional SOE reforms needed in order to put the private sector on a level competitive field with SOEs, including preferential access to land and capital and conflict between the competing corporate ownership and regulatory functions of SOE management.

In 2010, Vietnam experienced the near-bankruptcy of state-owned shipbuilder, Vinashin, due to mismanagement and substantial investment outside its core business sectors. The incident has raised both domestic and international concern about the efficiency and continued viability of an economic model driven by a dominant state sector.

Vietnam allows foreign investors to participate in the equitization process (per Decree 109 issued in 2007), subject to the provisions of other laws that may restrict foreign investors' participation in the process, such as ceilings on capital ownership. The GVN recently announced it would allow the selling of stakes to strategic foreign investors before their initial public offerings (IPO), and would consider new changes in the criteria for foreign strategic investors based on WTO commitments. Currently, local firms can sell shares to a strategic investor only after the IPO, and the ceiling price must not be lower than the average IPO winning price.

Corporate Social Responsibility

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Many multinational companies implement Corporate Social Responsibility (CSR) programs in Vietnam. Although awareness of CSR programs appears to be increasing

among domestic companies, only the largest Vietnamese companies implement CSR programs.

Political Violence

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The Mission knows of no incidents of violence against investors in Vietnam.

Corruption

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Vietnam's 2005 Anti-Corruption Law, considered by the World Bank as among the best legal frameworks for anti-corruption in Asia, requires GVN officials to declare their assets and set strict penalties for those caught engaging in corrupt practices. Implementation, however, remains problematic. The GVN signed the United Nation Convention on Anti-Corruption in July 2009.

The Government has tasked various agencies to deal with corruption, including the Steering Committee for Anti-Corruption (led by the Prime Minister), Government Inspectorate, and line ministries and agencies. However, few corruption cases have been detected, investigated and prosecuted.

The 2010 Transparency International Corruption Perceptions Index ranked Vietnam 116 out of 178 countries. Corruption in Vietnam is due in large part to a lack of transparency, accountability and media freedom, as well as low pay for government officials and inadequate systems for holding officials accountable for their actions. Competition among GVN agencies for control over business and investments has created a confused overlapping of jurisdictions and bureaucratic procedures and approvals that in turn create opportunities for corruption.

Vietnam's 2009 Provincial Competitiveness Index (PCI), supported by USAID's VNCI Project in partnership with VCCI, surveyed 9,890 Vietnamese businesses and measured how much firms pay in informal charges; 59% of respondents believed that firms are subjected to requests for payment of informal charges by government officials. Vietnam's 2010 PCI survey data report is scheduled for release later in 2011.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: http://www.justice.gov/criminal/fraud/fcpa.

- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: http://www.oecd.org/dataoecd/11/40/44176910.pdf

- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/publications/gcr.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/sc_country.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://go.worldbank.org/RQQXYJ6210.

- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See http://gcr.weforum.org/getr2010/.

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at http://www.state.gov/g/drl/rls/hrrpt/.

- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: http://report.globalintegrity.org/.

Bilateral Investment Agreements

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Vietnam has 57 bilateral investment agreements with the following countries and territories: Algeria, Argentina, Armenia, Australia, Austria, Belarus, Belgium and Luxembourg, Bulgaria, Burma, Chile, China, Cuba, Czech Republic, Cambodia, Denmark, Egypt, Finland, France, Germany, Hungary, Iceland, India, Indonesia, Italy,

Iran, Japan, Kazakhstan, Kuwait, Laos, Latvia, Lithuania, Malaysia, Mongolia, Mozambique, Netherlands, North Korea, Philippines, Poland, Qatar, Romania, Russia, Singapore, South Korea, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Tajikistan, Thailand, Ukraine, United Kingdom, Uruguay, Uzbekistan, United Arab Emirates and Venezuela.

In December 2008, Vietnam and the United States began negotiations of a Bilateral Investment Treaty (BIT), concluding the third round of talks in November 2009.

OPIC and Other Investment Insurance Programs

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The Overseas Private Investment Corporation (OPIC) has a standing bilateral agreement with Vietnam that provides the protections and guarantees necessary for OPIC to operate in Vietnam. Vietnam joined the Multilateral Investment Guarantee Agency (MIGA) in 1995.

On November 9, 2010, the Prime Minister issued Decision 71 to regulate pilot projects under the Public-Private Partnership (PPP) model for infrastructure development. Sectors to have PPP investments include transportation infrastructure, airports, seaports, clean water supply, power plants, hospitals, waste treatment, and other infrastructure projects identified by the Prime Minister. The value of the government's contribution in a PPP project will not exceed 30 percent of total investment capital.

The estimated annual U.S. dollar value of local currency used by the U.S. Mission in Vietnam is about $55 million. This currency is purchased at the commercial bank rate, which is closely linked to the official government rate. It is not purchased at the black-market/free market rate, which regularly exceeds the official rate by about 10 percent. The SBV devalued the VND by five percent in November 2009, by three percent in February 2010, and by another two percent in August 2010. There remains a risk of further devaluations in 2011 as indicated by the VND continuing to trade at the weaker edge of the official trading band.

Labor

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One of Vietnam's main investment advantages is its labor force, which is large (over 46 million people), literate (GVN reports a literacy rate of 94 percent), inexpensive, and young (nearly 69 percent of the population is under 40). The labor pool is expected to increase by 1.5% annually between 2010 and 2015.

The GVN sets minimum wages depending on the ownership structure and location of the company. From January 1, 2011, state-run and domestic private workers' minimum wages will rise to VND 1,350,000 (USD $69), VND 1,200,000 (USD $61), VND 1,050,000 (USD $54) and VND 830,000 (USD $42) per month in four different geographic zones. Minimum wages for workers of foreign direct investment enterprises will rise to VND 1,550,000 (USD $79), VND 1,350,000 (USD $69), VND 1,170,000 (USD $60) and VND 1,100,000 (USD $56), also in four different zones. By 2012 all businesses, foreign and domestic, will pay a single nationwide minimum wage.

Foreign investors can hire and recruit staff directly, but only after exhausting a 15-day period using a state-run employment and recruitment bureau. In practice, many employers omit this step and hire their personnel directly without going through the bureau. All personnel must be registered with the GVN.

The 2007 revised Labor Law introduced an extensive process of mediation and arbitration to deal with labor disputes. According to the Labor Law, workers cannot go on strike until mediation procedures have been exhausted. In practice, these procedures are often not used. New sections of the Law also require that at least 50% of the workers in enterprises with fewer than 300 workers must vote for the strike, and 75 percent in industries with 300 workers or more.

For the first 10 months of 2010, there were 328 labor strikes, compared to more than 700 strikes in 2008 and 310 in 2009. Over 80% of the strikes in 2010 occurred in Ho Chi Minh City, Binh Duong, and Dong Nai. The GVN rarely takes action against "illegal" strikers.

Employers are required by law to establish labor unions within six months of establishment of any company, a requirement many employers fail to meet. All labor unions must be members of the Vietnam General Confederation of Labor, a state-run organization under the Communist Party-affiliated Fatherland Front that labor experts note has particularly weak capacity at the provincial and enterprise level.

Vietnam has been a member of the International Labor Organization (ILO) since 1992, and has ratified five core labor conventions (Conventions 100 and 111 on discrimination, Conventions 138 and 182 on child labor, and Convention 29 on forced labor). Vietnam has not ratified Convention 105 dealing with forced labor as a means of political coercion and discrimination or Conventions 87 and 98 on freedom of association and collective bargaining, but is considering doing so. Under the Declaration on Fundamental Principles and Rights to Work, however, all ILO members, including Vietnam, have pledged to respect and promote core ILO labor standards, including those regarding association, the right to organize and collective bargaining. A number of technical assistance projects in the field of labor sponsored by foreign donors, including USAID, are currently underway in Vietnam.

Foreign-Trade Zones/Free Ports

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Vietnam has 234 industrial zones (IZs) and export processing zones (EPZs), most of which are located in Vietnam's key economic zones. Projects in IPs and EPZs often enjoy investment incentives by sectors and geographical areas. Enterprises pay no duties when importing raw materials if the end products are exported. Vietnam committed to eliminating prohibited export subsidies on its accession to the WTO.

Many foreign investors note that it is easier to implement projects in industrial zones because they do not have to be involved in site clearance and infrastructure construction. Foreign investment in the industrial zones is primarily in the light industry sector, such as food processing and textiles.

Customs warehouse keepers can provide transportation services and act as distributors for the goods deposited. Additional services relating to customs declaration, appraisal,

insurance, reprocessing or packaging require the approval of the provincial customs office. In practice the level of service needs improvement. The time involved for clearance and delivery can be lengthy and unpredictable.

Most goods pending import and domestic goods pending export can be deposited in bonded warehouses under the supervision of the provincial customs office. Exceptions include goods prohibited from import or export, Vietnamese-made goods with fraudulent trademarks or labels, goods of unknown origin, and goods dangerous or harmful to the public or environment. The inbound warehouse leasing contract must be registered with the customs bond unit at least 24 hours prior to the arrival of goods at the port. Documents required are a notarized copy of authorization of the holder to receive the goods, a notarized copy of the warehouse lease contract, the bill of lading, a certificate of origin, a packing list, and customs declaration forms. Owners of the goods pay import or export tax when the goods are removed from the bonded warehouse.

Foreign Direct Investment Statistics

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FDI statistics in Vietnam are still unreliable. By November 2010, only four out of 63 provinces had submitted their required annual FDI report to the Ministry of Planning and Investment (MPI). In 2008, FDI statistics were revised twice with significant changes due to such low compliance rates. Further, MPI generally uses and reports figures for "registered" foreign investment rather than actual ("implemented") foreign investment. Because a significant portion of registered FDI projects are never realized, this reporting practice can distort the investment picture in Vietnam.

Foreign Direct Investment 2005-2010
(all amounts in billions of U.S. dollars)

2010
Number of new projects authorized: 969
Authorized Investment (including new and extended projects): $18.6
Implemented Investment: $11

2009
Number of projects authorized: 1,155
Authorized Investment: $22.6
Implemented Investment: $10

2008
Number of projects authorized: 1171
Authorized Investment: $64.01
Implemented Investment: $11.5

2007
Number of projects authorized: 1544
Authorized Investment: $21.3
Implemented Investment: $8.03

2006
Number of projects authorized: 833

Authorized investment: $12
Implemented investment: $4.1

2005
Number of projects authorized: 970
Authorized investment: $6.8
Implemented investment: $3.3

Source: GVN's Foreign Investment Agency
Note: GVN authorities routinely revise or revoke investment licenses that have not been utilized, and some investment licenses contain automatic expiration clauses that take effect if a project or phase of a project is not implemented by a certain date. Statistics on the number of licensed projects and the value of licensed projects are then adjusted accordingly.

FDI by Major Sector 1988-2010
(all amounts in billions of U.S. dollars)

Sector: Industry and manufacturing
Number of Projects Authorized: 7,305
Authorized investment: $93.9

Sector: Real estate
Number of Projects Authorized: 348
Authorized investment: $47.9

Sector: Hotels and tourism
Number of Projects Authorized: 295
Authorized investment: $11.3

Sector: Construction
Number of Projects Authorized: 674
Authorized investment: $11.5

Sector: Communications
Number of Projects Authorized: 636
Authorized investment: $4.7

Sector: Extractive
Number of Projects Authorized: 68
Authorized investment: $2.9

Sector: Agriculture, forestry and fishery
Number of Projects Authorized: 479
Authorized investment: $3.0

Sector: Transportation and Warehouse
Number of Projects Authorized: 300
Authorized investment: $3.1

Sector: Finance and banking

Number of Projects Authorized: 73
Authorized investment: $1.3

Sector: Education
Number of Projects Authorized: 133
Authorized investment: $0.3

Source: GVN's Foreign Investment Agency

FDI by Top Ten Investors in 2010
(all amounts in billions of U.S. dollars)

Country: Number of new projects/Authorized Investment (in billions of U.S. dollars)

1. Singapore: 88/ $4.4
2. Korea: 256/ $2.356
3. Netherlands: 14/ $2.3
4. Japan: 114/ $2.209
5. United States of America: 52/ $1.965
6. Taiwan: 95/ $1.275
7. British Virgin Islands: 23/ $0.76
8. Malaysia: 19/ $0.416
9. Cayman Islands: 5/ $0.565
10. British West Indies: 1/ $0.475

Source: GVN's Foreign Investment Agency

Vietnam's Overseas Investment
Note: Statistics on Vietnam's investment overseas are unreliable and inconsistent.

According to preliminary statistics, in 2010 Vietnam had 107 investment projects abroad with total registered value of USD 2.97 billion. Laos is the largest destination for Vietnamese overseas investment (total investment is more than $3.1 billion). Other top destinations for Vietnamese FDI include Russia, Malaysia, Cambodia, Algeria, and the United States.

Total overseas investment by Vietnam
(All amounts in billions of U.S. dollars)

2010
Number of projects: 107
Authorized capital: $2.97

2009
Number of projects: 81
Authorized capital: $1.7

2008

Number of projects: 112
Authorized capital: $3.1

2007
Number of projects: 80
Authorized capital: $1.0

2006
Number of projects: 36
Authorized capital: $0.15 billion

2005
Number of projects: 36
Authorized capital: $0.54 billion

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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Most U.S. firms exporting to Vietnam conduct business on a documentary basis and use various methods of payment, such as letters of credit (L/Cs), drafts and wire transfers. All foreign businesses dealing with Vietnam should insist on using confirmed, irrevocable L/Cs when initiating relationships with new importers and distributors. Vietnamese companies often will resist the use of confirmed L/Cs, because of the additional cost and collateral requirements required by Vietnamese and international banks.

Local companies with acceptable credit risk, (including major private enterprises and State-Owned Enterprises (SOEs),, have been able to obtain credit facilities, including import finance from foreign banks (SOE access to credit has been restricted following the default of a major SOE in December 2010, however). For these importers, confirmation of L/Cs opened by their foreign bank may not be required and faster payment can be expected.

In the past, most Vietnamese companies have requested deferred payment L/Cs, with extensions of up to 360 and even 540 days. Most lenders have stopped this practice until the banking system's liquidity status improves. At present, sight L/Cs and L/Cs up to 60, 90 or 120 days are most common.

In years past, exporters had to ensure that Vietnamese banks opening L/Cs were located in Hanoi or Ho Chi Minh City, because they found a general lack of expertise in dealing with L/Cs at Vietnamese bank branches situated outside of these principal commercial centers. Most local banks have solved this issue by establishing two to three customer service centers to take care of L/Cs open at all bank branches, in an effort to provide customers with equivalent services. Care should also be taken as to which bank will open the L/C.

Foreign banks have greater capacity, but costs will be lower if the L/C is opened by one of the four state-owned banks or thirty-eight private joint stock commercial banks. Costs will be higher if a foreign bank confirms the L/C, but L/C confirmation will shift risk from the Vietnamese bank and account party to a foreign bank, which can be a high quality risk. After establishing a commercial relationship with and the financial credibility of a local importer, U.S. exporters have offered goods against less restrictive forms of payment, including consignment, but this can be risky.

In 2006, the Government changed a regulation that required Vietnamese companies to deposit 80 percent of the L/C value prior to its opening at the bank. Banks now collect the deposits from companies based on creditworthiness. This deposit can range from 0-100 percent.

How Does the Banking System Operate

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The opening of Vietnam's economy has placed new demands on a financial sector that until the early 1990s operated largely in isolation from international standards and practices. Vietnam is making progress in developing the basic infrastructure to support a modern banking system and financial markets, but neither meets international standards.

The central bank, the State Bank of Vietnam (SBV), is the main financial regulatory agency. The SBV supervises two policy banks (the Social Policy Bank of Vietnam and the Vietnam Development Bank), four state-owned commercial banks (SOCBs) Vietinbank, BIDV, Agribank and the Housing Bank of Mekong Delta), 38 joint-stock (private) banks, five joint-venture banks, 53 representative offices of foreign banks, 33 branches of foreign banks, 15 financial companies and 13 financial leasing companies. The SBV is not an independent body like the U.S. Federal Reserve and it continues to operate under government oversight. Despite the 2010 passage of the new State Bank Law, which nominally expands SBV independence, in some key areas of operation, such as the provision of liquidity support, monetary policy, the management of foreign currency reserves and foreign exchange rates and issuance of banking licenses, SBV actions are subject to prime ministerial approval.

The Vietnam Bankers Association (VNBA) was founded in 1994 as the trade association for banks and acts as a link to the authorities, including: disseminating and implementing policies, mechanisms and laws on banking operations to its members; protecting the interests of the members; conducting training and research; and expanding international banking co-operation. VNBA's authority over its members is limited.

The International Monetary Fund, the World Bank, and other international donors, including the United States, are assisting Vietnam to implement financial reforms to ensure the stability and promote the effectiveness of the banking system and the financial sector. The reform programs focus on three main areas: restructuring of joint-stock banks; restructuring and equitization of the SOCBs; and improving the regulatory framework and enhancing transparency. Other ongoing projects aim to modernize the interbank market, create an international accounting system and allow outside audits of major Vietnamese banks. The SBV is in the process of strengthening its own internal processes and enhancing the level of inspection and supervision of the banks within its jurisdiction. The SBV is also preparing regulations to implement the Basel capital accord in calculating risk-adjusted assets and risk-adjusted capital ratios. Increasingly, more SOCBs are audited by independent auditing firms.

The GVN requires all banks to establish controlling committees and institute internal audit functions. In practice, prudent banking practices are not always followed. According to SBV estimates, sector-wide non-performing loans (NPLs) increased to 2.8 percent of system-wide loans at end-2010 (2008: 2.1 percent; 2009: 2.5 percent) and

sector-wide special-mention loans (SMLs) were about 11 percent. However, the true level of non-performing and under-performing loans is difficult to gauge, as there is a very low level of transparency and disclosure in Vietnam's banking sector. Secrecy laws cover much of the banking industry's data and meaningful information on individual financial institutions is not readily available. Some analysts estimate that NPLs in Vietnam's banking system could actually account for 15-20 percent of outstanding loans.

In 2007, the SBV introduced rules for classification of non-performing loans, which conform to international standards. It also allowed banks to accelerate loan terms and gave them more discretion in setting penalty interest rates on overdue debts. As of December 2008, all financial institutions had instituted internal credit rating and risk assessment mechanisms.

Vietnam's banking system is very weakly capitalized, with the market highly concentrated at the top and fragmented at the bottom. As required by SBV regulations, small banks are now in the process of raising additional charter capital to meet the increased minimum capital requirement of VND 3 trillion (USD 167 million), now due by the end of 2011, having been extended one year from the earlier deadline because of bank difficulties in reaching the increased capital target.

The GVN has said it intends to partially privatize ("equitize") all SOCBs in the future, but such plans continue to move slowly, having already passed earlier target dates for full equitization. The banking equitization process would allow foreigners to buy shares but cap foreign equity at 30 percent. These restrictions will be lifted in 2012 (five years after WTO accession). The first pilot initial public offering (IPO), Vietcombank's, took place in December 2007 after years of delays. Vietinbank conducted an IPO in December 2008. Both banks plan to list on Vietnam's stock market. Theyhave not yet identified a strategic investor due to unresolved obstacles in IPO pricing and the state remains the controlling shareholder.

Joint-stock banks have been more successful at raising private capital, selling part of their equity to foreign investors (mainly investment funds or financial institutions) or issuing convertible bonds or additional shares. The joint stock banks are on average much smaller than the SOCBs, but they are more efficiently operated and professionally managed. The non-performing loans of these banks are widely believed to be lower than those of SOCBs.

Domestic banks can take dollar deposits. Foreign banks can also take dollar deposits, provided that the foreign bank is properly licensed. The previous cap on Vietnamese dong (VND) deposits with foreign banks was lifted effective January 1, 2011. Residents and non-residents can open and maintain foreign exchange accounts with authorized banks in Vietnam.

In 2008, the State Bank of Vietnam for the first time granted licenses to wholly foreign-owned banks: HSBC, Standard Chartered Bank, ANZ, Hong Leong and Shinhan Vina. The current ceiling for a single foreign strategic shareholder in a local joint stock bank is set at 20 percent of the total charter capital; total foreign holdings in a local joint stock bank may not exceed 30 percent.

Although the banking sector remains small, banking networks and services have been expanding rapidly and there is great potential for banks to develop the retail banking

business (approximately 75 percent of Vietnam's 86 million people have never accessed banking services while the remaining 25 percent have not taken full advantage of banking services.)

In 2008, the GVN began paying its Hanoi and Ho Chi Minh City employees by direct bank deposit only, and since January 2009 all government employees nationwide (including provincial staff) are paid in this way.

Since 2000, banks have been required to insure all dong deposits. The maximum insured amount is VND50 million (nearly $3,000) per account or individual per bank. The effectiveness of deposit insurance has not been tested. Vietnamese banks do not have Bank for International Settlement (BIS) tier ratings.

Foreign-Exchange Controls

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Conversion of Vietnamese dong into hard currency no longer requires foreign exchange approval and Vietnam has not had a foreign exchange surrender requirement since 2003. The Law on Investment allows foreign investors to purchase foreign currency at authorized banks to finance current and capital transactions and other permitted transactions. The availability of foreign exchange has been an intermittent problem since the middle of 2008, continuing through 2010, largely because of an outflow of private portfolio investments.

Foreign businesses are allowed to remit in hard currency all profits, shared revenues from joint ventures, and income from legally-owned capital, properties, services and technology transfers. Foreigners also are allowed to remit royalties and fees paid for the supply of technologies and services, principal and interest on loans obtained for business operations and investment capital and other money and assets under their legitimate ownership.

In principle, most foreign investors are expected to be "self-sufficient" for their foreign exchange requirements, although this sometimes proves impractical. The GVN guarantees foreign currency for certain types of foreign investors in the event that banks permitted to trade foreign currency are unable to fully satisfy their foreign currency demand.

The State Bank of Vietnam (SBV) has adopted a crawling-peg foreign exchange control mechanism. In 2008, the SBV adjusted the official exchange rate (reference rate) and expanded the official trading band for dollar and dong exchange transactions several times, effectively devaluing the dong by 7.25 percent. The dong was devalued 5.4 percent in November 2009, and the trading band for dollar was then limited to 3 percent around the reference rate. The dong was devalued 3.4 percent in February 2010 and another 2 percent in August 2010. Most analysts believe further devaluation is likely in 2011. Commercial banks are allowed to determine the differential between currency selling and buying prices within the stated trading band. Slowed exports coupled with

declining FDI and portfolio investments in 2010 put additional pressure on hard currency availability in general, and on dollars in particular.

U.S. Banks and Local Correspondent Banks

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At present, five U.S. banks and financial institutions are operating in Vietnam. Citibank and Far East National Bank have branches, Wachovia and Visa International have representative offices, and JP Morgan Chase has both a branch and a representative office. .

Of the state-owned banks, Vietcombank, Vietinbank, the Bank for Agriculture and the Bank for Investment and Development have the most active correspondent relationships with U.S. banks. Several joint-stock banks also have correspondent relationships, such as the Asian Commercial Bank (ACB), East Asia Bank (EAB), Vietnam Export-Import Bank (EXIM Bank), the Maritime Bank, Saigon Commercial and Industrial Bank, Saigon Thuong Tin Commercial Bank (Sacombank), Vietnam Technological and Commercial Joint Stock Bank (Techcombank), and the Vietnam Commercial Joint-Stock Bank for Private Enterprise (VP Bank).

Project Financing

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United States Government-supported export financing, project financing, loan guarantee and insurance programs are available for transactions in Vietnam through the U.S. Export-Import Bank (EXIM Bank) and the Overseas Private Investment Corporation (OPIC). The establishment of these two agencies' programs in Vietnam, coupled with the activities of the U.S. Trade and Development Agency (TDA), which provides grants for feasibility studies, technical assistance, and training for commercial projects being pursued by U.S. firms, has enhanced the competitiveness of U.S. companies in Vietnam. Both EXIM Bank and OPIC have increased their engagement with and support for U.S. businesses in Vietnam in response to the President's National Export Initiative.

EXIM Bank offers export financing of American products through loans and loan guarantees, as well as providing working capital guarantees and export credit insurance. Information on EXIM Bank programs in Vietnam can be accessed at www.exim.gov. OPIC encourages private American business investment in emerging economies by providing project financing, fund investments, and insurance against breach of contract, political risk, currency inconvertibility, expropriation and political violence. Information on OPIC programs in Vietnam can be accessed at www.opic.gov.

In principle, state-owned banks could provide export financing to U.S. firms operating in Vietnam, but in reality such financing is more likely to come from joint-stock banks or the branches of foreign banks in Hanoi or Ho Chi Minh City. Many foreign firms finance such exports internally.

When dealing with importers or financing originating in Vietnam, U.S. suppliers should request irrevocable letters of credit (L/Cs). They should have one of their correspondent banks confirm the L/Cs. Foreign banks tend to deal for trade financing only with the three state-owned banks (Vietinbank, BARD and BIDV) and major joint-stock banks (Vietcombank, ACB, EXIM Bank, Maritime Bank, SACOM Bank and Techcombank).

U.S. banks present in Vietnam include Citigroup, Far East National bank, JP Morgan Chase and Visa International. Other U.S. banks operate out of operations centers in nearby countries. All of the American banks offer trade financing services to U.S. companies, with Far East National, JP Morgan and Citibank offering on-shore services as licensed branches. Other large foreign banks operating in Vietnam include ABN Amro Bank, ANZ Bank, BFCE, Bank of China, Credit Lyonnais, Deutsche Bank, HSBC, ING Bank, May Bank, OCBC, Standard Chartered Bank and UOB. In 2008, the State Bank of Vietnam for the first time granted licenses to wholly foreign-owned banks: HSBC, Standard Chartered Bank, ANZ, Hong Leong and Shinhan Vina. Although almost all foreign banks concentrate on wholesale banking, some offer retail banking services, ATM and electronic on-line services. In October 2009, Citibank became the first U.S. bank to offer retail banking services, competing with ANZ, Standard Charter Bank, and HSBC in this unexploited market segment.

Bilateral government tied aid, commonly offered by other governments, sometimes provides non-U.S. companies with a comparative advantage that affects American trade performance in Vietnam. These may take the form of soft loan programs designed to support a particular country's exporters. American firms, otherwise competitive on price and quality, sometimes lose contracts because they cannot compete with the low interest rates and/or soft repayment terms offered by the government of a competing company. EXIM and OPIC financial products may somewhat offset this disadvantage.

Project Financing: Vietnam secures a substantial portion of its development funding from Official Development Assistance (ODA), including from the multilateral development banks (primarily the World Bank (WB) and Asian Development Bank (ADB)), the Japanese Bank for International Cooperation (JBIC), and the United Nations Development Program (UNDP). American firms can participate in projects funded by these agencies.

The World Bank maintains a relatively large funding program for Vietnam. Projects focus on macro-economic policy, financing policies, and infrastructure projects in the power, energy, transportation and environmental sectors. Procurements for World Bank funded projects are conducted using competitive bidding procedures.

The Asian Development Bank (ADB) provides the largest development funding for investment projects concentrating in power, transportation, fishing, agriculture and the environment. Tenders are also conducted based on international bidding standards.

Both the World Bank, through the International Finance Corporation (IFC), and the ADB, through its Private Sector Group, offer both debt and equity for private sector projects in a wide variety of business sectors. Financing through these agencies can have long lead times (12 months or more), so U.S. firms need to apply early if they want access to support for investment projects.

The Japanese Bank for International Cooperation (JBIC) is a general untied funding agency which provides financing for infrastructure projects. American firms are eligible to compete for JBIC loan projects in accordance with procurement notices published by the recipient government or government-related agencies. Opportunities can include prime contractor and sub-contractor roles. U.S. firms can also receive financing of up to 85 percent of an international trade transaction if the sale contains at least 30 percent Japanese goods.

The United Nations Development Program (UNDP) provides funding for industrial and agriculture development. UNDP is active in Vietnam across a broad range of industry and social sectors and sponsors numerous public sector, social, agricultural, and refugee assistance programs. Project tenders are conducted in the same manner as World Bank tenders.

In recent years, 12 domestic and international leasing companies have received licenses to conduct business in Vietnam. While the initial capitalization is small ($5-13 million), these companies could play a significant role as alternative financiers in the future, focusing on the leasing of capital equipment. At present, their ability to transact business is limited because credit insurance for lessors is not available in Vietnam. The lessor must therefore carefully scrutinize potential clients. There are also certain legal constraints to the ownership of leased goods.

Medium, and possibly longer-term, financing is also available from commercial banks in Vietnam, although loans are provided mostly in Vietnamese dong. Foreign investors are encouraged to approach the branches of major foreign banks, as the state banks tend to favor Vietnamese state-owned enterprises.

Another major source of project financing comes from over fifty private equity funds. These funds have been investing mostly in real estate, tourism, power, manufacturing, environment and infrastructure projects. As a result of the 2008-2009 global financial crisis, the availability of money through private equity funds has been more difficult to obtain than in the past.

Availability of loan guarantees: A wide variety of bilateral and multilateral loan guarantee programs are available to U.S. companies from such organizations as the Export-Import Bank of the United States, the Overseas Private Insurance Corporation, the World Bank, and the Asian Development Bank.

Although Vietnamese banks and their regulators tend to have a strong preference for collateral, it may be possible for U.S. firms to utilize parent company or third-party guarantees in seeking loans. That said, most foreign companies operating in Vietnam will not rely primarily on the local banking system for financing.

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Export-Import Bank of the United States: http://www.exim.gov

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: http://www.opic.gov

Trade and Development Agency: http://www.ustda.gov/

SBA's Office of International Trade: http://www.sba.gov/oit/

USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm

U.S. Agency for International Development: http://www.usaid.gov

Asian Development Bank: http://www.adb.org/

The World Bank: http://www.worldbank.org/

United Nations Development Program: http://www.undp.org/

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Chapter 8: Business Travel

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Business Customs

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Background: Vietnam is a markedly Confucian society and its business practices are often more similar to those of China, Japan and Korea than to those of its Southeast Asian neighbors. The social dynamics and world-view of Vietnam's society are reflected in the business climate including such matters as: "face," consensus building, and the zero-sum game assumption.

"Face" is extremely important to many Vietnamese and you should try not to put Vietnamese counterparts in an embarrassing situation or one that calls for public back-tracking. Fear of losing face often makes Vietnamese wary of spontaneous give-and-take, unscripted public comment, or off-the-cuff negotiation. Tact, sensitivity, and discretion are considered the most effective approach in dealing with disagreements or uncomfortable situations. Westerners often view the idea of face as quaint, but to many Vietnamese it matters a great deal, and the loss of face by your contact could very well mean the loss of your contact. Consensual decision-making is very deeply ingrained in Vietnamese social and political behavior. "Consensus" means different things in different societies. In Vietnam, it often means that all parties with a voice can wield a veto and must be brought on board. In building a consensus, it may prove impossible to "steamroll" the minority opinion, which must be wooed instead. To take the Central Government as an example, the lead ministry on a given issue may be unable to advance its positions if other ministries with seemingly minor involvement in the decision oppose it. Unless the latter can be won over, the result is a stalemate.

Western businesspeople sometimes become frustrated with the apparent inability of the person across the table from them to make a decision (even if the counterpart is quite senior), or the fact that decisions once made are inexplicably reversed. This is indicative, not of the person's ability or willingness to work with foreign businesspeople, but of complexities behind the scenes and the fact that the apparent decision-maker does not always have the only say in negotiations.

The concept of a “win-win” business scenario is not widely ingrained in local business culture. This is important to keep in mind when negotiating with a Vietnamese organization. Once a deal is struck in principle, Vietnamese companies may want to take more time to improve their terms and even re-negotiate – adding time to business deals.

Relationships are also very important in Vietnam, as they are in general throughout the region. Your counterpart will want to know with whom they are dealing before getting in too deep. American businesses need to understand this aspect and be patient if their Vietnamese counterpart seems reluctant to move on a transaction immediately.

Introductions: When initiating contact with a Vietnamese entity, it is often best to be introduced through a third party as people outside a person's known circle may be regarded with suspicion. An introduction from a mutual friend, acquaintance or known business associate before initial contact can help alleviate some of the problems that arise in initial correspondence or meetings.

If it is not possible to have a third party introduce you, self-introductions should start with an explanation of what led you to contact this particular organization. This will help the Vietnamese side understand how to relate to you.

Names: Vietnamese names begin with the family name, followed by the middle name and finally the given name. To distinguish individuals, Vietnamese address each other by their given names. Therefore, Mr. Nguyen Anh Quang would be addressed Mr. Quang. Pronouns are always used when addressing or speaking about someone. You should always address your contacts as Mr., Mrs., Ms. or Miss followed by the given name. Vietnamese often reciprocate this custom when addressing foreigners. Ms. Jane Doe would typically be addressed as Ms. Jane. If you are unsure how to address someone, ask for advice.

Correspondence: Your first contact with a potential Vietnamese partner should be long on form and fairly short on substance. Effort should be spent on introducing yourself, your company and objectives in the Vietnamese market place. Relatively little emphasis should be placed on the specifics of your objectives. Your correspondence should end with pleasantries and an invitation to continue the dialogue.

Business Meetings: Establishing operations or making sales in Vietnam entails numerous business meetings, as face-to-face discussions are favored over telephone calls or letters. A first meeting tends to be formal and viewed as an introductory session. If you are unsure of exactly who in the organization you should be meeting with, you should address the request for a meeting to the top official/manager in the organization.

It is helpful to submit a meeting agenda, issues to be discussed, marketing materials, and/or technical information prior to the actual meeting. This will allow the Vietnamese side to share and review information within the organization in order to ensure that the correct people participate in the meeting. It is also wise to do your homework ahead of time to ascertain the scope of responsibility of the entity with which you wish to meet. Much time can be wasted talking to a department or ministry that does not really have jurisdiction over your project or issue.

A meeting usually begins with the guest being led into a room where there may be a number of Vietnamese waiting. The Vietnamese principal is rarely in the room when the

guests arrive and you will be left to make small talk with the other meeting participants until the principal makes his or her entrance. It is common for a third person (from either side) to introduce the two principals of the meeting. Once this is done and all participants have been introduced to each other and have exchanged name cards, participants can take a seat.

Seating for a meeting is generally across a conference table with the principal interlocutors in the center and directly across from each other. Other participants are generally arranged in a hierarchy on the right and left. Generally, the farther one is from the center of the table, the less important one is. Sometimes the meeting will take place in a formal meeting room where there are chairs arranged in a 'U' pattern. The principals will take their seats in the two chairs at the base of the 'U' with other participants arranging themselves in rank order along the sides of the 'U'.

Meetings generally begin with the principal guest making introductory remarks. These remarks should include formal thanks for the hosts accepting the meeting, general objectives for the meeting, and an introduction of participants and pleasantries. This will be followed by formal remarks by the Vietnamese host. Once the formalities and pleasantries are dispensed with, substantive discussion can ensue. Even if the principal host is not heavily involved in the details of the conversation, guests should remember to address the principal in the conversation allowing him or her to delegate authority to answer.

A general business call lasts no more than one hour. Usually, the visitor is expected to initiate or signal the closure of the meeting.

Hiring a reliable interpreter is essential, as most business and official meetings are conducted in Vietnamese. Even with the increasing use of English, non-native English speakers will need interpretation to understand the subtleties of the conversation. When working with an interpreter, one should speak slowly and clearly in simple sentences and pause often for interpretation. One should brief the interpreter on each meeting in advance.

Business Attire: Normal business attire consists of a suit and tie for men and suit or dress for women. During the hotter months, formal dress for men is a shirt and tie. Open collar shirts and slacks may be worn to more informal meetings depending on the situation. The trend in the South is to be more casual; suit jackets are worn only on very formal occasions and first meetings.

Travel Advisory

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Please view the latest travel information for Vietnam provided by the U.S. State Department Travel Information Website:
http://travel.state.gov/travel/cis_pa_tw/cis/cis_1060.html

Visa Requirements

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U.S. passports are valid for travel to Vietnam. Visas are required and relevant information may be obtained from the Embassy of Vietnam or the Vietnamese Consulate General:

Embassy of Vietnam
1233 20th Street, Suite 501, N.W.
Washington, DC 20036
(Telephone: 202-861-0737, fax 202-861-0917)
http://www.vietnamembassy-usa.org/consular_services/

Vietnamese Consulate General
1700 California Ave., Suite 475
San Francisco, CA 94109
(Telephone: 415-922-1577, fax: 415-922-1848)
http://www.vietnamconsulate-sf.org/ecms/

Vietnamese embassies in other countries or travel agents that organize travel to Vietnam can also issue or facilitate the issuance of a visa.

U.S. Companies that require travel of Vietnamese businesspersons to the United States should allow sufficient time for visa issuance. Visa applicants should go to the following links.

State Department Visa Website: http://travel.state.gov/visa/

Embassy of the United States Hanoi: http://vietnam.usembassy.gov/visas.html

Consulate General of the United States Ho Chi Minh City:
http://hochiminh.usconsulate.gov/visas.html

Telecommunications

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International Direct Dial (IDD) and fax services are widely available at most hotels. Communication costs in Vietnam have declined significantly in recent years. Internet services can be accessed through hotel business centers or from a growing number of Internet cafes. More and more hotels offer broadband access in their rooms and many coffee shops offer WiFi access for patrons. Internet services continue to experience cost reductions and quality improvements, although the reliability of the connections can vary depending upon location.

Mobile phones are ubiquitous. International Roaming for mobile telecommunications is available in Vietnam.

Transportation

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Travel within Vietnam is becoming easier with more domestic flights between major cities. A round trip ticket between HCMC and Hanoi is currently about $230 for economy class and $405 for business class. Vietnam Airlines (www.vietnamairlines.com) and Jetstar Pacific Airlines (www.jetstar.com) are the two carriers currently flying domestic routes.

Trains and buses in Vietnam have extensive routes and offer a cheap way to travel. Traveling by train or bus is recommended only for the most seasoned and hardy of travelers.

In major cities, metered taxis are plentiful and relatively inexpensive, especially in the large cities where numerous taxi companies compete for passengers. A car with a driver is also an option in major cities and can be rented for between $50 and $100 per day. For destinations outside major cities a car and driver is the recommended means of transport. Cars can be booked through most major hotels or tour companies.

Language

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Vietnamese is the official language. Use of English is becoming more common, especially in the larger cities and in the rapidly expanding tourism sector.

Health

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Most local medical facilities do not meet western hygienic standards and may not have the full range of medicines and supplies available in typical U.S. facilities. However, there are several small foreign-owned and operated clinics in Hanoi and HCMC that are exceptions to this rule.

Local Time, Business Hours, and Holidays

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Vietnam is twelve hours ahead of Eastern Standard Time and 11 hours ahead of Eastern Daylight Time. Vietnam consists of a single time zone.

During the weekdays, business hours are typically 8:00 a.m. to 5:00 p.m. with a one hour lunch break. On Saturdays, work hours are from 8:00 a.m. to 11:30 a.m. Vietnamese Government offices have recently moved to a 5-day workweek and are no longer open on Saturdays.

During the Lunar New Year, falling in January or February, business and Government activities in Vietnam come to a virtual standstill for the weeklong Tet holidays. Business travel at this time is not advised.

Temporary Entry of Materials and Personal Belongings

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Articles 30, 31, and 32 of Government Decree 154/2005/ND-CP, dated December 15, 2005, stipulate that the following items are allowed, without any duty, to temporarily

enter Vietnam and must be re-exported within 90 days: goods for presentation or use at trade fairs, shows, exhibitions or similar events, professional machinery and equipment, spare parts and components serving the repair of foreign ships or aircraft.

Vietnam began steps to recognize the Admission Temporaire/Temporary Admission Carnet System (ATA Carnet System) when it officially became the WTO's 150th member in January 2007. In reality, Vietnam is still in the implementation process. The Vietnam Chamber of Commerce and Industry (VCCI) has been authorized by the Government of Vietnam to be the ATA Carnet card issuer and the guarantor of foreign exporters. In general, the ATA Carnet System will apply to non-commercial and not-for-local consumption items in Vietnam such as: samples, professional equipment, goods for presentation or use at trade fairs, shows, exhibitions, computer, transportation means, gemstones, antiques, etc. The temporary importation and re-exportation of these items under the ATA Carnet System will work as follows in Vietnam: First, a foreign exporter makes a guaranteed deposit to a VCCI account or to a guaranteeing bank designated by VCCI. VCCI then issues an ATA Carnet card to the exporter. The exporter then proceeds with duty-free customs clearance of the relevant items. Finally, the exporter reclaims the deposit upon re-exporting the items from Vietnam and turning the ATA Carnet card back to VCCI. In case the items are not exported out of Vietnam, VCCI is responsible to Vietnam Customs for any import duties.

Web Resources

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U.S. Foreign Commercial Service in Vietnam: http://www.buyusa.gov/vietnam/en/

American Chamber of Commerce in Vietnam: http://www.amchamvietnam.com/

Vietnam Embassy in Washington DC: http://www.vietnamembassy-usa.org/

Vietnam Consulate General in San Francisco: http://www.vietnamconsulate-sf.org/ecms/

Vietnam Chamber of Commerce and Industry: http://vccinews.com/

Vietnam National Newspaper: http://vietnamnews.vnagency.com.vn

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Chapter 9: Contacts, Market Research and Trade Events

- Contacts
- Market Research
- Trade Events

Contacts

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Business travelers to Vietnam seeking appointments with U.S. Embassy Hanoi or U.S. Consulate Ho Chi Minh City officials should contact the Commercial Section in advance.

The U.S. Commercial Service in Hanoi can be reached by telephone at: (84-4) 3850-5199, by fax at (84-4) 3850-5064/5065 or email at Hanoi.Office.Box@trade.gov

The U.S. Commercial Service in HCMC can be reached by telephone at: (84-8) 3520-4680, by fax at (84-8) 3520-4679/81 or email at Ho.Chi.Minh.City.Office.Box@trade.gov

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/mrktresearch/index.asp and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

Trade Events

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Please click on the link below for information on upcoming trade events.

http://www.export.gov/tradeevents/index.asp

(Add link to trade events section of local buyusa.gov website here or just delete this text.)

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully**, **connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E).**

We value your feedback on the format and contents of this report. Please send your comments and recommendations to: Market_Research_Feedback@trade.gov

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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