

**American Standard Vietnam, Inc.**

Cong Ty American Standard Viet Nam

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Import Administration  
International Trade Administration  
U.S. Department of Commerce  
14<sup>th</sup> Street and Constitution Avenue  
Washington, DC 20230

**Re: Case No. A-552-801**

To Whom It May Concern:

American Standard Vietnam, Inc. (ASVN) is a joint venture between Ceramic Sanitaryware Pte., Ltd. (CSPL), a Singaporean company wholly owned by American Standard Inc, Piscataway, NJ, USA and Genimex Corporation, a trading company specializing in import and export of natural resources and other products, located in Binh Duong Province. ASVN is approximately 85% owned by CSPL with Genimex owning about 15%. The joint venture has been in operation since 1 January, 1997 and manufactures and sells vitreous china toilets, lavatories and other similar products used in households, hotels, schools, hospitals and other commercial and residential buildings throughout Vietnam.

Our view is that our market in Vietnam can easily be characterized as driven by market forces with all normal influences such as supply, demand, competition (private and state-owned), taxes, raw material options, competing parts vendors, skilled labor shortages, distribution issues, credit, financing options, import and export, currency exchange and the like.

To be sure, the market has changed dramatically in the years we have been operating here. When American Standard opened a representative office in Ho Chi Minh City in 1995 to facilitate import and sales of vitreous china products ahead of the factory opening, a typical high quality imported toilet sold for nearly US\$100. Today, same-quality locally produced products sell for about \$50. The difference in our view is simple: competition. Since 1997 several international brand sanitaryware factories have opened and all have completed or are undergoing expansion in response to a rapidly growing market. The two local state-owned manufacturers are also increasing their production capacities and successfully attracting employees trained by the international manufacturers (which include Inax of Japan, Caesar of Taiwan in addition to ASVN). Also, import taxes have decreased from a high of 70% in 2001 to the current 50% and are scheduled to be near 0% by 2006 in line with Vietnam's accession to the ASEAN Free Trade Agreement (AFTA).

In short this means buyers of sanitaryware products, from architects to contractors to homeowners, have more choice at more competitive prices. It also means that quality, designs, colors, service and all aspects of a potentially positive buying experience have improved, very much in line with the functioning of a normal market economy.

From here we will explain how we view the Market Economy factors.

1. Convertibility of Foreign Currency

In its daily course of business ASVN imports raw materials and various parts and accessories used either in the manufacture of vitreous china products or for final assembly. These are purchased either with a letter of credit, simple TT terms, or rarely, payment in advance. Since ASVN does not do business locally in US dollars it must, and does, exchange Vietnam Dong for US dollars for these current account transactions. No prior government approval is needed and the process is simple and often done electronically.

2. Wage Rates

Very simply, ASVN pays market-driven wages for all jobs. In fact, qualified labor shortages in areas such as sales, marketing and finance are driving wages higher at accelerating rates and causing significant retention problems.

In 1996 and 1997 many key employees were hired based on some relevant experience and often successful completion of an undergraduate degree in English with acquired familiarity with personal computers and normal business software. After 5 years of training and practical business experience plus frequently with another undergraduate or graduate degree obtained through part time study, many of these employees are shopping their enhanced credentials in the job market. And they are often finding new, challenging and higher paid positions either with growing multinationals or with newly arrived companies just establishing their presence in Vietnam. Retention can be accomplished by meeting wage requirements or other means.

The only government influence is in the minimum wage that in ASVN's home area is US\$35 per month. This wage is simply a reference and has no relevance to the company's operations.

3. Scope for Foreign Investment

When ASVN was first licensed in November, 1994 it was required that foreign invested companies have a local partner. Since that time the partnership has worked well. Even when the business developed more slowly than expected and the partner was unable to invest further in the business it readily agreed to dilute its share allowing American Standard to inject more capital. Further, all government approvals for the change in ownership were quick and simple.

In the meantime the law has changed and 100% foreign operations are allowed. Still, ASVN management finds the current arrangement to be beneficial.

4. Government Control and Ownership of the Means of Production

Competition in the sanitaryware market in Vietnam involves three international manufacturers, INAX, Caesar and American Standard and two state-owned companies, Thien Thanh and Thanh Tri. Products from these 5 manufacturers plus those imported from all over the world make a dynamic and rapidly changing marketplace.

The state-owned competitors produce a broad range of products and sell several quality grades attempting to satisfy all customers including those with low-price and quality expectations all the way to those requiring more upscale designs.

The international manufacturers, including ASVN, dominate the upper half of the market with international quality and performance standards (each sells only “A” quality) and designs from around the world. Cost, the market and other normal factors determine prices.

In distribution, ASVN sells its products through a number of private businesses throughout Vietnam, most family-owned and operated. These companies are largely self-financed and none that we know of currently utilize external credit other than the terms offered by their vendors. These distributors were located by normal means and the relationships have developed according to a common, generally understood pattern of mutual benefit.

Most of these distributors carry at least one competing sanitaryware brand and some have more. They often also carry faucets (American Standard and others), ceramic tile, bathroom and kitchen accessories and other related products designed to satisfy their dealers’ needs.

Because of the diversity of products offered by distributors, ASVN and other manufacturers must provide attractive service and other support so that the final customer chooses their products at the dealer, the final point of sale. This, too, is highly competitive and requires diligent attention to service and to the current ever changing needs of the customer.

#### 5. Government Control over Allocation of Resources

In 1995, ASVN’s local partner provided 5.1 hectares in Binh Duong province (25km north of Ho Chi Minh City center) for construction of its 15,000 sqm factory. The 30-year land use rights for most of the site were the capital contribution of the local partner. A small portion of the site is rented from the province. The land was an entirely undeveloped former U.S. military base that required extensive sweeping for unexploded munitions. It also had no nearby public utilities of any kind. ASVN and two other nearby plants installed their own full time electric power generating capacity—purchased at market prices. Only recently has power become reliable enough for critical process use and all 3 plants are connecting to the grid.

#### Working Capital

ASVN has a relationship with the local office of an international bank that provides working capital facilities when needed as well as other normal banking services. Interest rates are market driven and fund availability has never been a problem.

#### Pricing

Input costs and the market determine ASVN’s pricing. There is no direct government influence.

**6. Other Factors**

To ASVN, Vietnam is a market economy in appearance and practice. That is not to say, however, that improvements are not required and that participants should not be diligent. ASVN is working with its Vietnamese counterparts to improve its part of the economy in its own ways.

We look forward to your comments and questions.

Sincerely,

Thomas R. Siebert  
General Director