EXHIBIT 17

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VIETNAM COUNTRY COMMERCIAL GUIDE FY2002

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CHAPTER 1: EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at Vietnam's commercial environment, using economic, political and market analysis. The CCG's were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. government agencies.

On June 8, 2001, the Bush Administration transmitted to the US Congress a request for Normal Trade Relations (NTR) for Vietnam and implementation of the long awaited US - Vietnam Bilateral Trade Agreement (BTA). This action initiated the process for final ratification of the BTA. Once ratified by the US Congress and the Government of Vietnam, the BTA is expected to increase trade volumes between the US and Vietnam significantly. (At the time of this report, July 2001, the BTA was still pending final ratification by both governments.)

With the ratification of the BTA, tariffs for goods entering the United States from Vietnam will fall from an average of more than 40 percent - to just 3 percent. Concerning U.S. imports, Vietnam will provide U.S. goods with NTR tariff rate status (also known as MFN - most favored nation tariff rate status), and has committed itself to become a more transparent and open market through trade liberalization measures. The BTA also opens many Vietnamese market sectors to U.S. investors over a phase-in period. U.S. firms will also benefit from a strengthened Intellectual Property Rights regime.

Vietnam has a population of 80 million. Two-thirds of the population are under 25 years of age, and the birthrate is approximately 2.3 percent. With GDP per capita at less than US $400, it is clear that market reform is a necessity if the economy is to keep up with population growth. Vietnam has targeted a 7.5 percent per annum growth rate each year for the decade beginning in 2001, which would double GDP during this decade.

There are positive indications that the economy has improved and that market reforms are working. In 2000, exports from Vietnam to the rest of the world increased 25.4 percent over the previous year, reaching US $14.5 billion. There were significant increases of exports in petroleum, seafood and manufactured goods. Domestic demand, including private consumption and domestic investment, remains strong. Domestic investment has certainly been stimulated as a result of the Enterprise Law, which went into effect at the beginning of 2000. In 2000 there were 14,000 new private enterprises registered.

The Vietnamese government recently committed to the World Bank and to the International Monetary Fund to speed up the pace of state-owned enterprise and financial sector reform. return, these institutions will provide credits to address the large stock of non-performing loans in the state-owned banking sector and will create a social safety net for workers made redundant from equitizing, privatizing and downsizing state-owned enterprises. Additionally, the results of the Ninth Party Congress, held in April 2001, included key structural changes and leadership changes in the Communist Party that are positive indicators of Vietnam's commitment to reform.

Total two-way trade between the United States and Vietnam in 2000 was almost US $1.2 billion. Exports from the United States to Vietnam in 2000 rose to US $367 million, an increase of 27 percent over 1999. The United State's share of Vietnam's imports remains very low and certainly less than its potential. In 2000 the U.S. share represented approximately 2.5 percent of Vietnam's imports which totaled US $15.3 billion.

The United States Foreign Commercial Service (FCS) and the Foreign Agricultural Service, which have offices in both Hanoi and Ho Chi Minh City, have identified a number of best prospects for American exporters of goods and services. The leading industrial sectors with high potential include: (i) aircraft and parts, (ii) oil and gas field machinery and supplies, (iii) medical equipment, (iv) safety and security equipment, (v) education and training, (vi) telecommunications equipment and services, (vii) plastics machinery, (viii) environment and pollution control equipment/services, (ix) textile machinery and equipment, and (x) airport and ground support. Leading prospects for agricultural products are (i) soybeans and soybean meal, (ii) bulk cotton, (iii) wheat and wheat flour, (iv) livestock genetics, (v) fresh fruit and vegetables, (vi) snack foods, packaged and canned foods, and (vii) forest products, hardwood lumber.

The Export-Import Bank (EXIM Bank) of the United States became fully operational in Vietnam in December 1999. EXIM Bank offers export financing of American products through loans and loan guarantees and provides working capital guarantees and export credit insurance. Additionally, the Overseas Private Investment Corporation (OPIC) and the Trade Development Agency (TDA) are also supporting projects in Vietnam: OPIC encourages private American business investment by providing project financing and political risk insurance. These organizations have greatly contributed to the competitiveness of U.S. companies in Vietnam.

There are already over 400 American firms registered in Vietnam. This number is expected to increase significantly over the next few years as a result of a signed Bilateral Trade Agreement. American companies interested in doing business in Vietnam may do so indirectly through the appointment of an agent or distributor in Vietnam. (Note: U.S. companies new to Vietnam should conduct sufficient due diligence on potential local agents/distributors to ensure that specific permits, facilities, manpower, and capital are available.) U.S. firms which want a direct presence in Vietnam must establish a commercial presence utilizing the following options: 1) a representative office license; 2) a branch license; 3) a foreign investment project license under Vietnam's revised Foreign Investment Law. In addition, U.S. companies interested in doing business in Vietnam should contact the U.S. Foreign Commercial Service or Foreign Agriculture Service in Hanoi and Ho Chi Minh City. Contact information is located in the Appendix.

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CHAPTER 2: ECONOMIC TRENDS AND OUTLOOK

REINVIGORATED REFORM BRIGHTENS ECONOMIC OUTLOOK

Despite a decline in demand for Vietnam's agricultural exports and the likelihood that the country will not meet its growth targets this year, there is renewed optimism about Vietnam's transitional economy in mid-2001. This optimism is a function of a number of significant developments over the past year. One of these directly impacting U.S. business interests is the signing in July 2000 and the transmission by the Busch administration to Congress in June 2001 of the U.S.-Vietnam Bilateral Trade Agreement (BTA). Once approved by Congress and ratified by the Vietnamese government, the BTA promises to liberalize trade and investment in Vietnam for American goods, services and investors, and to open the U.S. market to Vietnamese exports on normal trade terms. Even with these measures, however, Vietnam will still need to speed the pace of reform in order to realize its potential for growth.

Other remarkable events occurring over the past year include the agreement between BP/Amoco's consortium and PetroVietnam, the state oil company, on a mega-natural gas development project in Vietnamese waters in the East (South China) Sea and a major BOT private power project 'downstream' of it. The Vietnamese government recently committed to the World Bank and the International Monetary Fund to speed up the pace of state-owned enterprise and financial sector reform. In return, these international financial institutions provide the government with credits to help address the large stock of non-performing loans in the state-owned banking sector, and to create a social safety net for workers made redundant from equitizing, privatizing and downsizing state-owned enterprises.

Finally, foreign investors were heartened by results of the Ninth Party Congress in April 2001. The Party Congress, held every five years, made significant personnel and structural changes in the Vietnamese Communist Party. These changes suggest to many that Vietnam will proceed with their ambitious reform commitments. Of note, the day following the conclusion of the Party Congress, Moody's Investment Service upgraded the country's credit rating from negative to stable.

Growth levels expected about the same as 2000

Vietnam has targeted a 7.5 percent per annum growth rate target each year for the decade beginning in 2001. This would allow the country to double GDP over that period. The government has recently acknowledged, however, that it expects growth this year to miss the target by, perhaps, a percentage point and the growth rate should roughly equate to that of 2000, 6.7 percent. (The World Bank and the IMF project similar trends for the period but differences in calculation would see real growth at about 5.5 percent in 2001.) The year 2000 growth rate represented a return to higher growth, a considerable hike from the 4.8 percent figure recorded in 1999, and reversing the declining trend in growth since 1997.

Generally cautious fiscal policies

While the government began providing budget data to the public in 1999, it lacks detail and segments are not covered. Nonetheless, consistent available data indicates the government's spending for capital investment remains about a third of total government expenditure and much of this is being invested in rural infrastructure. Current expenditures increased in 2000 partly as a result of much needed 25 percent increase in government salaries. While non-oil tax revenue failed to reach targets, the windfall from oil revenues allowed the government exceed overall fiscal projections for the year. According to Ministry of Finance and World Bank estimates, the budget deficit in 2000 was a manageable 1.8 percent of GDP. As a result of a likely weakening of oil prices later in 2001, some analysts predict Vietnamese oil export gains will slow, thus reducing revenues, generating a slightly larger, but still manageable, deficit this year.

Inflation remains in check

For most of Vietnam's modern history, the country was plagued with endemic hyperinflation, the result of chronic shortages in the socialist economy and a hoarding mentality brought about by years of war. With the introduction of reform measures in the late 1980's, Vietnamese policy makers began to turn their attention to the problem. Yet, large inflows of foreign capital in the early nineties together with reinvigorated domestic demand (as hoarding turned to spending for housing construction and consumer durable purchasing) continued to present challenges to planners with limited monetary tools at their disposal. By the late nineties, as agricultural production exploded and the country retrenched, a definite deflationary trend took hold and Vietnamese planners were beset with the unusual problem of the need to stimulate demand in the economy. Following catastrophic flooding in the central region in late 1999, the government directed the state-owned banking system to inject credit into the economy with seemingly few effects. Food is heavily weighted in Vietnam's consumer price index (CPI). Due to bumper rice crops and depressed world prices, especially for rice, year-on-year inflation fell to zero in 1999 and was negative in 2000. The May 2001 CPI is about 1 percent lower than in May 2000.

State bank supervision becoming more evident

The State Bank of Vietnam, the Ministry of Finance, and the State Securities Commission with considerable assistance from the donor community, particularly the World Bank, IMF, ADB, and British and other governments, have been leading advocates for financial sector reform in Vietnam. Over the past year, the government has established an incipient stock trading facility in Ho Chi Minh City. While capitalization of listed companies is incredibly low, it represents a start. A number of state bond issuances have also taken place in recent years. The Vietnamese government licensed several foreign insurance firms recently, including AIA of the United States, to complement and develop the growing insurance market. These firms have already demonstrated potential to serve as important new financial intermediaries. The State Bank of Vietnam has removed the cap on U.S. dollar bank lending. Greater confidence is also evident in a series of exchange rate movements in recent weeks allowing the Vietnamese dong to depreciate to more realistic levels, and according to some analysts, may help the export sector.

Trade robust and diversifying

Much of last year's growth was attributed to a marked increase in trade. Exports registered a hefty 25.4 percent overall increase in 2000 with petroleum (67.5 percent increase over the previous period), seafood (55.5 percent increase), and manufactured items (15.6 percent increase) leading the way. In 1999 and 2000, electronics exports helped to further diversify the export sector, although high levels of imports of electronic inputs for the industry meant value-added gains were marginal. The value of total exports in 2000 reached almost USD 14.5 billion, approximately 50 percent of GDP.

Total imports increased in 2000 leaving a small net trade deficit. The volume and value of petroleum fuels imports shot up, as a result of rising demand. (Vietnam currently imports almost all refined petroleum products. Work is underway by a Vietnam-Russian consortium to build a USD 1.2 billion refinery in Quang Nam province in the central region.) In addition, 2000 also saw increased imports of motorcycles from China, as well as increased machinery for factories. Early 2001 is showing similar trends in imports, however, early reports indicate machinery imports are slowing.

Soft external environment affecting some exports in 2001

In the first five months of 2001, growth in Vietnam's oil exports continued robustly, registering a 21.9 percent increase over the same period last year. Prices for crude remain strong and oil production volumes have not yet crested. Seafood and garment exports are likewise continuing to grow, but at slower rates than in 2000. Huge volume increases in Vietnam's agricultural exports have translated into a less than 3 percent increase in export revenues, reflecting continued depressed global demand for many of Vietnam's agricultural products. Meanwhile, revenues from footwear and electronics are lower than in the same period of 2000.

Vietnam enjoys trade surplus with U.S. but trading volumes still small

Two-way U.S.-Vietnam trade reached almost USD 1.2 billion in 2000, with Vietnam enjoying a considerable surplus. Using U.S. Department of Commerce figures, in 2000, trade increased substantially: U.S. exports increased 19 percent to USD 367 million, and Vietnam's exports to the U.S. increased to USD 827 million, a 37 percent increase over 1999. Vietnam's major exports include fish products, coffee, crude petroleum, apparel and footwear. U.S. exports are more diversified and include a variety of finished goods.

Trade agreement will stimulate U.S.-Vietnam trade

During its negotiation, the Vietnamese government granted U.S. products temporary MFN trade status. As previously noted, the Administration transmitted the BTA to Congress for its approval in June 2001. The BTA enjoys a 'fast-track' provision under which the Congress is required to either approve or disapprove it within a maximum of 90 legislative days which includes Senate/House conferencing, if necessary. Consequently, we are hopeful that within a relatively brief period the BTA will receive favorable consideration in the Congress and early ratification by the Vietnamese government.

With BTA, a number of U.S. products will enjoy preferential treatment

Following implementation of the trade agreement, Vietnam would enjoy immediate tariff benefits as the U.S. provided the country with 'normal trade relations status'. In many instances this would markedly reduce tariffs on Vietnamese goods and provide a stimulus to Vietnam's export sector and the economy generally. The government of Vietnam for its part would immediately provide U.S. imports permanent MFN status and be required to undertake range of trade liberalization measures (for goods and services); many modeled on World Trade Organization norms. Some of these measures would be required on the entry into force of the agreement, while others would be phased in over several years. The U.S. also negotiated in the agreement better than MFN trade terms in Vietnam in tariff areas of importance to many U.S. exporters. These would be implemented beginning two years after entry into force of the agreement. U.S. intellectual property would be protected under the agreement. The Vietnamese government has also committed to phase-in measures simplifying the establishment of U.S. investment, and broaden the sectors in which the investments could be made.

Vietnamese are consumers, too!

Domestic demand was also a major component of the upturn in growth in 2000. According to figures provided by the General Statistics Office, motorbike sales rose a stellar 65.4 percent in 2000, due to a huge increase of imports of motorbikes from China whose prices undercut those assembled locally. In fact, domestic demand including private consumption and domestic investment continues strongly in 2001. In the first five months of 2001, sales of motorbikes, televisions, and cars are up 16.7 percent, 23.1 percent, and 53.9 percent, respectively.

And investors with the Enterprise Law

The impact of the Enterprise Law has also stimulated domestic investment. The law, a major triumph for the domestic private sector as it allows for eased registration of new businesses, is credited with helping generate 14,000 new private small and medium-sized enterprises (SME's) in 2000. This significantly contrasts with the approximately 3,000 registrations of new SME businesses in each of the previous three years. Robust new business registrations are also being recorded in 2001. In conjunction with the Enterprise Law's implementation, the government has undertaken to remove burdensome and heretofore ubiquitous licenses that have served as a drag on private business development.

Foreign direct investment here for the long term

In the short space of a decade, foreign investment has become a major, growing, and vibrant factor in the country's economy, particularly the industrial component, and in exports. Since opening to the outside, Vietnam has received commitments of about USD 36 billion (some 2,600 projects) of which about USD 20 billion has been implemented. While this stock of investment is relatively small in contrast to that which has flowed to other regional economies such as China, Korea, Thailand, or Malaysia, it is large in Vietnam's economy with an estimated gross domestic product of USD 30 billion. Inflows of foreign direct investment (FDI) reached a high of 13 percent of GDP in 1995.

External position generally positive as a result of strong capital inflows, despite slowing of export revenues...

Speaking of capital inflows, while we have seen different published numbers, Vietnam achieved positive balance of payments positions in 1999 and 2000 and the official reserves position continues to improve. World Bank and IMF projections also predict that Vietnam should post additions to foreign reserves over the coming several years if the country adheres to reform commitments. The positive payments position is accounted for by - among other factors -- significant inward remittances by Overseas Vietnamese, investment capital inflows, and growing levels of official development assistance. Many bankers believe the level of inward remittances is not adequately captured in the statistics since as much as 50 percent these transfers are made outside formal banking channels. As of mid-2001, gross official reserves are estimated to cover roughly 8.5 weeks of imports.

Becoming more transparent

In 2000, after years of negotiations, Vietnam succeeded in rescheduling at about 15 cents to the dollar its official debt with Russia, which included debt, carried over from the former Soviet Union. The U.S. essentially 'swapped' debt owed to it from Vietnam (which the country assumed from the former government of the Republic of South Vietnam as a condition of normalization). While Vietnam continues to be obligated to pay the U.S. this debt, it will be placed in an Educational Trust established by Congress for Vietnamese students to study in the U.S. and for U.S. students to study in Vietnam.

U.S. investment growing

Many of the investment projects begun in the 1990's are now producing goods and services (and some are expanding) in a variety of sectors and employ 350,000 workers. Singapore is the country's largest foreign investor. In fact, Asian countries account for the lion's share of investment in Vietnam. According to the U.S. Foreign Commercial Service, there are approximately 400 American firms operating in Vietnam and total U.S. investment in the country approaches USD 1.4 billion. Although the Ministry of Planning and Investment in May 2001 ranks the U.S. at 13th place in investment commitments, some substantial investment projects are subsidiaries of U.S. companies funneled through third countries or offshore tax havens. As such, they are credited not to the U.S., underestimating the 'real' value of overall U.S. investment in Vietnam. The U.S. is also a leading investor in the oil sector.

New FDI projects

The Nam Con Son gas pipeline development project (see below) and two foreign invested BOT power projects which will receive fuel from it will also spur the levels of FDI in the coming years. These projects alone may account for as much as USD 2.5 billion in additional capital inflows in the coming years. In early 2001, Canon of Japan received a license to produce color printers in Hanoi for the export market. There are reports that Formosa Plastics is considering a major synthetic fiber manufacturing plant in Vietnam's south which could in turn bring considerable new Taiwan investment to Vietnam. Much new, inter-regional investment is likely contingent on the early approval of the U.S.-Vietnam Bilateral Trade Agreement now in Congress. Once passed, U.S. tariffs for goods manufactured in Vietnam would in many cases fall dramatically to normal tariff rates thus making a variety of Vietnamese products competitive in the U.S. market. While textiles have been touted as an area for Vietnamese export growth, other light manufactured products such as furniture, toys, shoes, 'low tech' electrical apparatus, piping and tubing, tiles, handicrafts, may also see increased outlets in the U.S.

FDI industrial performance impressive

The foreign invested sector has consistently outperformed the state sector in industrial growth over the past several years. Interestingly, the foreign invested and domestic private sectors now account for more than 50 percent of the country's industrial output. While industry and construction account for greater than 50 percent of investments, a significant level of foreign investment has been realized in services sectors (e.g., hotels, tourism, apartments, banking and finance).

From agriculture to industrialization

While the majority of Vietnam's 80 million people live in the rural sector and engage in intensive agriculture, the country is rapidly industrializing; while agriculture is continuing to grow, the industrial sector is growing relatively faster. This is particularly the case in and around Ho Chi Minh City in the south. According to a recent release of the Ho Chi Minh City statistics office, the city and three surrounding provinces of Binh Duong, Dong Nai, and Ba Ria-Vung Tau, with only 3.8 percent of the country's surface area and 11.2 percent of the population accounted for 31 percent of the country's GDP in 1999. Essentially, this incredible economic story is the result of large inflows of foreign investment to these provinces, which are now in many ways 'de facto' integrated into the world economy. For Vietnam to grow more uniformly, other regions of Vietnam will have to adapt the lessons learned by leaders and businesses in the greater Ho Chi Minh City area.

Impressive human resource potential

Visitors to Vietnam are struck by the industriousness and respect for knowledge and learning of the Vietnamese people. Much of this labor, though, is inefficient and surplus. Out of the population of 80 million, 40-plus million are in the workforce and most of those live in rural areas. It has been estimated that of the 34 million Vietnamese workers in the countryside, most work roughly 100 days per year during the planting and harvesting periods. Rural industrial development would spur growth and soak up the excess labor. Unemployment statistics as understood in the West are not yet maintained in Vietnam. However, the government with approximately 1.5 million employees is engaged in an effort to downsize. Similarly, if Vietnam keeps to its timetabling of state-owned enterprise reform, that sector will also shrink from its current employment level of about 2 million workers. Add to this Vietnam's youthful population (60 percent of the population is below the age of 30) with its approximately 1.5 million new entrants into the workforce each year, and analysts quickly agree one of the country's primary development tasks is the need to promote job creation.

Western economists urge the government to relentlessly adopt policies to promote the private sector and labor-intensive export industries to generate jobs. The countries labor law, enacted only in 1994, contains significant levels of labor protection. At the same time, while Vietnam devotes considerable attention to labor matters, there continue to be deficiencies in the labor regime. The International Labor Organization, the United National Development Program, the U.S. government and others are working with Vietnamese government and labor officials to improve the countries laws and labor practices. The goal for Vietnam is to put the surplus labor to work, and for the labor force to be flexible, trained and in compliance with international norms.

Rich mineral resources

The country is also rich in natural resources. It is a net exporter of oil and coal, has under-developed hydroelectric and geothermal energy potential, and boasts deposits of ferrous and non-ferrous minerals, many of which have yet to be exploited. Vietnam's exports of oil have contributed robustly to the country's export earnings in recent years. According to balance of payments figures for 2000, crude oil exports accounted for a quarter of the USD 14.5 billion in total exports. Vietnam has enjoyed a windfall of earnings as it has increased crude oil production at the same time as oil prices have risen and remained strong. However, given the volatile nature of the world oil market, were oil prices to drop, Vietnam's export outlook and economy would suffer accordingly. Vietnam is predicting an 18 percent year-on-year increase in oil production in the first half of 2001.

Vietnam's successes in petroleum development are the result of early opening to foreign concessionaires. However, in the early 1990's the country tightened the terms of production sharing contracts such that they were no longer in synch with the country's petroleum prospectivity, causing a number of potential investors to look elsewhere. In 2000, the National Assembly made some changes to the fiscal regime for international oil companies which has helped restart exploration. Yet, more can and needs to be done to attract (and keep) international oil companies in the sector. While Exxon/Mobil departed the upstream sector in 1999, other U.S. majors (e.g., Conoco, Unocal) and independents operate here.

The big news in the sector, however, relates more to development of a several trillion cubic foot gas reserve discovered in the early 1990's by BP. After years of negotiation, the BP-led consortium in late 2000 signed a deal for the construction of the 400-km Nam Con Son gas pipeline. The USD 1.2 billion project of which PetroVietnam owns 51 percent is now under construction. By 2003, the pipeline is scheduled to begin bringing ashore 2.1 billion cubic meters of gas to fuel power plants and fertilizer complexes.

Unfortunately, the investment regime for the mining sector needs much more attention from policy makers before Vietnam can expect commitments from international mining companies. The terms for exploration and development are simply too onerous to generate rates of return needed by foreign investors. Certain minerals are also 'off-limits' to foreign exploitation. For example, the country's coal reserves are estimated at 260 billion metric of which a considerable portion is high-grade anthracite. Foreign investment in this sector could stimulate revenues and help to improve efficiencies. Foreign investors could also bring much needed environmental know-how.

Agricultural production improves but greater value-added needed in the rural sector

Agricultural successes in recent years have been little short of phenomenal. Where 15 years ago the country was a net importer of food, Vietnam has become the second largest exporter of rice. The country is also a leading exporter of robusta coffee and the third largest worldwide producer. The export value of agriculture, forestry, and fisheries in 2000 was USD 4.3 billion, almost doubling over the previous five years. Rice and coffee account for about half of agricultural export revenues. Due to weak external demand, in the first five months of 2001, the value of coffee exports declined 18 percent and rice grew 24 percent, despite 48 percent and 64 percent increases in export volumes of these commodities, respectively. Indeed, weak coffee prices are considered a major economic reason for the unrest by ethnic minorities in the Central Highlands where most of Vietnam's coffee is grown.

Economists and policy makers seek solutions for Vietnam's rural sector where the overwhelming proportion of the population lives and works. Crop diversification, rural industrialization, increased size of farm to permit greater mechanization, application of science and technology, and diversification of crops are all ideas for greater growth and further poverty alleviation in rural areas.

Vietnam attracts high levels of ODA, with Japan leading bilateral donors

The level of support for Vietnam's development by international donors and NGO's continues to grow. In 1999, Official Development Assistance (ODA) disbursements exceeded USD 1.3 billion of which about USD 400 million are grant, and are estimated at about USD 1.6 billion in 2000. At the Consultative Group meeting in December 2000, donors pledged an additional USD 2.4 billion, to add to a substantial stock (several billion dollars) of committed but undisbursed ODA. ODA is found in most sectors of Vietnam's economy but has been most significant in infrastructure (energy and transportation), followed by health, social and educational development. Some twenty countries and international organizations provide ODA to Vietnam. Japan is by far the largest donor country in Vietnam. In 1999, for example, Japanese aid exceeded USD 500 million.

International financial institutions have large stakes in Vietnam

The World Bank and the Asia Development Bank (ADB) also have very large programs in Vietnam. In 2001, the government of Vietnam and the World Bank and IMF reached agreement on the provision of structural credits for poverty alleviation. These quick-disbursing loans will add to the stock of ODA for the next several years. They are, however, heavily laden with important conditions which are designed to assist Vietnam to undertake deep reforms in the state-owned enterprise and financial sectors in particular. Many countries have found important development niches in the country and provide excellent assistance. For example, GTZ, the German development agency has helped establish the government's central audit agency and has worked with many ministries to develop post-expenditure audit capabilities. NGO's contribute about USD 80 million in "hands-on" development assistance.

USAID has returned to Vietnam

In conjunction with the November 2000 visit to Vietnam of President Clinton, the U.S. established a U.S. Agency for International Development (USAID) Office. The USAID office's mission is to better oversee existing aid programs and to help develop several new ones in areas of economic growth, health, and disaster mitigation. USAID, together with the Department of Commerce's Foreign Commercial Service also supports a U.S.-Asia Environmental Partnership (US-AEP) office in Hanoi. In 1999 and again in 2000, the U.S. Department of Agriculture provided excess agricultural commodities to the Vietnamese government the proceeds of which have gone to rural projects including humanitarian assistance and disaster mitigation. The U.S. Centers for Disease Control (CDC) is also helping Vietnam develop a preventable injury capability, as well as provides policy and technical support in combating the growing HIV/AIDs problem. Other U.S. agencies, including the U.S. Department of Defense, is providing meaningful humanitarian (de-mining and disaster mitigation) assistance.

Vietnam transitions from a socialism to a mixed economy

For much of the history of the Socialist Republic of Vietnam, the country was at war, including a civil war in which the U.S. supported the defunct Republic of South Vietnam. But the country also fought the French, the Chinese, and the Khmer Rouge at different times from 1954 until 1989. Following unification of the country in 1975, the economy fell into a tailspin as it rushed to implement socialist policies in the south, including collectivization. By the time of the Sixth Party Congress in 1986, as the prospect of continued aid from the Soviet Union dimmed, the Communist Party was forced to adopt 'renovation' or 'doi moi' policies to begin addressing the deficiencies of the socialist economic system. Major components of this reform included returning incentives to individual farmers and opening up to the outside world, by, among other things, permitting foreign investment to establish in Vietnam.

Reforms had dramatic effects in the 1990's and growth rates far exceeded expectations. Through much of the decade, foreign investment flowed to what many called the newest Asian dragon. Renewed confidence in the economy also spurred a revival in domestic demand. Vietnamese took savings hoarded in mattresses and began building homes and purchasing motorbikes, electronics, and more nutritious food. However, the first round of reforms initiated in 1986 had largely played out about the same time as the regional financial crises in 1997 hit. Instead of undertaking greater liberalization, the Vietnamese government retrenched and during 1998 and 1999 the pace of reforms slowed to a crawl. The expectations of a number of foreign investors who had come to Vietnam in the early and mid-nineties plummeted and they found they could no longer sustain operations and many departed. Others cut overhead and sent expatriate staff home in order to survive the lean years.

2000 and 2001 have proved to be policy watershed years

In the past several years, Vietnam has entered into broad-ranging reform commitments, from the ASEAN Free Trade Agreements and the U.S.-Vietnam Bilateral Trade Agreement (BTA) to an extensive set of commitments on state-owned enterprise and financial sector reform. At a recent international conference, analysts and Vietnamese government planners were in agreement that the task ahead is for Vietnam to implement these commitments in a timely and meaningful manner. We are hopeful the BTA will be approved and ratified in the coming months by the U.S. Congress and the government of Vietnam. That should provide significant stimulus, if implemented soundly. Combined with the commitments made to the World Bank and IMF in the new poverty reduction structural credits, Vietnam should be in for a deep and long-lasting period of economic reform.

ECONOMIC OUTLOOK: CONCLUSION

While there is currently a sense of optimism about Vietnam's economic future, the choice is up to the Vietnamese government whether it wants to continue to generate low or moderate rates of growth or whether it wants to generate rapid growth and catch up and exceed the levels of development reached by many neighboring economies. Vietnam has made much progress in the past 15 years with its policies of renovation, but it has also shown a great deal of caution. The current direction of reform is generally thought to be 'on target' by most development economists. However, many suggest the pace needs to be improved. At a recent conference, a representative of the American Chamber of Commerce recommended to Vietnamese officials that if, for example, Vietnam is committed to undertake a trade liberalization measure in 2006, it should try to undertake it by 2004. That would attract the attention of foreign investors and demonstrate the seriousness with which the liberalization program is taken.

Of the many economic challenges ahead, there will also be the need to promote a more knowledge-based economy. The government seeks to modernize the IT sector and promote a domestic and export-oriented software industry. Yet, it fails to enforce intellectual property rights laws already on the books, and the state-owned telecommunications infrastructure is costly, slow, and limited by firewalls. It needs infusions of capital and know-how only available in the private sector.

Finally, in the opinion of many analysts, the development of the private sector in Vietnam is a key, if not the most important, reform undertaking. It is neither directly the objective of the U.S.-Bilateral Trade Agreement, nor a central condition of the recent IMF and World Bank structural credits. But it is only the private sector that can generate the wealth to help the country develop its infrastructure and social sector. Only the private sector can possibly absorb Vietnam's current and future excess labor. Unfortunately, what currently exists of the corporate private sector is extremely fragile. While a partnership of donors is attempting to work with the government to put in place the laws, policies and institutions needed to create and sustain a vibrant private sector, much more needs to be done to eliminate the biases against Vietnam's fledgling private sector.

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CHAPTER 3: POLITICAL ENVIRONMENT

A. NATURE OF POLITICAL RELATIONSHIP WITH THE UNITED STATES

Since normalization of relations in July 1995, the highest priority of the U.S. government has continued to be pursuit of the fullest possible accounting for Americans unaccounted-for from the war in Southeast Asia, while expanding the bilateral relationship in every area. The Vietnamese government regularly expresses support of improved and expanded relations with the U.S.

A major focus of the U.S. government, to complete normalization of relations through conclusion of a bilateral trade agreement (BTA), took a major step forward with the BTA's submission to Congress in June 2001. Most sectors of the government, the Communist Party and society favor expansion of the bilateral relationship, though some remain wary. The number and variety of official and private exchanges continue to broaden, including exchanges between officials, academics and businesspeople.

B. MAJOR POLITICAL ISSUES AFFECTING THE BUSINESS CLIMATE

Vietnam continues efforts to integrate itself into the region and the world. Attracting foreign investment, however, is hindered by corruption, a cumbersome bureaucracy and a slowdown in much-needed reforms.

1. **Domestic Policy:** Under the "Doi Moi" (renovation) policy, Vietnam achieved growth rates until the Asian financial crisis hit. The official economic model is a "market-based economy with socialist orientation under state management," which allows market mechanisms but with a leading role for the state and maintenance of one-party rule. The pace of reform has slowed in recent years. Political commentators write about the need to attract foreign capital while safeguarding Vietnam's socialist political system.

   Widespread official corruption and inefficient bureaucracy are often cited as serious obstacles to continued economic growth and foreign investment. Despite regular denunciations of corrupt practices and official censure of several high-level officials, the problem of corruption remains pervasive. Competition among government agencies for control over business and investments has created a confusion of overlapping jurisdictions and bureaucratic procedures. Also, decisions handed down by the central authorities often do not translate into action at the province or district level, where the interests of local authorities or other economic actors may be counterpoised. Both local and national decision-makers must be taken into account when pursuing commercial projects.

2. **Foreign Policy:** Vietnam has an "open-door" policy of friendly relations with all nations in support of its economic development and attempts to attract foreign investment. In July 1995, Vietnam normalized diplomatic relations with the United States, became a member of the Association of Southeast Asian Nations (ASEAN) and, thereby, of ASEAN Free Trade Area (AFTA), and signed a memorandum of understanding for commercial cooperation with the European Union. Vietnam entered Asia-Pacific Economic Cooperation (APEC) in November 1998. Negotiations for Vietnam's membership in World Trade Organization membership are proceeding very slowly, awaiting approval of the US-Vietnam Bilateral Trade Agreement.

   Vietnam and China normalized relations in 1991. While significant progress has been made in resolving land and maritime borders, disputes over control of the Spratly and Paracel Island groups remain problematic and a potential source of regional instability in the medium to long term.

C. BUSINESS-TO-GOVERNMENT AND BUSINESS-TO-BUSINESS DIALOGUE

The Vietnamese Chamber of Commerce and Industry (VCCI) represents the Vietnamese business - both state-owned and private - community in Vietnam. VCCI also serves as a vehicle for training, supports a small and medium sized enterprise (SME) center, and helps in organizing seminars, trade fairs, exhibitions and trade missions. (Contact information for VCCI can be found at the end of this Country Commercial Guide.)

Separate from VCCI are a small number of business groups representing specific domestic industries in Vietnam. For example, a number of plastics manufacturers have succeeded in forming themselves into an association in HCMC. Another entity is the Union of Associated Industrialists and Commercial Companies, also in HCMC. Development economists encourage the formation of more such groups, as they can help in the growth of industries in Vietnam by improving information sharing about the market and new technologies and generating suggested policies for the government to consider to foster industrial improvements. On the other hand, the Vietnamese government hesitates to approve requests to establish new business associations, often claiming they are duplicative.

American companies participate in the American Chamber of Commerce in Vietnam (AmCham), which has offices in Hanoi and Ho Chi Minh City. AmCham members are very active, engaging in frequent meetings and other activities in support of U.S. commercial interests. A number of formally constituted committees operate under the AmCham umbrella, including in financial services, development cooperation, government relations, infrastructure and energy, trade, investment, law, etc. These committees share information, develop position papers, sponsor speakers, etc. In fact, this model is not uncommon; many businesspersons from around the world have organized groups in Vietnam representing country and regional commercial interests.

Under the auspices of the International Finance Corporation (IFC) of the World Bank, the private sector, including representatives of domestic industry and foreign investors, meets government officials at a "Private Sector Forum." Discussions at the

Forum focus on a range of business and investment climate issues. Recent sessions have taken up banking, legal, labor, taxation, foreign direct investment, trade, textile quota and other matters. Recently, these meetings have been conducted immediately prior to donors' Consultative Group meetings, twice yearly.

The United States government supports the Private Sector Forum. It affords the business community an opportunity to present its views to the government in a concerted and orderly manner. Through this medium, the government learns first hand issues of concern, and their priority, to the private sector. Economists are in general agreement that for Vietnam to grow sustainably and create jobs for a burgeoning workforce, it must - as a top priority -- foster the private sector.

The government has also met from time-to-time on an ad hoc basis with representatives of the foreign invested community to discuss concerns. The Prime Minister hosted a meeting in early 1999, which led to changes in the dual pricing structure. Foreign investors appreciate the opportunity to be consulted on issues of importance to them.

D. RELATIONS BETWEEN FEDERAL AND PROVINCIAL LEADERS

The National Assembly, Vietnam's legislative body, has played an increasingly independent role as a forum for local and provincial concerns and as a critic of local and national corruption and inefficiency. In recent years, the National Assembly has been more active in revising legislation, questioning ministers and other senior officials about their performances, and recommending the dismissal of senior officials. Although the Communist Party must approve all candidates who run for a seat on the Assembly, a number of delegates are not members of the Communist Party of Vietnam (CPV). The National Assembly convenes for one month twice annually.

At all levels of society, People's Committees and Councils represent the government. Provincial, district and local level People's Committees act much like governors' or mayors' offices in enforcing laws, expending funds and administering socio-economic development programs. The guidance of the CPV is maintained at all levels through Communist Party Committees, which act as counterparts to the People's Committees. People's Councils, in contrast, have very little real authority. At their brief meetings, which occur only several days a year, the Councils perform nominal legislative functions at the local level and provide a forum for local concerns to be expressed.

E. BRIEF SYNOPSIS OF POLITICAL SYSTEM, SCHEDULE FOR ELECTIONS AND ORIENTATION OF MAJOR POLITICAL PARTIES

The Socialist Republic of Vietnam (SRV) is a one-Party state controlled by the Vietnamese Communist Party (CPV). The CPV's constitutionally mandated leading role, the occupancy of nearly all senior government positions by party officials, and the Party's extensive network down to the village level and through mass organizations ensures the primacy of guidelines from the Party's ruling group, the Politburo. The Party and the government have a long-standing policy of not tolerating open dissent and of prohibiting independent political and labor organizations. All non-governmental Vietnamese organizations must belong to the CPV-controlled Fatherland Front.

Party Congresses are held every five years. That held in April 2001 selected Nong Duc Manh as the new CPV General Secretary. Mr. Manh had previously been Chairman of the National Assembly. The National Assembly convenes twice annually for one month.

The Party has delegated to the government and the National Assembly somewhat more authority to debate and make informed choices in the implementation of policy. The government uses the Ministry of Public Security, as well as a system of household registrations and block wardens, to monitor the population, but this "monitoring" is much less restrictive and is used far less frequently than in the past.

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CHAPTER 4: MARKETING U.S. PRODUCTS AND SERVICES

A. DISTRIBUTION AND SALES CHANNELS

1. **Legal Constraints on Foreign Participation:** Despite recent liberalization, Vietnam's regulations continue to place significant restrictions on foreign participation in the importing and distribution sectors. In this context, "foreign" refers to companies that do not have a presence in Vietnam. To a large extent, import and distribution activities are reserved for Vietnamese entities, and offshore manufacturers must work through Vietnamese firms to establish distribution or retailing operations inside Vietnam. However, foreign-capital companies licensed to manufacture in Vietnam may be permitted to distribute their products domestically. Investment licenses now may also allow foreign-invested companies to import raw materials, as well as finished products before production start-up for the purpose of test marketing and developing the business.

2. **Distribution Channels:** Vietnam's distribution system is a fragmented patchwork of state-owned import-export companies, private and state-owned wholesalers, independent Vietnamese agents and distributors, retail outlets, and street stalls. The formal distribution channels often overlap parallel channels for smuggled and "gray market" goods.

   Non-Vietnamese entities are barred from general participation in Vietnam's distribution system, although foreign investors have the right to sell, market, and distribute what they manufacture locally. Foreign investors may import goods needed for their projects, provided the right to do so is included in the investment license, but they must go through Vietnamese importers. Most local firms holding import licenses are SOE's.

   For many products, nationwide distribution requires the establishment of separate networks in the North, the South, and the Central Region. Lack of physical infrastructure links among the major regions, cultural and economic differences across the nation, and the fact that today's Vietnam was divided during the period when the modern economy was established all make it difficult to achieve "one-stop" distribution in many sectors.

3. **Importing and Exporting:** In order to engage directly in export or import activities, a company's business registration certificate must cover "import-export" or "trading". This activity is mainly reserved for Vietnamese firms, both state-owned and private. A foreign-invested enterprise may be granted a license to import specific products designated in its investment license, especially raw materials and even finished goods needed to develop a market for product that will eventually be produced in Vietnam. 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 the port 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. This can be burdensome. Many foreign firms have complained that the administration of customs is opaque, at best. Importers have charged that duty classifications for the same product differ from inspector to inspector, and that even the same inspector may charge different rates for the same item at different times. There is little effective recourse should the importer disagree with the classification.

Over the past few years, customs officials at many levels have been indicted on charges of corruption.

4. **Wholesale:** Both local and foreign-invested companies may act as wholesalers if their business registration certificates or investment licenses so state, or if the wholesale operations are established for the purpose of distributing their own products.

   While a small number of foreign-invested warehousing operations offering modern and efficient facilities have been established in recent years, for the most part warehouses and other storage infrastructure in Vietnam are quite basic. Climate control is rare and security may be a problem. Tracking and processing of inventories is primarily manual, and the physical movement and handling of goods is on par with practice in other less developed nations in the region.

   Wholesalers may or may not also be licensed importers. They typically offer both storage and transportation services, but the level of infrastructure and service is low by international standards. Warehouses in Vietnam often consist of little more than raw storage space with the bare minimum of environmental control, handling and security equipment. Many wholesalers are poorly capitalized and unable to upgrade their infrastructure. Recently, at least one US firm has established third party, value-added wholesaling operations in HCMC. Other foreign firms are investing in "cold chain" port facilities, especially in the South.

   A significant development in wholesaling is the launch in 2001 of a wholesale cash-and- carry operation to serve small retailers by Germany's Metro AG group. Metro Cash and Carry reportedly has been licensed to operate a members-only service restricted to businesses that will offer a variety of both food and non-food items.

5. **Retail:** The retail landscape is undergoing rapid transformation, providing more outlets for proper display and marketing of products. A number of Western-style mini-markets and convenience stores (e.g., MaxiMart and Saigon Coop) are cropping up in the major urban areas. While anecdotal reports suggest that shoppers perceive the mini-marts as expensive and per customer sales are still fairly low, most experts agree that this trend will continue to gather pace, as it has among Vietnam's more developed neighbors. At the moment, these outlets are said to account for about five percent of total retail trade, and most consumer purchases continue to take place at traditional street-side shops or official wet and dry markets organized by district governments. Nevertheless, these new retail outlets are expanding rapidly in major cities and offer promising opportunities for distributing a wide range of U.S. consumer goods.

   Shopping center developments are mushrooming. The Saigon Superbowl in Ho Chi Minh City, the nation's first large-scale entertainment and retail center, only opened in 1996. French hypermart developer CORA has opened a complex anchored by its flagship megastore in Dong Nai Province which is mobbed on weekends by shoppers from Ho Chi Minh City and the surrounding provinces. It has opened subsequent hypermarts in Binh Chanh and Cho Lon Districts of HCMC and announced plans for several more stores (including outlets as far afield as Hanoi and Can Tho) over the next few years. Other recent developments include a very large retailing center (21,797 sq. m) in the mixed-use Thuan Kieu Plaza in Cho Lon, HCMC's "Chinatown", as well as SAVICO-Kinh Do Plaza, a pastel "strip mall" type development in the heart of District 1. Although Ho Chi Minh City leads this sector, similar developments are taking place in Hanoi. One major project is a $30 million joint venture between CORA and Thang Long General Import-Export and Travel Company to develop a hypermart on 11 hectares of land only 10 km from the center of Hanoi. This is slated to open in 2003.

Showrooms and service centers for specialized products such as electronics, appliances, automobiles and industrial goods are also increasing. General Electric (GE) Company's Appliance Division and Lighting Division have launched chains of retail outlets in the past year, and industrial equipment manufacturer Parker-Hanafin and air conditioner giant Carrier have opened similar outlets in HCMC. All of this is changing the way the wealthier and more cosmopolitan segment of urban Vietnam shops. But apart from these pioneering projects, retail outlets still consist mainly of family-run market stalls or small street-front shops.

6. **E-Commerce:** To date, e-commerce has not made much progress in Vietnam. Obstacles to its development include the low number of Internet subscribers in-country, obtrusive firewalls, limited bandwidth and other problems with the Internet infrastructure, limitations of the financial system (including the low number of credit cards in use), and regulatory barriers. In November 1999, the Ministry of Trade announced an inter-agency project to assess technologies and propose policies to allow Vietnam to develop e-commerce. The project is complete, but awaiting approval by the Office of the Government.

   Over the past year, some pioneering e-commerce projects have been launched by foreign entrepreneurs, including www.vietnam.com, www.meetworldtrade.com, and www.mekongsources.com. These encompass a variety of "b2b" and "b2c" activities.

B. INFORMATION ON TYPICAL PRODUCT PRICING STRUCTURES

The overriding fact 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 begin with higher production costs reflected in the invoice, and then must incorporate the following elements into the pricing structure:

- Import agent fees (typically 1-to-2% of the invoice).
- Customs duty. As of this writing the Government of Vietnam has extended Normal Trade Relations (NTR) duty rates to goods of U.S. origin. While these are the lowest tariffs levied, they still may be as much as 50% on nonagricultural products.
- Value-added tax (VAT) of 10% is levied on the landed cost when the goods change title.

Typical markups for fast-moving consumer goods run from 10 to 15% at the distributor level (assuming a fairly high level of distributor service), and retail markups are also in the same neighborhood.

C. USE OF AGENTS AND DISTRIBUTORS

Unless a foreign company has an investment license permitting it to market its own goods, it must appoint an authorized agent or distributor.

1. **Agents:** A Vietnamese agent imports and sells a foreign supplier's goods in Vietnam for a commission. The risk of non-payment rests with the foreign supplier, as the agent is only selling the goods on behalf of the foreign firm. Vietnam's Commercial Code recognizes the right of foreign companies to appoint agents, provided that the Vietnamese agent's authorized scope of business includes such activity, and the agent obtains an import-export code from the customs authorities.

2. **Distributors:** Under a distributorship arrangement, the question of legal protection and recourse is clearer. The Vietnamese distributor buys the goods from the foreign supplier for resale in Vietnam and, technically, is liable for the full amount of the goods purchased. A distributorship arrangement is considered a "foreign trade contract" and must be structured in compliance with Vietnam's regulations on foreign trade contracts. In principle, it is legally binding upon signing.

3. **Legal and practical Considerations:** Although Vietnam's Commercial Code was promulgated in May 1997, the provisions are general in nature, and the relevant ministries have yet to complete the issuance of implementation regulations. Thus, some areas addressed in the Commercial Code remain unclear to this day.

   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, although it should be noted that letters of credit issued by local banks may not be enforceable.

   Going to court is generally not a recommended strategy to enforce agreements or seek redress for commercial problems in Vietnam. Foreign firms who have dealt with the court system in Vietnam report it to be slow and non-Similarly, although a framework for commercial arbitration exists in Vietnam, the process is not usually considered a viable 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 (see the Appendices for a list of such firms).

4. **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 the representative offices of foreign trading companies operating in Vietnam, as well. The latter, which include U.S. trading companies, often have distinct advantages in communication, experience in importing, expertise in product and package modification, and marketing capability.

D. FINDING A LOCAL PARTNER

While 100 percent foreign invested enterprises are becoming more numerous, the majority of foreign companies operating in Vietnam have chosen to partner with local firms. One way to locate Vietnamese partners is to contact local chambers of commerce and industry associations. The major chamber of commerce for Vietnamese enterprises is the Vietnam Chamber of Commerce and Industry (VCCI), headquartered in Hanoi with branches throughout Vietnam, including Ho Chi Minh City, Da Nang, Haiphong, Vung Tau, Can Tho, and Vinh. VCCI members include SOE's, joint-stock companies, and private firms of all sizes in many sectors. In Ho Chi Minh City, the Foreign Trade and Investment Development Center (FTDC) can also make introductions to prospective partners. Additionally, a very effective means for finding a local partner is to utilize the Gold Key Matching Service and/or International Partner Search of the offices of the U.S. Commercial Service in Hanoi and Ho Chi Minh City. Information on this service is available at www.usatrade.gov.

E. FRANCHISING

There is no specific franchise law in Vietnam, but many legal experts believe that satisfactory franchising can be accommodated under existing commercial law. The larger hurdle (and one which few have yet cleared) is how to locate prospective franchisees who can assemble sufficient cash and other resources to work with an international franchisor.

Some consumer goods and fast food firms have tested the waters in Vietnam. These include Swatch, Clinique, Baskin-Robbins, KFC, Texas Chicken, Jollibee (of the Philippines), and Lotteria (of Japan). Major international film companies have established extensive networks of photolabs in franchise-like agreements with Vietnamese entrepreneurs. Another area of interest to both foreign franchisers and prospective Vietnamese franchisees is educational services. However, no foreign chain shows signs of rapid expansion.

The recent explosion of retail space in Ho Chi Minh City and Hanoi should increase the number of suitable high-traffic sites for retail franchise shops. However, the lack of explicit legal infrastructure, IPR protection, and the difficulty of franchises to come up with capital make it unlikely that international franchises will boom in the near term.

F. DIRECT MARKETING

Unless a foreign company has established a local office under the Foreign Investment Law, it can only conduct direct marketing activities through a Vietnamese partner such as a distributor or agent. Many direct marketing techniques are novel concepts to the Vietnamese consumer. The logistical barriers to direct marketing include the lack of consumer data, neighborhood profiles, a scarcity of mailing lists, and limited private telephone ownership. Several cosmetic and lingerie companies are experimenting with door-to-door sales on a limited basis in Ho Chi Minh City. Over the past couple years, foreign life insurance companies have been licensed and have assembled large teams of agents who engage in traditional telemarketing, door-to-door selling, and workplace marketing in urban areas.

Some observers believe that direct selling and multi-level marketing organizations would encounter official suspicion in Vietnam, leading to problems such as the industry has recently experienced in China. In principle, all organized groups in Vietnam must come under the responsibility of a "mass" organization under the supervision of the Communist Party or the Government, which controls and monitors their activities. It is reasonable to suppose that this requirement would be applied to multi-level marketing organizations if they were established here.

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

G. JOINT VENTURES/LICENSING

1. **Joint Ventures:** A foreign joint venture is a Vietnamese entity, at least one of whose partners is a foreign company. Vietnam's Foreign Investment Law permits the establishment of 100 percent foreign-invested enterprises ("100 percent FIE's") in many but not all sectors. Recent liberalizations have made this an increasingly popular option, however most foreign investors opt to form joint ventures with a Vietnamese partner. Joint ventures offer both plusses and minuses. On the positive side, the Vietnamese partner, which is typically a state-owned enterprise ("SOE"), may contribute crucial relationships with government officials and clients, local market know-how, staff, and land-use rights. On the negative side, local partners rarely can contribute operating capital or other current assets. Their management technology is often limited and organizational culture may be cumbersome and bureaucratic. They also may not share the fundamental outlook and objectives of their foreign capitalist partner. Because their resources typically are limited, the local partner may balk at major strategic moves such as recapitalization or changes to the plan.

   JV licenses are normally granted for twenty-five years. At the conclusion of the term, the JV may be renewed by mutual consent of the parties, or dissolved.

   At present there are approximately 5,000 "SOE's" out of over 35,000 registered domestic enterprises. The private sector (generally taken to mean sole proprietorships and limited liability companies) makes up most of the rest. There are also a large number of household enterprises which, although unregistered, comprise a very significant share of non-agricultural output and employment. However, the average capitalization of the SOE's is many times that of the other forms, and they dominate production and trade, as well. Therefore, most foreign investors partner with SOE's, a term which includes firms controlled both by central government ministries and by municipal and provincial authorities. Local private firms generally lack the financial resources and know-how to facilitate contacts with potential foreign investors, while government ministries and provincial authorities usually promote enterprises related to their own organizations. Private firms must contend with greater government-imposed controls than their state-run counterparts, specifically with respect to access to land, trading licenses, and entry barriers in some sectors. The state-owned sector also has preferential access to financing and foreign exchange.

   Technology can be transferred by outright sale, licensing, or contribution as capital. Foreign JVs often contain technology transfer provisions. The Ministry of Science Technology and Environment (MOSTE) has primary authority to approve technology transfer contracts. The implementing regulations of the law governing technology transfer have made such deals very 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. The Commercial Code does provide protection as to transferred technology, but some of its provisions remain to be implemented.

2. **Licensing:** Licensing arrangements are beset by many of the same problems as franchising: stringent regulations, long approval times, 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. With this body of precedent, licensing arrangements can certainly be considered in this market.

H. STEPS TO ESTABLISHING AN OFFICE

In order to establish a commercial presence in Vietnam, a foreign firm must obtain one of the following three types of license:

1. **Representative Office License:** A representative office is generally easy to establish, but is the most restricted form of official presence in Vietnam. The license is issued by the Ministry of Trade (MOT) and allows for a narrow scope of activities, as stipulated in the "Regulations on Establishment and Operation of Representative Offices of Foreign Economic Organizations in Vietnam." A representative office may rent office space/residential accommodations, employ local staff and 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 and not an operating entity, it is strictly prohibited from engaging in any revenue-generating activities, such as trading, rendering professional services, revenue collection, or subleasing of its office space.

   The representative office license permits the foreign company to open only one office, at one site. Should the firm wish to open a second office in the same city or, more commonly, in a different city, a "branch representative office" license is required. Experts advise that a foreign company should decide at the time of application whether it wants more than one representative office in Vietnam. Experience suggests that it is easier to obtain licenses for a representative office, and one or more branch rep offices, when all are applied for simultaneously. If an additional license application is made at a later date, the Ministry of Trade may require documentation on the performance of the first representative office.

   - Tax Considerations: A representative office is exempt from corporate tax and auditing requirements. Income tax for Vietnamese and expatriate staff must be paid in accordance with relevant regulations.
   - Other Considerations: From time to time, representative offices have come under scrutiny by the local People's Committees (municipal governments), police, tax and labor authorities, especially with respect to foreign service providers who claim they are not rendering services on-the-ground, but are merely facilitating services actually provided by their head office.
   - Application Procedures: The procedure to establish a representative office is relatively straightforward. An application with stipulated supporting documentation must be submitted to the MOT. The and profile must be prepared in English and Vietnamese, and both sets of documents must be duly executed. Applicants have 90 days to register with the local People's Committee once the license has been issued. Effective 1 May 1999, the fee for a representative office license fell to VND1,000,000 (less than US $100). The license is usually valid for three years and may be extended for additional three-year periods.
2. **Branch License:** The term "branch" office under the laws of Vietnam refers to a 100 percent foreign-owned business which operates in certain designated service sectors. These sectors, which are restricted and closely monitored by the Vietnamese government, include banking, law, insurance, and tobacco.

Many foreign branch offices first entered Vietnam as representative offices and later applied for the branch licenses. Branch status authorizes a foreign business to operate officially in Vietnam, including billing on-shore and the execution of local contracts.

- Tax considerations: Branches are fully liable for Vietnamese taxes on their assets and activities.
- Application Procedures: Applications for a branch license are generally submitted to the Ministry or other competent authority for the industry in question (e.g., the State Bank of Vietnam for banking licenses, or the Ministry of Justice for law offices).

3. **Foreign Investment Licenses (FIL):** Foreign investment in Vietnam is regulated by the Ministry of Planning and Investment (MPI) through the FIL and related implementing regulations, decrees, and circulars. Compared to previous legislation the FIL delegates more authority over investment licensing to provinces, municipalities, and investment zones, although several provinces and large cities have been urging the Vietnamese government to expand their autonomy in this area. The Prime Minister's office retains authority over larger and "sensitive" projects. MPI remains the principal government agency dealing with foreign investors.

   There are four primary forms of investment for foreigners in Vietnam:

   i. Joint venture (JV) agreements: These have been discussed in the preceding section.
   ii. A business cooperation contract (BCC) allows a foreign firm to pursue business interests in cooperation with a Vietnamese firm without conferring the right of establishment or ownership. In many respects it is the most flexible arrangement Vietnam offers to foreign investors, although the BCC license carries no tax holidays or concessions such as those given to other types of foreign investments. BCC's have predominated in the telecommunications and petroleum sectors, where the government limits foreign involvement in operations and management.
   iii. 100-percent foreign-invested enterprises ("FIE's") have become more popular recently, as investors have learned to navigate the local system on their own and as problems with JV partners have become more apparent. Amendments to the Foreign Investment Law adopted by the National Assembly in May, 2000, regularized procedures for conversion of joint ventures to 100 percent FIE's, but implementing regulations remain to be promulgated. The new law made a number of other improvements upon its 1996 predecessor which increase the attractiveness of investing in Vietnam. It has reduced the number of issues which require unanimous approval by the boards of joint ventures, thereby strengthening the management control of the majority investor (which is typically the foreign partner). It simplified licensing procedures, lowered remittance tax rates, and gave foreign-invested enterprises relief from excessive government inspections. Disadvantages of FIE over other forms of investment include more difficult access to land-use rights (except in industrial zones and export processing zones) and a more limited duration of license.
   iv. Build-operate-transfer (BOT) investment agreements are authorized under the FIL, but the legal, regulatory, and financial framework is still incomplete. The FIL also recognizes build-operate-own (BOO), build-transfer-operate (BTO), and build-transfer (BT) forms of investment. projects. Many international observers believe that BOT and other private financing mechanisms hold the key to Vietnam's future infrastructure

development. Vietnam's enormous needs have largely been financed by multilateral and bilateral ODA up until now, but the project wish list threatens to overwhelm donors.

Under a BOT agreement the investor builds an infrastructure project, operates it for an agreed period of time to recover the investment and earn a profit, and then returns it to the government without further compensation. In principle, BOT projects are subject to approval by the Prime Minister's Office. BOT's may be joint ventures or 100 percent foreign-owned. They are exempt from land tax and from payment of duties on goods imported to implement the contracts. They enjoy a lower profits tax rate (10 percent), a 5 percent withholding tax rate (the lowest normal rate), an eight-year tax holiday starting from the first profitable year, and a government guarantee for conversion of revenue from local to foreign currency. The term of a BOT can extend to fifty years, after which project ownership reverts to the government.

Several BOT licenses have been granted while several others, primarily in the power generation sector, remain under negotiation. These negotiations have been protracted for a variety of reasons. On April 30, 2000, the Government of Vietnam issued Directive 58, which appeared to direct government ministries and agencies to terminate or postpone negotiations with foreign parties on several major BOT energy projects. However, in May of 2001, a consortium led by BP of the United Kingdom received approval of its application to proceed with one of these projects, the Phu My 3 combined-cycle gas-fired power plant. Although a number of project-specific factors were involved in this deal, many foreign observers hope that Phu My 3 signifies greater acceptance of BOT and other private sector-led financing vehicles by Vietnam's authorities. There is widespread speculation that another plant in the Phu My complex, designated Phu My 2.2, may be approved in the near future on a BOT basis.

Ho Chi Minh City also has a BOT water supply project under construction by French investors, and another foreign BOT water supply project reportedly mired in negotiations over water rates, but the Government has come out in opposition of further foreign BOT water supply projects.

I. SELLING FACTORS AND TECHNIQUES

1. **Development of Consumerism:** Foreign brands have proliferated in Vietnam over the past decade. This is indicative of rising urban incomes and a relative opening to the outside world (in particular, to the market-oriented economies). Market observers speak of the growth of "consumerism" in Vietnam, but it must be borne in mind that this remains a country with low per capita GDP (under US $400 for the country as a whole, according to official figures). The market for most imported consumer goods is the well-off segment of a handful of large cities, and some parts of the Mekong Delta. There is much trial usage, but little brand loyalty. The bottom line generally comes down to price. The main attractions of foreign products are their perceived higher quality and status. Among foreign products, there is a general hierarchy of perceived quality, based on the country of origin. Vietnamese consumers tend to prefer imported US, Japanese and European brands over Chinese products and those made locally by foreign and Vietnamese producers. Ultimately, brand loyalty is built on price, proven quality and availability. Awareness of brands comes from word of mouth, promotions and advertising. Urban consumers are remarkably familiar with leading foreign products, even those not generally available in Vietnam. One

major reason for this is contact with (and "care packages" from) relatives abroad. The Overseas Vietnamese, mostly first-generation emigrants, amount to a few million people concentrated primarily in the United States, Canada, France, Australia, and Southeast Asia. A large number of them maintain close contact with their families in Vietnam, and transfer quite a bit of information on lifestyles abroad. The large volume of gray and black market goods also furthers consumer familiarity with foreign brands brought in from neighboring countries. However, copycat products made in Vietnam have taken market share from some original producers. Trademark enforcement needs to be implemented by Vietnamese authorities.

2. **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 the segmentation of urban versus rural markets. Vietnam is roughly separated into three separate 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 are consumer purchasing ability, brand awareness and recognition. Vietnam's per capita GDP stands at around $400, while unofficial estimates put HCMC's per capita GDP at over $1,000 and Hanoi at around $700. The actual disparity is probably even greater, as certain factors which are not well captured in official statistics (such as remittances from overseas relatives and private sector activity) are centered more in the South. Currently, consumer purchases are strongest in Ho Chi Minh City (and the contiguous provinces of Binh Duong, Dong Nai, and Ba Ria-Vung Tau), where there is a concentrated and growing population of consumers with disposable income. Consumers in the South also tend to exhibit a greater degree of brand awareness than consumers in the North and Central regions. This is principally due to extensive contact with Westerners prior to 1975 and the influence of returning Overseas Vietnamese. These defining factors have had an impact on market demand disparities, market entry strategies, product-line segmentation and marketing mix. For many companies, the first marketing goal is to penetrate Ho Chi Minh City, as experts estimate that well over half of all Vietnamese purchases of foreign consumer goods take place in this area.

3. **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. The aim is not only to promote their merchandise, but also to educate both sellers and end-users. Many foreign products do not need to be adapted to local tastes and conditions, but it may 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. It should be noted that seminars, product promotions, workshops, and press conferences require approval in advance by local authorities.

4. **Practical Considerations:** As a rule of thumb, hands-on involvement is required for success in Vietnam. U.S. firms should foster close relationships and maintain regular communication with Vietnamese representatives, agents, and/or distributors of their products. Not only are many products competing for limited shelf, showroom or warehouse space, but Vietnamese representatives often handle multiple brands of the same product type. 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 also ensures that the Vietnamese partner is updated on product information and motivated to market the product. Frequent training and support for after-service activities are also key elements of this activity.

J. ADVERTISING AND TRADE PROMOTION

Advertising has been permitted in Vietnam only since 1990, but the industry grown rapidly in the past decade. Total national advertising expenditure on broadcasting, print media, and outdoor advertising escalated from less than US $20 million in 1993 to over US $116 million in 1999 (based on published rates). In 2000, advertising on television made up 53.5 percent of ad turnover; print media, 24.5 percent; and outdoor advertising, 21 percent.

1. **Regulation:** Advertising remains heavily regulated by the Central Government. In principle, only companies licensed in Vietnam may place advertisements. Advertisements for tobacco and liquor (excluding beer) are prohibited in the mass media. Pharmaceuticals, agri-chemicals, cosmetics and toiletries require registration and approvals from the appropriate ministries before being run, while the Ministry of Culture and Information must approve all advertising content. Arbitrary enforcement and interpretation of the regulations hinder the development of the advertising industry. Moreover, the Ministry of Finance (MOF) issued regulations in 1999 limiting tax deductions for advertising expenses of joint ventures to no more than 7 percent of total production costs for the first two years after establishment, and no more than 5 percent thereafter. This restriction does not have much practical effect at the moment as most of the clients of international ad agencies in Vietnam are only a few years old and are still "in the red," but it could become a significant impediment to advertising market growth in the future.

2. **Foreign Ad Agencies in Vietnam:** Despite the foregoing challenges, about twenty international advertising agencies are present in Vietnam. The major multinational ad agencies operate in Vietnam primarily to support a small number of accounts to which they are committed globally. The majority of the foreign advertising agencies are representative offices, but one is a joint venture, another a Business Cooperation Contract (BCC), and one small public relations firm is 100 percent foreign owned. The majority of foreign advertising firms here say that they will remain representative offices for the foreseeable future. All of them work closely with Vietnamese advertising companies in order to support their international clients. While highly sophisticated production may have to take place offshore, it is believed that most production for the multinational ad agencies takes place within Vietnam, primarily in Ho Chi Minh City. Foreign advertising executives say that the "80/20" rule applies to the geographical distribution of their business in Vietnam: 80 percent of the action is in Ho Chi Minh City, while 20 percent is in Hanoi. Ho Chi Minh City and the surrounding provinces are said to lead the rest of the nation in disposable income, familiarity with foreign trends and brands, quality of broadcast programming and print media, and production skills.

3. **Clients:** For the foreseeable future, multinational corporations in Vietnam will provide most of the business for foreign advertising firms. In recent years, the top ten ad buyers in both TV and print have all been foreign-invested companies. Currently, the leading categories of TV ads are toiletries/cosmetics, soft drinks, pharmaceuticals, household cleaning products, and foods. The leading print ad buyers are soft drinks, toiletries/cosmetics, vehicles (primarily motorcycles), pharmaceuticals, and transport/tourism services.

4. **Television:** Many foreign brand managers make heavy investments into television advertisement campaigns, despite the high cost of each ad spot. Ninety-two percent of Vietnam's urban population of 17.9 million own televisions, and watch an average of three hours per day, mainly during the peak time of 6-9 p.m. Household television ownership is estimated to be 92

percent in HCMC and 96 percent in Hanoi. However television "viewership" is higher in the HCMC area throughout the day, and nearly four times that of Hanoi in peak evening hours according to one recent survey. There are five major television stations and one national broadcaster (VTV). With the emergence of satellite dishes, many households also watch international networks (e.g. CNBC, CNN, StarTV), although the Government officially limits such access by Vietnamese citizens. For a thirty-second spot, foreign advertisers can pay from a low of US $150 to a high of US $2,200, depending on the day of the week, time of day and station location. Average thirty-second rates are US $600 to $US 1,200. Television advertising costs have jumped about 500 percent, since early 1994. In 1999, US $56 million was spent on TV ads, up 14 percent from 1998. Buying of television advertisement airtime is highly concentrated among a select group of companies. In 1999, the top ten ad buyers bought 55% (US $31 million) of all TV advertising in Vietnam. As part of a novel approach to trade promotion, one Asian country donates free programming rights for popular television shows to Vietnam, with the condition that only products imported from that "donor" country may be aired during those programs.

5. **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, but a recent survey found that rates are the lowest (in terms of cost per insertion) among fifteen countries in the Asia-Pacific region. There are over 400 newspapers and other publications in Vietnam, but few have nationwide circulation. Among the more popular publications are "Nhan Dan" (The People), "Tuoi Tre" (Youth), "Saigon Giai Phong" (Saigon Liberation) and "Lao Dong" (Labor). Within the past year, several 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). These latest publications are setting new standards for the quality of publications in Vietnam. English newspapers and publications include the Saigon Times Daily, Vietnam News, Vietnam Economic Times, and Vietnam Investment Review.

6. **Outdoor Advertising:** Outdoor advertising ranges from billboards and signboards to public transport, building walls, bus stations, and wash and service stations, among others. Rates in prime urban areas average around US $250/m2/year. Many placements are illegal, so firms should confirm that the advertising agency has proper permits to lease the space.

7. **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, which in turn increases the appeal of radio programs to advertisers. Today, the audience represents a cross-section of the population with increasing buying power. There are three major stations and one national broadcaster, Voice of Vietnam (VOV). The cost per thousand listeners is very inexpensive. Although radio has not been so popular as TV and print, radio ad expenditures have doubled over the past few years.

8. **Trade Fairs:** Trade fairs are numerous and cover a broad range of sectors. Many are co-sponsored by government ministries, SOEs, and industry associations. Common venues are the Giang Vo Exhibition Center, the Viet-Xo Cultural House, and the Army Guest House in Hanoi. In Ho Chi Minh City, the Reunification Palace, international hotels and Ho Chi Minh City International Exhibition and Convention Center are the common locations. Trade events offer opportunities to contact potential dealers, trading companies and end-users. Booth rentals at

many shows average around US $100/m2.

K. PRICING PRODUCT

Price plays an important role in the consumer's 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. Most Vietnamese buyers are very price-sensitive, as one would expect given the low per capita income. With the abundance of less expensive products in the form of smuggled or counterfeit goods and "copycat" brands, competition is keen. Market analysts agree that one exception to this generalization is consumer durables. Many Vietnamese view the purchase of big-ticket consumer items as both a status symbol and an investment; therefore, they want to buy the best in terms of quality and durability to maximize resale value.

Practical Considerations:

- Import taxes, value-added tax (VAT), special consumption taxes, customs service fees, and delivery delays can quickly price products out of the market or cut margins. The fragmented distribution system creates multiple layers of wholesalers, dealers and vendors, with markups at each stage. Moreover, foreign suppliers are often frustrated by their inability to maintain control over the product's pricing. Random and frequent price fluctuations are common, as many local distributors and wholesalers under-cut prices to achieve a faster turnover or withhold goods to prop up prices.
- One important pricing cycle to note is linked with the Lunar New Year 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 the holiday and little activity immediately afterwards, price hikes and reductions follow accordingly.
- While individual incomes are rather low, purchasing power may be higher than expected as a result of the extended family organization, which is still quite common in cities (and nearly universal in the countryside). Unmarried adult children commonly live with parents, as do the eldest son and his family. Thus, several wage earners can pool earnings within a household. Similarly, less income is spent on housing per person, and unmarried adult children in particular may be able to spend a large percentage of their income on discretionary purchases. For larger items such as consumer durables, relatives may pool funds to provide one another low-interest or interest-free loans in rotation.

L. SALES SERVICE AND CUSTOMER SUPPORT

After-sales service and customer support are important components of a sale, as they can distinguish a company from its competitors. Purchasers of foreign products will expect access to a supplier in country, rather than from a regional base. This will be especially true for state-owned enterprises (SOE's). Warranties are also an effective marketing tool to assure customers that they are buying a genuine, high quality product.

Customer service is a relatively new concept in Vietnam's marketplace, which was until recently dominated by SOE's. Foreign firms may need to emphasize customer service training for the front-line local staff, as well as technical training for technicians.

After-sales service is viewed as part of marketing and distribution, so foreign (i.e., offshore) suppliers are not permitted to provide direct sales service and customer support unless they have a licensed foreign investment project in Vietnam. Otherwise, a Vietnamese company must provide these services.

M. SELLING TO THE GOVERNMENT

The 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 enormous. Although the State budget is not large, for several years Vietnam has received in excess of US $2 billion annually in Official Development Assistance (ODA) commitments. Much of this is in the form of loan aid for infrastructure, which is "untied" according to international donor rules. Infrastructure is the principal development priority, but the government also plans to procure a significant amount of equipment in order to modernize its administrative structure. Key industries include transportation, telecom, energy, environmental/water, civil aviation, and financial services. Unfortunately, Vietnam's track record of actually implementing projects (whether funded domestically or by ODA) has been mixed at best.

Government procurement practice can be characterized as a multi-layered decision-making process, which often lacks transparency and efficiency. Although the Ministry of Finance allocates funds, various departments within the ministry or agency involved determine government procurement needs. Competition can be by sole source direct negotiation, limited tender, open tender, appointed tender, or special purchase. 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 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. No consolidated or regular listing of government tenders exists; however, some solicitations are announced in the Vietnamese language newspapers (Nhan Dan and Saigon Giai Phong) and in the English language newspapers (Vietnam News and Vietnam Investment Review).

The key to winning government contracts include 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 practice, establishing rapport and credibility, as well as educating the government as to how the product or service can support project needs, take place 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 January and June, with actual purchases made in July and August. Experienced foreign suppliers caution that even after awards are made, negotiations on price, specifications, payment terms, and collateral may well continue.

To provide more structure and transparency to the bidding process for infrastructure projects, the government issued Decree 88/1999/NDCP in September 1999, covering three general areas: 1) consultant selection; 2) equipment supply and construction; and 3) partner selection in investment projects. Infrastructure projects are now required to be tendered by international open competitive bidding under the new regulations. Despite the new rules, delays, non-transparent procedures, and allegations of impropriety often beset projects in Vietnam (including multilateral development bank projects and bilateral ODA projects). In local government-funded projects, contracts are commonly awarded to those who can offer "appropriate" price, "decent" quality and have "strongest connections" with project developers. In other words, procurement under these rules is considered not very transparent and largely depends on relationships.

At present, no consolidated listing or gazette of government tenders exists. However, some solicitations, especially those for ODA-funded or large centrally funded projects, are announced in the Vietnamese language newspapers (Nhan Dan and Saigon Giai Phong) and in the English language newspapers (Vietnam News and Vietnam Investment Review).

N. PROTECTING YOUR PRODUCT FROM IPR INFRINGEMENTS

Vietnam is a member of the World Intellectual Property Organization (WIPO) and is a signatory to the Paris Convention for Industrial Property. It has acceded to the Patent Cooperation Treaty and the Madrid Agreement, but has not yet joined the Berne Convention. Vietnam is working to devise a system of protecting intellectual property rights (IPR) consistent with the WTO TRIP'S Agreement. Trademark registration is straightforward, although infringement is widespread and enforcement of IPR court decisions remains problematic.

Enforcement of IPR remains inadequate. Local police authorities often are slow to act on court decisions. Violators sometimes negotiate with plaintiffs, demanding payoffs to stop producing pirated material. A wide variety of consumer products bearing false or misleading labels are readily available in the markets. Vietnamese consumers are becoming concerned about proliferation of counterfeit goods and enforcement authorities are becoming more active.

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 US consumer goods manufacturers audit black market and pirated product in the marketplace and attempt to counter it with campaigns of education and incentives.

O. NEED FOR A LOCAL ATTORNEY

1. **Foreign Law Firms:** As Vietnamese law firms still lack expertise in commercial and international law, foreign investors should consider using the services of a foreign law firm in Vietnam. Although registered foreign law firms in Vietnam technically are restricted from advising on Vietnamese law, they are permitted to advise on foreign or international law. Since foreign law firms can employ unlicensed Vietnamese law graduates and retain the services of a Vietnamese law firm when necessary, they are capable of providing a broad range of services to their international clients.

2. **Vietnamese Law Firms:** The services of local law firms encompass investment, law and consulting services. Services range from preparing applications for representative offices, trademark registration, and feasibility studies to conducting market research and identifying investment opportunities. As many of these firms have ties to a particular ministry or government agency, they are well connected with key decision-makers and can facilitate access to officials, provide insight regarding government policy, and advise on negotiation techniques. By the same token, however, conflicts of interest may also arise in such circumstances.

3. **Practical Considerations:** It is important that investors verify the qualifications of a lawyer (both local and foreign), including references, before contracting his or her services. Many foreign investors have hired Vietnamese consultants to prepare feasibility or market studies. It is also common for the ministry with

oversight responsibility to recommend an affiliated consulting company to work with the foreign investor.

P. PERFORMING DUE DILIGENCE/CHECKING BONA FIDES OF BANKS, AGENTS, AND CUSTOMERS

New-to-market foreign companies 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. The overall mentality of the local business sector is oriented to making money quickly, by many means. The concept of building businesses and business relationships in order to profit in the future is rare (although one may hear quite a bit of rhetoric about the need for the foreigner party to make a long-term commitment). Thus, extra care must be taken to check the bona fides of every business, be it agent or customer, before entering into a situation that involves money.

The best way to check the quality of the business and its management staff is to request a list of customers and suppliers that are currently transacting business with the entity. One must make the effort to contact a number of references, in order to verify the validity and integrity of the business. The more references of foreign suppliers and/or customers, the better.

This is especially true for consultants, whether local or foreign. These firms should be able to supply a list of satisfied customers. There have been many cases of consulting firms that have failed to perform in this market. Ensuring that the firm has actually completed several successful transactions on behalf of foreign clients can eliminate these types of situations.

One of the most challenging aspects of developing partnerships in Vietnam is verifying the bona fides of prospective partners. As noted elsewhere, very few firms in Vietnam are audited to international standards. This may change as certain joint-stock companies submit themselves to more rigorous audits with a view to listing on Vietnam's infant stock exchange. 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. There are no commercial credit information services in Vietnam, and banks generally will not divulge to third parties information about the financial status or history of their clients. Faced with such challenges, many foreign parties simply request international law firms to investigate prospective local partners. In general, the following resources are available:

Online company information: Information on a number of companies is available from

- Internet Service Provider VNN at www.vietnamonline.net
- People's Committees: Local municipal governments have information from filings of local corporations. While this is not generally available to the public, authorities do recognize that certain professionals such as attorneys have a legitimate need for such information and may share it with them.
- News media databases: A certain amount of information may be obtained from databases (increasingly issued in CD-ROM form) of leading English language periodicals such as the Viet Nam News and the Vietnam Investment Review. This may be particularly helpful in determining whether negative information on a company has been published.

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CHAPTER 5 - LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

A. BEST PROSPECTS FOR NON-AGRICULTURAL GOODS AND SERVICES

1. **Aircraft and Parts**

Rank of Sector: 1
Name of sector: Aircraft and Parts
ITA Code: AIR

Aircraft and Parts	1999	2000	2001 (estimate)
Total Market	5.0	95.0	850.0
Local Production	0.0	0.0	50.0
Total Exports	0.0	0.0	0.0
Total Imports	5.0	95.0	800.0
Imports from US	1.0	40.0	550.0
Exchange rates	14,200	14,700	15,200
The above statistics are in US$ million and are unofficial estimates.			

Vietnam's civil aviation industry has witnessed impressive growth during recent years. After the significant drops in passengers and air-cargo transport in 1997, Vietnam Airlines, the national flag carrier, transported 2,564,000 and 2,585,000 passengers in 1999 and 2000, respectively. Vietnam Airlines also carried 41,200 tons and 42,300 tons of cargo in 1999 and 2000 respectively. In the first quarter of 2001, Vietnam Airlines operated 8,143 domestic and international flights, up 25 percent over the same period of 2000. The total traffic goal for 2001 is 4.2 million passengers.

In order to meet the requirements of air transportation in Vietnam, the Civil Aviation Administration of Vietnam (CAAV), and Vietnam Airlines have focused on the development of their air fleet. The government has a master plan that calls for the lease/purchase of 50 new aircraft at a cost of US$ 5 billion over the next 10 years.

The primary purchaser of commercial aircraft and parts in Vietnam is Vietnam Airlines. Vietnam Airlines currently has a fleet of twenty-three aircraft including 5 Boeing 767-300s, 10 Airbus A320s, 6 ATR-72s and 2 Fokker 70s. These Boeing 767 and Airbus A320 aircraft have been under "dry" lease for some years. The 2 Fokker aircraft and the 6 ATR-72 aircraft are owned outright by Vietnam Airlines. The Airbus aircraft have been leased from Air France and Aerostar Leasing company while the Boeing aircraft are leased from General Electric Capital Aviation Services (GECAS), Ansett and International Finance and Leasing Company (IFLC). To improve the effectiveness and profitability of its fleet, Vietnam Airlines is committed to purchasing 4 units of long-range Boeing 777-2000 ER aircraft and 2 units of mid-range aircraft A-320 from Airbus. In addition to Vietnam Airlines, there are also other organizations in Vietnam wishing to buy aircraft and parts. CAAV and the National Committee for Search and Rescue (NCSR) plan to procure of a number of middle range helicopters for search and rescue activities. These helicopters will also be used for offshore oil and gas operations, tourism and charter flights. Aviation experts believe that CAAV and NCSR will buy 4 helicopters in 2001-2002. Vietnam Air Service Company (VASCO) and Service Flight Corporation, both state-owned air taxi and helicopter services primarily for the off-shore and oil and gas industry, are also potential customers of commercial aircraft and parts.

A number of American firms, such as Boeing Aircraft, General Electric, Pratt & Whitney, and Fulcrum are active in Vietnam. Although American aircraft and parts are highly regarded, competition in the Vietnamese market is fierce with the presence of major global suppliers from France, the Netherlands, etc. American firms, however, are expected to continue their success in the market over the long-term.

2. **Oil & Gas Field Machinery and Services**

Rank of Sector: 2
Name of Sector: Oil & Gas Field Machinery and Services
ITA Code: OGM/OGS

Oil and Gas Field Machinery and Services	**1999 (actual)**	**2000 (actual)**	**2001 (estimate)**
Total Market Size	480	720	970
Total Local Production	30	50	65
Total Exports	0	10	15
Total Imports	450	680	920
Imports From the U.S.	39	45	72
Exchange rates (US$/VND)	14,200	14,700	15,200
The above statistics are in US$ millions and are unofficial estimates.			

Having the current annual production volume of approximately 15 million tons of crude oil and 1.3 billion cubic meters of associated gas, Vietnam has become the fourth largest country producing oil and gas in the region, after Indonesia, Malaysia and Brunei. The oil and gas industry in Vietnam presents significant opportunities for the export of American oil and gas machinery and services. The total market for the import of oil and gas field machinery in Vietnam was US$ 680 million in 2000, and may reach US$ 920 million in 2001. It is estimated this growth trend will continue to for the next three years given increasing development of the oil and gas industry in Vietnam.

Vietnam has 600 million barrels of proven oil reserves, with probable and possible reserve estimates ranging as high as several billion barrels. Virtually all oil exploration and production activities occur offshore in the Cuu Long, Nam Con Son, and Southwest basins. Vietnam has six major oil fields in operation: Bach Ho, Dai Hung, Rong, Rang Dong, Ruby and Bunga Kekwa.

In 2000 Vietnam produced 16.2 million tons of crude oil, an increase from 12.6 million tons in 1998 and 15.2 million tons in 1999. Most of the crude oil that Vietnam has produced has been for export. Revenues from the exports accounted for 20% of the country's hard currency earnings in 2000. PetroVietnam contributed US$ 3.4 billion to the state budget in 2000, an increase from an estimated US$ 2 billion in 1999.

Vietnam's natural gas sector is still in the early stages of development. As the country's demand for energy continues to expand, its gas reserves will play an increasingly important role. Vietnam has an estimated 6 trillion cubic feet (Tcf) of proven gas reserves. Some experts estimate probable gas reserves are as high as 10 Tcf. Vietnam exploited and transported 1.5 billion cubic meters of associated gas in 2000, from which 1.2 billion cubic meters of processed gas were used for power generation plants. The gas exploited has been processed to provide the domestic market with 2,900 tons of a wide variety of greases and lubricants, 79,000 tons of chemical products, 115,000 tons of condensation and 270,000 tons of liquid petroleum gas (LPG).

The future for oil and gas exploration and exploitation in Vietnam is quite promising. To date, Vietnam has signed 42 production sharing contracts (PSCs) or joint operating contracts (JOCs) with foreign partners for upstream operations, bringing total sum of investments in the up-stream sector to approximately US$ 4 billion. The major contract for construction of 420 km gas pipeline from the Nam Con Son basin, valued at US$ 583 million, between a BP-led consortium and PetroVietnam was signed and licensed in December 2000. Another development project to bring gas from the southwest offshore blocks to serve proposed power plants in the Mekong Delta by the year 2005 or onward is under consideration by PetroVietnam and the Vietnamese government. In addition, PetroVietnam and its subsidiary, VietsoPetro, has an annual procurement plan of approx. US$ 200 million to replace and upgrade its existing oil and gas production facilities.

The competition is intense and foreign companies from the U.K., Japan, India, Korea and other countries are very active in the market. U.S. firms are highly regarded. Nevertheless, U.S. oil and gas machinery accounted for a market-share of less than eight percent in 2000. This was a result of the strong demand in Vietnam for basic and less expensive oil and gas equipment and machinery. However, given the country's need to develop the gas industry in the coming years, more sophisticated and complex equipment and machinery and services will be required. Therefore, U.S. oil and gas machinery and services will achieve a higher share of this growing industry. Opportunities for American oil/gas exploration companies appear large in upstream, midstream, and down stream operations, but the field is competitive and negotiations can be lengthy. Participation as consortia should be considered in crafting market-entry options.

3. Medical Equipment

Rank of Sector: 3
Name of Sector: Medical Equipment
ITA Code: MED

Medical Equipment	1999 (actual)	2000 (actual)	2001 (estimate)
Total Market Size	110.0	135.0	160.0
Total Local Production	0.0	0.5	0.5
Total Exports	0.0	0.0	0.0
Total Imports	110.0	134.5	155.5
Imports from the U.S.	29.0	34.0	42.0
Exchange rate (US$/VND)	14,200	14,700	15,200
The above statistics are in US$ millions and are unofficial estimates.			

Over the last decade, Vietnam's health care system has achieved remarkable progress in the modernization and upgrading of its medical facilities. Despite the achievements, the industry is still in its infant stage of development. Most of Vietnam's hospitals are generally unsanitary and overcrowded with patient occupancy rates that have fluctuated up to 120 percent of bed capacity. Furthermore, Vietnam's hospitals lack proper imaging, diagnostic, laboratory, operating, intensive care and monitoring equipment.

The total number of hospitals in Vietnam is approximately 837. These hospitals provide about 45,000 beds. Most of these hospitals are publicly owned and in desperate need of modern equipment. There are six foreign invested hospitals and polyclinics, and ten private hospitals across the country. In addition, there are a reported 19,836 private health care clinics, 7,015 traditional medicine centers, 3,432 specialized clinics, and 550 family-planning clinics.

There are two major medical equipment markets in Vietnam, i.e. Hanoi and Ho Chi Minh City. The two cities account for 80 percent of the entire market. Although Ho Chi Minh City has a larger population and a greater number of medical centers, Hanoi leads the market in terms of total purchase contracts. The Ministry of Health, located in Hanoi, is the more common decision-maker for large projects.

From 1997 to 2001, the Government spent more than USD 1 billion on health care initiatives. Of that, some USD150 million was spent on importing new medical equipment and about USD 29 million was spent upgrading medical equipment and specialized health care centers. The Government has received substantial assistance from outside sources, namely Official Development Assistance (ODA). ODA accounts for 80 percent of the total expenditures in Vietnam's purchases of medical equipment. The other 20 percent of total medical equipment expenditures has been incurred directly from Government funds.

In addition to providing funding, the Government has created policies that facilitate the modernization of its health sector. On February 21, 2000, the Government issued a five-year plan that encouraged the upgrading of medical equipment, the development of hi-tech centers nationwide, and an increase in the number of skilled medical personnel.

Government hospitals, clinics, and health care centers purchase the bulk of medical equipment. This sector accounts for nearly 80 percent of the market. Medical universities and research institutes account for another five percent market share. Private clinics account for about five percent to ten percent of the market. Since most medical institutions in Vietnam are non-profit organizations, commercial loans and other credits are not widely available.

The increase in the number of private hospitals and clinics is a fairly recent and growing phenomenon. Most of these hospitals are in need of medical equipment, presenting tremendous opportunities for medical equipment suppliers. The number of private hospitals has grown from six in 1999 to ten in 2001.

The best prospects for equipment sales are: 1) medical imaging equipment, 2) intensive care and monitoring equipment, 3) operating theater equipment, 4) equipment for treating cardiac and asthmatic conditions, and 5) diagnostic and laboratory equipment.

At present, domestic production of medical equipment is virtually nonexistent. Although Vietnam has some medical equipment factories, they mostly manufacture furniture and simple equipment, such as patient's beds, operation knives, and disposable medical supplies. Among them, only one local manufacturer in Dong Thap Province meets Asia's GMP standard.

Japan and Germany are the two major competitors for U.S. medical equipment suppliers in Vietnam. Each country possesses 28%-30% of the market share. International competitors include Siemens, Phillips, Hitachi and Shimadzu.

Nevertheless, U.S. equipment suppliers have an important role in the market because of their reputation, technology and after-service capabilities. In addition, the newly signed bilateral trade agreement between the U.S. and Vietnam will help pave the way for U.S. firms interested in entering the local market. Though U.S. products tend to be 15%-20% higher in price than their competitors, U.S. firms have been able to maintain their success by distinguishing their equipment as a higher quality product.

US suppliers lead the market for several types of equipment, e.g. respirator equipment from Bird; X-ray and CT scanners from GE; laboratory equipment from Abbott, OB/GYN and anesthesia equipment from Ohmeda, etc. Other well-known US producers in the market are Beckman, Nonin, Airsep, and Nicolet.

Strategies for developing business include the donation of new or reconditioned equipment (for educational purposes), the implementation of educational programs at teaching hospitals, the offering of equipment on consignment (six months) and, above all, the ability to provide excellent after-sales service.

4. **Safety and Security Equipment**

Rank of Sector: 4
Name of Sector: Safety and Security Equipment
ITA Code: SEC

Safety and Security Equipment	1999 (actual)	2000 (actual)	2001 (estimate)
Total Market Size	35.0	45.0	69.0
Total Local Production	1.5	2.0	2.5
Total Exports	0.0	0.0	0.0
Total Imports	33.5	43.5	67.5
Imports from the U.S.	7.0	9.0	15.0
Exchange rate (US$/VND)	14,200	14,700	15,200
The above statistics are in US $ millions and are unofficial estimates.			

The total size of the safety and security equipment market is estimated to be USD 69 million for 2001. Approximately 65 percent of all sales are for safety equipment with the remaining 35 percent for security equipment.

Safety and security equipment is sold in the following commercial sectors: construction, commercial/residential buildings, banks, municipal fire prevention and fire fighting, state maritime and state airports. These sectors represent areas where specific funds have been allocated or where general growth is occurring.

Demand for most building related equipment and systems, safety and security equipment in particular, declined significantly from 1998 to mid 2000. This was chiefly due to the Asian economic crisis which resulted in the decrease of foreign invested construction and property projects. However, the market has gradually improved since early 2000 and the current growth of foreign businesses and of government spending on infrastructure in Vietnam (2000-2001) has spurred the safety and security product market.

The primary purchasers of equipment are the state government and foreign businesses. They tend to purchase high-quality, imported products. Provincial governments and residents are secondary buyers who tend to purchase low-cost, lower quality, low-tech fire prevention products and security items of necessity (e.g. fire extinguishers and locks).

Primary sales of safety/security equipment have occurred in the construction market, where development of transport (roads and bridges), power (thermal and hydro), oil and gas (plant and pipeline), environment (water drainage) and buildings (hotels and commercial sites) have outpaced other development projects. Foreign development companies have been the predominant buyers. Besides the state budget, the Government has received substantial assistance from outside sources, namely Official Development Assistance (ODA), which enables the government to initiate safety and security upgrades in the government-supporting sectors: banking, maritime, power, oil and gas, and transport.

Vietnam recognizes the need to expand its fire-fighting capabilities and regulations. Fires destroyed $43 million worth of properties in the past few years. Vietnam's foreign business community is demanding greater fire protection, which has motivated the government of Vietnam to recently and issue the Law on Fire Protection and Extinguishment in June 2001. The Government of Vietnam has also demonstrated its commitment to fire protection by extending preferential treatment to imported fire protection equipment - with import tax treatment of zero percent.

More than 95 percent of Vietnam's security safety equipment/systems are imports since the supply of domestic equipment by local companies is limited. Only low-end safety/security items are produced locally (locks, safes, safety gloves, ropes, etc). Foreign safety/security firms operate as representative offices. There is only one known joint venture, which is between Kotobuki (Japan) and the Vietnamese Ministry of Public Security. This joint venture provides safety and security sales & services.

Competition among importers is intense. Major competitors include the EU, Japan, Canada, China, Taiwan, and Russia. Although late in entering the market, U.S. equipment is highly regarded, especially high-tech equipment such as security X-ray machines where American companies maintain an estimated 17 percent to 20 percent share of the market. Low-end products from Russia and China are commonly smuggled across borders into Vietnam.

Security equipment Import taxes range from 0% - 40% depending on the components and the manner in which the components and systems are imported into Vietnam. Building- related equipment and systems imported as part of a foreign investor's capital contribution can be imported duty free. Generally, if the tax is high, the government is attempting to make the market unattractive for importers in order to protect locally produced products (e.g. safes). Another reason may also be that the Government believes the product is technically advanced and can therefore carry a higher price tag and import duty (e.g. video monitors). Items of great need (e.g. signaling equipment) may have no/low taxes.

The demand for safety and security equipment in Vietnam is promising. High quality products and more sophisticated equipment are needed to meet the needs of business and government. U.S. companies and equipment are renowned for offering high quality goods and services.

5. Education and Training

Rank of Sector: 5
Name of Sector: Education / Training
ITA Code: EDS

Education and Training	1999	2000	2001 (estimate)
Total Market Size	22.0	40.0	57.0
Total Local Production	18.0	24.0	27.0
Total Exports	0.0	0.0	0.0
Total Imports	2.5	9.5	20.0
Imports from the U.S.	1.5	6.5	10.0
Exchange rate	14,200	14,700	15,200
The above statistics are in US$ millions and are unofficial estimates.			

The Government recognizes that education is key to creating a globally competitive work force that will help drive economic development. Over the last few years they have liberalized private-sector involvement and encouraged foreign participation in developing education and training services in Vietnam. Best prospects for US providers of education and training services include English language training; vocational and technical training (especially in information technology); post-secondary education (including overseas study programs); and consulting.

English Language Training
US firms may enter the English language training market through joint ventures or business cooperation contracts with local entities, or on their own by establishing 100 percent foreign-owned enterprises. State-owned institutions and public schools and centers are seeking help to upgrade both standard and specialized English courses. Schools and centers specializing in training TOEFL and IELTS for overseas study will find rapidly expanding markets in Vietnam's largest cities.

Vocational and technical training
Vietnam presently trains 500,000 laborers each year, yet this accounts only for an estimated 18 percent of national requirements. The Government has pledged to allocate a larger budget to train between 22 percent and 25 percent of the country's labor force. Foreign-invested companies with foreign curriculums and teaching methodologies are very competitive as contracting clients for vocational training programs in Vietnam.

Information Technology.
Vietnam's target is to train at least 300,000 to 400,000 IT engineers, programmers, and assemblers over the next 5 years in a bid to become an international IT player by 2005. The Ministry of Education and Training (MOET) plans to increase investment in infrastructure upgrades and re-train graduates of related disciplines so that they can work as software engineers. Foreign and domestic experts are in demand to help revise Vietnam's IT curriculum based on training programs in other countries.

Post-secondary Education
This market is divided into two distinct groups:

1. The Government has a plan to provide US $7 million per year for training

and re-training of Government officials. Priority will be given to hi-tech fields, bio-genetic technology, IT, electronics, automation, new materials science, finance and banking, business administration, agriculture, forestry development, foreign affairs, cultural and artistic subjects. Many of these students will apply to overseas institutions for advanced

2. Vietnam has a large number of people seeking to study abroad using their own financial resources and savings. Vietnamese show a very high in American universities and colleges. Since not all Vietnamese can qualify for US visas, US academic institutions that offer web-based degree granting programs and/or US degrees through classes held in Vietnam hold particularly strong growth potential. (In 2001, the University of Hawaii at Manoa launched an executive MBA program in Hanoi. Program organizers were overwhelmed by the quality and quantity of applicants for this new program.)

Consulting Services

Education and training consulting opportunities come mainly from ODA-financed projects. One major ODA-related opportunity is a pledge by the World Bank to provide preferential loans worth US $83.3 million from 2000 to 2005 to upgrade the training, curriculum development and equipment of the country's post-secondary education system. The greater part of the budget is earmarked for consulting services and new equipment. The funds will be allocated to individual universities in order to modernize library and information systems, improve management, and raise training quality.

6. **Telecommunications Equipment and Services**

Rank of Sector: 6
Name of Sector: Telecommunications Equipment
ITA Code: TEL

Telecommunications Equipment	1999 (actual)	2000 (actual)	2001 (estimate)
Total Market Size	500	571.25	578.68
Total Local Production	125	168.75	177.18
Total Exports	0.0	10	11
Total Imports	375	412.5	412.5
Imports from the U.S.	11.6	15	16.5
Exchange rate (US$/VND)	14,200	14,700	15,200
The above statistics are in US $ millions and are unofficial estimates.			

Rank of Sector: 6
Name of Sector: Telecommunications Services
ITA Code: TES

Telecommunications	1999	2000	2001 (estimate)
Total Market Size	900	1,200	1,350
Total Local Production	600	800	900
Total Exports	0.0	0.0	0.0
Total Imports	300	400	450
Imports from the U.S.	20	22	25

Exchange rate (US$/VND)	14,200	14,700	15,200
The above statistics are in US$ millions and are unofficial estimates.			

These figures represent total international traffic (voice & data), plus business cooperation contract (BCC) revenues to foreign telecom operators. Local production is the revenue allocation of international traffic to Vietnam Post and Telecommunications (VNPT).

The telecommunications sector has been a priority for national investment since 1992. As a result, telephone density has increased rapidly from 0.18 sets/100 people in 1991 to a current density of 4.5 sets/100 people. Since 1999, Vietnam's telecom industry has been operating on a parallel fiber optic/digital microwave backbone system and mobile networks based on GSM and DAMPS technology. Other value-added services such as the Internet, Voice over Internet Protocol (VOIP), data transmission, card phone services and Wireless Application Protocol (WAP) are also available. All sixty-one provinces have been equipped with digital switched hubs. The goal set by the Vietnam Post and Telecommunications Corporation (VNPT) to reach five lines per 100 people by the end of 2001 requires an investment of approximately US $380 million. the next five years, VNPT plans to invest approximately US $500-700 million annually to raise the teledensity to 8sets/100 people, as well as to improve the nation's telecom infrastructure.

Although VNPT is still the major player, the sector has grown with the creation of three new telecom companies: Vietel (the Military Electronic and Telecommunications Company), Saigon Postel (the Saigon Post and Telecommunications Company), and Vishipel (the Vietnam Shipping Communications and Electronics Company). While Vishipel focuses on providing Inmarsat access services, both Vietel and Saigon Postel are permitted to operate in a broader range of businesses, including mobile phone services and postal services. Since 2000, Vietel and Saigon Postel have engaged in VOIP and mobile phone projects, respectively. Recently the government has also allowed the Electricity Communications Company, a company under the Electricity of Vietnam, to participate in the telecom market. Cheaper telecom charges are expected once the business plans of these new telecom companies become fully implemented.

Nearly all the major telecommunications companies in the world have established offices in Vietnam, including Telstra, Siemens, Ericcson, Comvik, Alcatel, NEC, France Telecom, NTT and Lucky Goldstar. Agreements have been made with VNPT to sell manufactured telecom equipment, as well as to provide telecom services. Although VNPT has shown interests in American telecom equipment and services, sales have been slightly hampered by the lack of competitive financing. Presently, only a few American firms such as Motorola, AT&T, and Corning have successfully entered into this rapidly growing market. Many competitors rely on government-backed soft bilateral loans, often known as Official Development Assistance (ODA).

The bilateral trade agreement between the United States and Vietnam will undoubtedly have a positive impact on operations of US telecom companies in the local market. Sub-sectors with the most potential include fixed and mobile wireless, VSAT, cable TV transmission equipment, portable radio systems, microwave systems and digital switchgear (toll switches and tandem switches). Value-added products, such as billing systems and voice mail, also have significant potential. Moreover, as the national telecom system expands, more complex value-added services will be required, such as those associated with advanced digital networks. Many of the advanced telecom services that are found in America today will be desired in Vietnam as the network continues to grow.

7. **Plastics Machinery**

Rank of Sector: 7
Name of Sector: Plastics Machinery
ITA Codes: PME

Plastics Machinery	**1999**	**2000**	**2001 (estimate)**	
Total Market Size	71	92	110	
Total Local Production	14	18	22	
	Total Exports	0	0	0
Total Imports	52	74	88	
Imports from the U.S.	5	7	9	
Exchange rate	14,200	14,700	15,200	
The above statistics are in US $ millions and are unofficial estimates.				

In the past five years the plastics industry has been one of Vietnam's fastest growing industries, with annual growth rates of between 27 to 30 percent. Per capita plastic consumption rose from 3.79kg in 1995 to 11.57kg in 2000, and the trend is expected to continue. It is estimated that by 2005, plastic consumption per capita will increase to 16kg and to over 50kg by 2010.

The industry will need an investment of US$ 3 billion in order to achieve the development strategy of Vietnam's plastics industry by 2010. The strategic development plan of Vietnam outlines an integrated plastics industry where raw materials would be almost exclusively supplied by domestic resources and product is used for both domestic consumption and export. In becoming more self-sufficient, the industry will focus on machinery and equipment for raw material production, as well as finished goods manufacturing at appropriate scales in order meet the sector requirements. The industry is slowly recovering from the regional financial crisis of the mid-1990's (the total market was approximately US$ 400 million before the crisis).

The major exporters to Vietnam in the plastics machinery industry are Korea, Taiwan, and China. Total exports from the U.S. are less than 10 percent of the total market. However, US market share is expected to increase significantly as local producers look to the U.S. for leading-edge technologies that are necessary requirements of the next phase in this developing market.

Unlike most industries in Vietnam, the plastics industry is dominated by private sector firms, which are also the primary purchasers of equipment. The Vietnam Saigon Plastics Association (VSPA) has played an active role in representing local producers, and has been assigned to carry out several programs in the industry. These include:

- A program to produce over 2 million plastic houses for low-income families in the Mekong Delta, highlands, and islands of Vietnam.
- A US$ 16 million project to produce high quality B-oriented polypropylene (BOPP) in Vietnam.
- A US$ 500 million project to produce polyethylene (PE) in Vietnam.

The information about the Plastics Association, its members, and its programs can be found on-line at: www.hcmste.gov.vn/vietplas.

High-tech machinery and equipment to produce plastic and related products are currently the best prospects for this industry. The sector is now dominated by imports and is open to US suppliers. A very low percentage of equipment is produced locally. The equipment that is produced locally is also usually "re-customized" machinery.

8. Environment and Pollution Control Equipment/Services

Rank of Sector: 8
Name of Sector: Pollution Control
ITA Code: POL

Environment and Pollution Control Equipment/Services	1999 (actual)	2000 (actual)	2001 (estimate)
Total Market Size	320.0	400.0	420
Total Local Production	208.0	260.0	270
Total Exports	0.0	0.0	0.0
Total Imports	112.0	140.0	150
Imports from the U.S.	11.2	14.0	15
Exchange rate (US$/VND)	14,200	14,700	15,200
Note: The numbers are unofficial estimates (in US$ millions) based on the total ODA funding of ongoing and pipeline environmental projects on urban and industrial planning sectors - excluding water resources funds.			

Vietnam ranks as one of the most polluted countries in the world. Vietnam's pollution areas include air, water, and noise pollution. Among these, air pollution is generally considered to be the biggest single environmental problem in Vietnam.

Vietnam's environmental situation is deteriorating. Vietnam has some of the most polluted water resources in Asia and the nation's drainage and sewage problems also present a growing concern. Vietnam's rapid urbanization and industrialization over the last ten years have placed huge pressure on the outdated and run-down sewage systems, most of which were constructed in the 19th century. Based on a Hanoi Environmental Master Plan, which was developed by Japan, Hanoi alone will require $1 billion from now until 2020 to address the capital city's growing wastewater problems. None of the provinces within Vietnam currently possess a domestic wastewater plant.

For Vietnam's two biggest cities, Hanoi and Ho Chi Minh City, pollution poses a growing problem. At present, World Bank, Asia Development Bank and bilateral donors have helped the government with a number of projects to develop and upgrade Vietnam's urban drainage and sewage systems. Despite these efforts, no projects on urban wastewater treatment have been established. Many of these projects appear to be too challenging and have simply been left unexamined.

Industrialized wastewater is also imposing a great negative impact on the environment. Many industrial enterprises lack resources to install their own wastewater treatment facilities. This has resulted in the direct discharge of wastewater into the environment without treatment. However, responding to a trend of global integration and global corporate citizenship standards upheld by many multinational corporations, this problem will draw greater attention from both the government and private enterprise as Vietnam's economy grows. This will translate into more pollution control equipment investment in the upcoming years.

Another concern is the mass accumulation of solid waste in the country. An recent environmental survey indicated that the average generation rate of solid waste for the Vietnamese is about 0.3-0.5kg capita per day. This amount, which equals about ten thousand tons a day for the whole country, is causing serious problems. With a collection rate of 50%-70%, the landfills, which are poorly designed and constructed, are overfilled. Discussion regarding sites for a solid waste treatment plant has become a contentious issue throughout the country. Towns and provinces are trying to find a solution to deal with solid waste pollution. More money from both the local and central governments are being used for solid waste projects. However adequate capital unavailable in order to move forward with projects on solid waste treatment, such as the building of landfills and composting and converting waste into energy.

Hazardous waste from Vietnam's 800 hospitals has also become a problem. Most hospital waste is collected and disposed together with domestic waste and neither is treated. A recent ODA project funded by Austria helped to purchase 25 incinerators for hospitals but this project is running into problems installing the incinerators. The same problem applies for hospital wastewater. There is a demand from hospitals and a need from society to treat wastewater flowing out from hospital bases. Although the national budget and bilateral aid have dealt with some problems, much more capital is needed.

In addition to finding a solution to solve the wastewater and solid waste problem, the government of Vietnam has expelled great efforts in attempt to curb growing air pollution. A national monitoring network was established to monitor various environmental parameters in 1994. From 1994-2000, this monitoring system was expanded from seven to nineteen stations, including six monitoring stations to monitor air quality automatically in Hanoi and Ho Chi Minh City. The demand for installing air quality monitoring stations in Hanoi and Ho Chi Minh City will continue to increase. Perhaps the most notable environmental achievement of 2001 was the passage of new laws so that since July 1, 2001, the use of leaded gasoline was prohibited throughout Vietnam.

9. Textiles Machinery and Equipment

Rank of Sector: 9
Name of sector: Textile Machine/Equip.
ITA Code: TXM

Textiles Machinery and Equipment	1999 (actual)	2000 (actual)	2001 (estimate)
Total Market Size	84.0	106.0	150.0
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	83.5	105.0	148.2
Imports from the U.S.	0.5	1.0	1.8
Exchange rate (US$/VND)	14,200	14,700	15,200

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

The garments and textiles industry has ambitious development plans to become one of Vietnam's largest export engines. American providers of technology, equipment, consulting and training services may find excellent prospects in this growing sector.

There are more than 600 enterprises in the Vietnamese textile and garment industry that produce 70,000 tons of cotton yarn, 316 million meters of cloth and 290 million garments each year. In 2000, the industry enjoyed a 12 percent increase in production year-on-year. Despite recent production and export successes, improvements are still necessary in the industry for product quality, capacity and management. In addition to the shortage of well-trained workers, most companies still rely on out-dated technology and equipment. They also depend largely on imported raw materials from foreign partners.

The textile industry's expansion plans call for approximately US $2.4 billion in new investment capital by 2005, of which US $1.3 billion will be used for equipment and machinery. In order to support development of the garment and textile industry, the Government has recently pledged capital from the State budget and Official Development Assistance (ODA) funds to bankroll textile industry projects.

VINATEX, the largest textile conglomerate in Vietnam consisting of 60 State-owned enterprises, is planning to build 10 textile industrial zones in the coming years; 4 in the north, 2 in the central provinces, and another 4 in the southern region. In 2000 VINATEX invested US $180 million into 110 projects. This year, it will invest another US $344.8 million. By 2005, VINATEX will invest an additional US $870 million in state-of-the-art printing, dyeing, knitting and sewing facilities.

The industry relies on imports of machinery from Germany, Japan, Singapore, Taiwan, France and Britain. While many plants and factories in the South have utilized US manufactured machinery and equipment, which were made prior to 1975, the sector does not presently access many sources of US textile equipment, except for spare parts and minor accessories. The Vietnamese hold high regard for US manufactured equipment and repeatedly have expressed great interest in seeking new US textile machinery and equipment manufacturers.

10. **Airport and Ground Support Equipment**

Rank of Sector: 10
Name of sector: Airport and Ground Support Equipment
ITA Code: APG

Airport and Ground Support Equipment	1999 (actual)	2000 (actual) *	2001 (estimates)
Total Market	10.0	42.0	16.0
Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	10.0	42.0	16.0
Imports from the U.S.	4.0	7.0	5.5

Exchange rates (US$/VND)	14,200	14,700	15,200
The above statistics are in US$ million and are unofficial estimates ** Year 2000 statistics are higher than 2001 estimates due to a one-time $30 million equipment provision project for Noi Bai International Airport in Hanoi and Tan Son Nhat Airport in Ho Chi Minh City.*			

Aviation is a priority sector for the government. Development of Vietnam's airports is a prerequisite to rapid national economic growth. In accordance with Vietnam's civil aviation long-term development strategy, airport development is a top priority.

The Civil Aviation Administration of Vietnam (CAAV) is the principal government agency responsible for Vietnam's aviation industry. It reports directly to the Prime Minister. The Vietnam Air Traffic Management (VATM) is responsible for air traffic services for all the airports of the country. Vietnam has three international airport hubs: Noi Bai/Hanoi in the North, Da Nang/Da Nang City in the central region and Tan Son Nhat/HCMC in the South. In addition, there are currently 16 major domestic airports scattered throughout the country. Of these airports, many are planning to be repaired and some are planning to be rebuilt.

After the construction of the US$ 80 million passenger terminal at Noi Bai airport and the improvement of the Tan Son Nhat airport, the government now has an aggressive plan for the construction of a US$ 250 million passenger terminal at the Tan Son Nhat airport and a US$ 51 million passenger terminal at the Da Nang airport. A feasibility study for the Tan Son Nhat airport just has been completed and one for the Da Nang airport will be completed by August 2001. It is expected that major international bids for these two projects will start in 2002. These major airport developments present significant opportunities for U.S. of goods and services, including passenger terminal equipment, airport ground handling facilities, construction and engineering related services, etc.

US equipment suppliers and service providers must register their interest and capabilities with the appropriate agencies, particularly the Civil Aviation Administration of Vietnam. The U.S. Embassy's Commercial Service Office in Hanoi should be contacted for assistance in the registration process and the selection of reputable local firms for teaming arrangements. Interested US firms are strongly urged to establish joint ventures or other forms of strategic alliances with local companies.

B. BEST PROSPECTS FOR AGRICULTURAL PRODUCTS

Agricultural trade between the United States and Vietnam is very lopsided in favor of Vietnam. In CY-2000 (calendar year 2000), the United States imported a record US $501 million (seafood, coffee, tree nuts, and spices) from Vietnam and shipped directly only US $55 million (cotton, wheat, powdered milk, fresh fruit, and hardwood lumber). The actual value of U.S. agricultural products entering Vietnam is perhaps twice the official value due to re-exports, transshipments, and informal entry of goods.

U.S. agricultural export opportunities will be linked to overall Vietnamese economic performance, which will, in part, depend on policy reform and trade liberalization. Lower tariffs and an efficient and responsible customs service are key to expanded trade. Vietnam is a solid market for the future. Without question, export values on both sides will expand as bilateral relations improve and economic development in Vietnam leads to higher levels of consumption among its population of 80 million.

There is a tremendous correlation between Vietnam's agricultural development goals and our interest in expanding this market for U.S. agricultural commodities, products, and services. In the near term, our best prospects lie in the bulk and intermediate products (cotton, wheat, soybean meal, and animal genetics) that will be transformed locally to fuel developing industries, such as textiles, animal feed, and livestock. Consumer food products (fresh foods, canned goods, and wine) are widely available in retail outlets throughout the major urban areas; however, comparatively high prices limit demand to only the few high-income consumers.

Tariffs, import regulations, and policies change frequently. Please contact Foreign Agricultural Service (FAS) -Vietnam to obtain the most up-to-date information. Additional agricultural market reports can be found on the USDA/FAS website at www.fas.usda.gov.

1. **Soybeans & Soybean Meal**

Development of livestock is a national priority. Investment in commercial feed mills has resulted in milling capacity that far outstrips local production of corn and soybeans. This means imports are necessary and will continue to grow. For Vietnam to stimulate livestock production, it must lower tariffs on imported foodstuffs. Vietnam's current high cost-price for commercial feed directly bears on live-weight animal costs. Prospects for soybean meal and other bulk commodities will improve with investment in larger ports. Marketing efforts for soybeans and soybean meal are directed by the American Soybean Association's Vietnam office in Hanoi.

Soybeans (1,000 metric	**1997/98**	1998/99	1999/00	2000/01
Total Market Size	135	155	165	175
Local Production (Oct/Sep)	120	125	125	130
Total Imports (Oct/Sep)	20	30	35	45
Total Exports	5	0	0	0
Total Imports from the US	5	0	10	10
Import Duty: 10%. The above statistics are unofficial estimates.				

Soybean Meal	**1997/98**	**1998/99**	**1999/00**	**2000/01**
Total Market Size	190	215	350	450
Local Production	25	35	40	65
Total Imports (Oct/Sep)	165	180	310	385
Total Exports	0	0	0	0
Total Imports from the US	0	0	10	20
Import Duty: 10%. The above statistics are unofficial estimates.				

2. **Bulk Cotton**

Vietnam has a small but vibrant textile industry, mostly based on imported or synthetic fiber. Textiles are one of Vietnam's top foreign exchange earners with over US $1.5 billion in export sales. Cotton spinning is expanding as export markets demand higher-value garments and products. There has been investment both to replace existing out-dated spindles and to add capacity, a development that improves prospects for U.S. cotton. Local cotton production, although expanding, meets only about 12 percent of demand. Marketing efforts are directed by the Cotton Council's International Regional Office in Hong Kong. U.S. technical information is provided by Cotton Incorporated's Regional Office in Singapore.

Bulk Cotton (1,000 metric	**1997/98**	**1998/99**	**1999/00**	**2000/01**
Total Market Size	66	74	88	97
Local Production	7	7	8	9
Total Imports (Aug/Jul)	59	67	80	88
Total Imports from the US	18	8	18	14
The above statistics are unofficial estimates.				

3. **Wheat and Wheat Flour**

Vietnam is rapidly evolving from a wheat flour to a wheat grain market due to increased investment in milling capacity over the past four years. Current estimated installed capacity to grind wheat is about 800,000 metric tons (wheat basis). Prospects for U.S. wheat will improve through the expansion of grain handling facilities and deep water ports to accommodate panamax (55,000 MT) vessels, thereby lowering unit delivered cost of grain. Marketing efforts are directed by the U.S. Wheat Associates Regional Office in Singapore.

Wheat and Wheat Flour (1,000 metric tons)	**1997/98**	**1998/99**	**1999/00**	**2000/01**
Total Market Size	467	550	650	750
Local Production (Wheat)	0	0	0	0
Total Imports (Jun/May)	467	550	650	750
Total Imports from the US	5	25	35	45
The above statistics are unofficial estimates. *Import Duties: 5% (wheat) 15% (flour).*				

4. **Livestock Genetics**

Vietnam has set ambitious goals for livestock production in an effort to raise per capita quantities of animal protein in the local diet, and to develop an export sector. This has been supported by foreign investment in commercial feed mills and livestock genetics. There is considerable interest in U.S. animal genetics to improve local breeds, especially swine, chicken and dairy cows. Hog production is concentrated in southern Vietnam, primarily surrounding Ho Chi Minh City. Several U.S. companies have already established a small market for swine genetics. There is also investment in small-scale dairy projects using imported registered Holsteins and Jerseys. Vietnam is also focusing attention on increasing production of UHT milk for the domestic market, although 90-95 percent of manufactured volume is imported solids.

U.S. Live Animal Exports to Vietnam

Total Herd Size (1,000 Head)	**1997**	**1998**	**1999**	**2000**

Dairy Cows	25	26	30	35
Cattle/Buffalo	6700	6900	7200	7300
Swine	17,636	18,517	19,300	20,193
Chickens	120,567	128,500	137,000	147,050
Ducks	40,500	41,000	41,500	50,996
The above statistics are unofficial estimates.				

5. **Fresh Fruit and Vegetables**

Volume data for fresh fruit imports are not (very) reliable. According to the Government of Vietnam's Customs data, Vietnam in 2000 imported US $4.1 million of table grapes and US $7.7 million of apples. U.S. direct exports to Vietnam during that time were US $2.4 million (grapes) and US $1.1 million (apples). Total U.S. exports of "fresh fruit" totaled $3.8 million in 2000. We expect the market to grow by 10-12 percent annually over the next five years.

Our share of the deciduous fruit market is being eroded by fierce competition from other suppliers, both northern (France, Italy) and southern hemisphere (New Zealand, Australia, Chile and South Africa). While the U.S. market share for table grapes has remained solid, the position of U.S. apples has plummeted from a 50-percent share in 1994 to a 14 percent share in 2000. Economic growth and lower duties would expand demand for imported fresh fruit. An improved cold chain from port to retail level would help reduce costs and improve margins. Marketing efforts are directed by the California Table Grape Commission's Vietnam office in Ho Chi Minh City, and by a newly established office for Washington Apple Commission.

Note: Vietnam data are not available at the HS code level

6. **Snack Foods, Packaged Foods, Canned Foods**

Rising incomes have meant increased demand for a variety of imported consumer-ready food products. The market for consumer-oriented products has been expanding rapidly from a very low base. Canned foods (vegetables, juices) are popular with retail consumers and the hotel, restaurant, institutional (HRI) customers. Prospects will improve along with development of the retail food sector. Many retailers now visit the United States to attend the Food Marketing Institute (FMI) and Produce Marketing Association (PMA) shows and participate in training courses through USDA's Cochran Fellowship Program.

Note: Vietnam data are not available at the HS code level

7. **Forest Products, Hardwood Lumber**

Prospects are bright for hardwood lumber and other forest products. Vietnam's 2000 Customs data shows a hardwood lumber import value of US $68 million. Most of this goes to construction projects. During the same period, U.S. exports of hardwood lumber to Vietnam were a near record US $789,000, mostly of cherry, ash, and birch for furniture and office remodeling projects. We expect the market for imported hardwood lumber to increase 20 percent annually over the next five years. In July 1999, the FAS-Vietnam office, in cooperation with the American Hardwood Export Council (AHEC), surveyed the Vietnam wood processing industry. AHEC is optimistic that Vietnam will develop into a steady customer for U.S. hardwoods to supply the emerging export furniture industry; in their opinion, Vietnam today is like China fifteen years ago. Prospects would improve with a bilateral trade agreement and lower duties on Vietnamese products to the United States. AHEC's regional office in Hong Kong directs marketing efforts in Vietnam.

Note: Vietnam data are not available at the HS code level

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CHAPTER 6: TRADE REGULATIONS, CUSTOMS, AND STANDARDS

A. TARIFF AND NON-TARIFF BARRIERS

Vietnam has moved towards a more open trading system since it introduced market-oriented reforms. As a result, imports and exports have expanded rapidly. While the Vietnamese government is eliminating some non-tariff barriers and is reducing tariffs in preparation for meeting its goals under AFTA (ASEAN Free Trade Area), there is still a concern that high trade barriers will be maintained in the next few years to protect certain sectors. At the same time, export-oriented industries are becoming a higher priority in the government's economic development plans. Eventually, these seemingly contradictory development strategies will need to be reconciled. Moreover, formal rules in many areas of the trading system have not been defined; while in others, the measures and their practical interpretation are frequently changing. Companies are advised to seek current and specific information about the issues discussed below in planning their market entry approaches.

1. **Membership in Free Trade Agreements:** In July 1995, Vietnam became a member of 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. Under the harmonization process called CEPT -- the Common Effective Preferential Tariff Scheme -- intra-regional tariffs, especially for manufactured goods, would be reduced to a level of between zero to five percent by year 2003. Vietnam has been granted an extension until 2006 to comply with this requirement.

   World Trade Organization (WTO): Vietnam has initiated the application process for membership into the WTO and has engaged in several working group meetings on accession in Geneva.

2. **Trade Regime Developments:** Streamlining the tariff structure is one remaining key trade liberalization issue. However, some of the government's major obstacles stem from pressures to protect domestic industries and the potential loss of significant tax revenues. Nevertheless, Vietnam is committed to reducing or eliminating tariffs and other trade restrictions, since it is a requirement for its membership into AFTA, and if it is to realize its hopes for membership into the WTO. The United States negotiated a bilateral trade agreement with Vietnam, a prerequisite to Vietnam gaining Normal Trade Relations (NTR) status. This bilateral trade agreement addresses various market access considerations, including both tariff and non-tariff barriers..

B. TARIFF RATES

1. **Tariff Code:** In late 1998, the National Assembly of Vietnam issued a new Law to

amend the Import and Export Tariffs Law. This law was drawn up in accordance with the Harmonized Tariff System (1996 Version) to facilitate the country's global integration. The amended law, effective on 1 January 1999, contains more than 6,400 tariff lines.

2. **Tariff Rates:** There are three tariff rates for imported goods: ordinary tariffs, preferential tariffs (NTR), and special preferential tariffs. Ordinary tariffs apply to goods originating from countries which have not exchanged Normal Trade Relations (NTR) agreements with Vietnam. The preferential tariffs on the list apply to goods imported from countries or regions, which have NTR status with Vietnam. The special tariffs apply to goods imported from countries that have exchanged special preferential tariffs agreements with Vietnam. For instance, ASEAN members are entitled to such special preferential tariffs. Ordinary tariffs are 50 percent higher than preferential tariffs and can be increased or reduced as long as the margin does not exceed 70 percent of the preferential tariffs.

   In addition to the above-mentioned tariff rates, Vietnam also reserves the right to impose surtaxes such as antidumping and countervailing duties. No regulations on surtaxes are available at present.

   Exemptions are granted if the goods fall into the following categories: (i) special goods for the purpose of national security and defense, science, education and training; (ii) specialized equipment, machinery and facilities for investment projects (both domestic and foreign); (iii) non-refundable aid, goods in transit, temporary imports and re-exports for exhibitions. Goods brought in for foreign-invested projects may qualify for exemption if they fall under five general categories: (1) equipment and machinery imported for the formation of the fixed assets of the project and spare parts and components attached thereto; (2) construction materials imported to build the fixed assets of the project that are not produced locally; (3) materials and supplies imported for the local manufacturer of the equipment and machinery included in the technological process of the projects; (4) specialized means of transport included in the technological process of the project or for transportation of groups of employees (with 24 seats or more); and (5) technology transfer that is considered as capital contribution by the foreign partner.

   When ratified, the bilateral trade agreement (BTA) between the U.S. and Vietnam will have a positive impact on tariff rates that apply to the U.S. Once the agreement is approved and becomes effective, the U.S. will fall into the NTR category. At the time of this report, U.S. origin goods receive 50 percent surcharge, but that surcharge is waived by the Government of Vietnam as the agreement is signed in principle and is awaiting ratification.

C. IMPORT TAXES AND QUOTAS

Under the current law, import taxes are issued by the National Assembly and then detailed by the Ministry of Finance. Import duties are calculated on the basis of (i) the quantity of goods specified in the declaration, (ii) dutiable value, and (iii) applicable duty rates. Currently, there are three types of tariff rates imposed on imports, namely (x) preferential rates, or NTR rates (y) ordinary rates or non-NTR rates, and (z) special tariff rates, such as the tariff rates of 0-5 percent under the Common Effective Preferential Tariff (CEPT) Agreement (Vietnam is now in the transition period under the CEPT, and will fully implement the CEPT in 2006).

1. **Special Consumption Taxes:** Other taxes include the special consumption taxes

on goods such as cigarettes, alcohol, spirits and beer, automobiles with twenty-four seats or less, and other miscellaneous items such as gasoline, air conditioners with capacity of 90,000 BTU or less, playing cards, and joss-paper. Special consumption taxes also apply for services such as dancing, massage, karaoke, casino, jackpot machine games, certain betting activities and golf. The special consumption tax is applicable to the import and production of the previously mentioned goods and services. Importers pay the special sales tax upon importation, ranging from 15 percent to 100 percent. The tax is calculated on the basis of applying the applicable tax rate to the CIF value of the good. Since 1 January, 1999, the Government issued a "luxury tax" on passenger automobiles produced in Vietnam. The luxury tax applies for five seat or less, six-fifteen seat, and sixteen-twenty four seat vehicles at rates of 100 percent, 60 percent, and 30 percent, respectively. Locally produced commercial automobiles such as trucks and vans are exempt from the luxury tax, but subject to Value Added Tax (VAT) of 10 percent, which is not applied to passenger automobiles.

2. **Value Added Tax (VAT):** VAT replaced the previous turnover tax, which was insufficient and levied on a sliding scale from zero percent to 20 percent. Most sectors of the economy are likely to pay less under VAT. There are four rates of VAT: (i.) zero percent for exported goods; (ii.) five percent for the provision of essential goods and services (e.g. clean water, food stuff, medicine); (iii.) standard rate of 10 percent for activities such as power generation, mineral products, postal, and transportation services; and (iv.) 20 percent for activities such as lottery and brokerage.

3. **Import Quotas:** The Ministry of Trade (MOT), in consultation with the Ministry of Planning and Investment and other relevant ministries and ministerial-level agencies, requested the Government's approval to set formal import quotas on several commodities. As Vietnam is on track to fully implement its international commitments to liberalize trade, the list of import quotas is now limited to certain imports that have great impact on the economy such as petrol. Also, the Government, from time to time, decides to suspend the import of some commodities. In the past, those commodities included automobiles (under twelve seats), some types of steel, paper and other items. Import quotas are often administered through the import licensing system managed by MOT and are mainly granted to state-owned enterprises. Information about the allocation procedures for import quotas and how the process is enforced is not made publicly available.

D. IMPORT LICENSING REQUIREMENTS

1. **Authorized Importers:** Authorized importer's roles in the past few years has declined because of the Government's Decree No. 57/1998/ND-CP. This decree allows all legally formed business entities to engage directly in the import and export activities of goods specified in their registered business licenses. This decree still provides businesses in Vietnam with the option to authorize other companies that are eligible for importing some products to import based upon the valued-added and experience that these authorized importers can provide.

2. **Import Licensing System:** Business entities, including foreign invested enterprises with a legally registered business license, can 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. They are not permitted to import goods for trading purposes. They are

requested to register their import and export codes with Department of Customs. Foreign invested enterprises' import and exports activities shall with not only the Law on Foreign Investment in Vietnam, but also the Government's Decree No. 24/2000/ND-CP dated July 31, 2000 and the Ministry of Trade's Circular No. 22/2000/TT-BTM dated December 15, 2000. Until now foreign invested companies have only been permitted to distribute products made by them and not products of their partners offshore.

3\.

Temporary Entry: Goods, which are exported or imported as samples or for the purpose of advertising, are subject to export or import duty. Exemption from duty is granted to goods, which are permitted to be temporary exports or imports for exhibitions. At the end of the exhibition, they must be re-imported into Vietnam in the case of temporary exports, or re-exported from Vietnam in the case of temporary imports. Documents required for exemption for exhibitions include a notification of or invitation to the exhibition and an export or import license from Ministry of Trade for goods under quota by the government. Vietnam does not recognize the International Carnet.

4. **Special Import/Export Requirements and Certifications:** 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 Decision specifies the list of goods to be banned from export and import as well as the list of imported goods requiring the Trade Ministry's official permits. Management of rice export and fertilizer import in 2001 is subject to Decision No. 46/2001/QD-Ttg and circular No. 11/2001/TT-BTM.

E. LABELING REQUIREMENTS

Vietnam's regulation concerning labeling requirements for domestically circulated and import-export products is issued by the Prime Minister. The regulation entitled Decision No. 178/1999/QD-TTg dated 30 August 1999, and amended by Decision No. 95/2000/QD-TTg dated August 15, 2000, was effective starting January 1, 2001. According to this regulation, new labels must be affixed displaying the name of the product, name and address of the manufacturer or trader liable for the product, quantity, detailed composition, master quality inspection, and manufacturing and expiration date. New labels must also display usage and storage instructions and country of origin of the imported or exported products. With the exception of the trademark, labels of domestically distributed products must be in Vietnamese.

To avoid confusion, dates should follow the Vietnamese pattern: day/month/year. The relevant authorities should be alerted to any changes in the product's packaging or labeling. Because of the rampant problem posed by imitation and thus poor quality goods, inspectors may see the change in packaging as a potential contraband and prolong customs clearance.

F. STANDARDS

Vietnamese standards system consists of over 5,000 standards. Specific information by product or by standard may be provided by the importing organization. Otherwise it may be sought from the relevant ministry or the government's management body with overall standards responsibility, the Directorate for Standards and Quality (STAMEQ) of Ministry of Science, Technology, and Environment (MOSTE). Vietnam is currently adopting over 1,000 international standards to become national standards. Vietnam's weight and measurement standard is based on the metric system. The electric current is AC 50 cycles, 220/380. The electric utility system of Vietnam is being standardized at 3 phase, 220/330 volts, 4 wires.

G. WARRANTY AND NON-WARRANTY REPAIR

Goods that are imported as replacement parts, even under warranty, are subject to import duties. Duties imposed depend on the good imported, country of origin, etc. Equipment brought in for the purpose of repairing other products, and then re-exported, is exempt from import duties by law, but it is a very complicated and long process.

H. BONDED WAREHOUSES

The operation of customs warehouses was approved in 1994, and has been replaced by new regulations issued in conjunction with Decision 212 from the Prime Minister dated 2 November 1998. The location and number of bonded warehouses are HCMC (3), Vung Tau (1), Hai Phong (4), Quang Ninh (2) and Da Nang (2). Entities permitted to lease customs bonded warehouses include foreign enterprises, individuals and organizations, Vietnamese import-export license companies, and foreign invested enterprises licensed to carry on import-export activities. Most goods pending import and domestic goods pending export can be deposited in bonded warehouse under the supervision of the provincial customs office. The exceptions are 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 lease contract must be registered with the customs bond unit at least twenty-four hours prior to the arrival of the 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.

A customs warehouse keeper can provide transportation services and act as a distributor for the goods deposited. Additional services relating to customs declaration, appraisal, insurance, re-processing 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 is often lengthy and unreliable.

I. EXPORT CONTROLS:

As of 2001 the Government implemented a new import and export policy under which lists of imports and exports subject to restrictions and licenses will be in effect for a period of five years (2001-2005) rather than just one year as previously provided. This is a positive step to make the country's import and export regulations more stable and predictable to importers and exporters.

1. **Permits and Licenses:** Permits and licenses are now required for exports of a certain number of goods under supervision of the Ministry of Trade, the General Department of Post and Telecom and other ministries. They include (i) textiles and garment exported within quotas agreed upon between Vietnam and other countries, (ii) goods subject to export control under international agreements to which Vietnam is a signatory and (iii) postage stamps. Other than these, any enterprise can export goods in accordance with its business license.

2. **Export Duties:** Export duties are levied on many natural resources and commodities with a maximum rate of 45 percent. The government has recently increased export duties on many raw materials as part of a strategy to stimulate more value-added processing in the country.

3. **Quotas and Restrictions:** Prohibited exports include antiques, logs and sawn timber from domestic natural forests, weapons, drugs, toxic materials, precious or rare plants and animals, and special used coding machines and coded software programs used to protect state secrets. Export of rice and wood products (except for those exploited from natural forests) is no longer subject to government quantitative restrictions.

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CHAPTER 7: INVESTMENT CLIMATE

A. OPENESS TO FOREIGN INVESTMENT

Vietnam, in principle, maintains a policy of encouragement of foreign investment. A crucial priority for its long-term development strategy to the year 2020 is to continue to attract and utilize relatively large amounts of overseas capital, both foreign direct investment (FDI) and official development assistance (ODA). (Vietnam does not yet allow any significant foreign portfolio investment.) For the 2001-2005 period, the government has established targets for FDI at US$ 9-10 billion in disbursements from existing and newly licensed foreign investments and for approximately US$ 10-11 billion in ODA disbursed by foreign donors, for a total of US$ 19-21 billion from foreign sources, the levels of FDI and ODA it estimates are required to support the government's GDP growth target of 7.5 percent per year.

By May 2001, Vietnam had attracted nearly US$ 37 billion in investment commitments since the country was opened to foreign investment in 1988. Approximately US$ 17.9 billion, or 48 percent, of that amount has been disbursed in more than 2,700 projects, 68 percent of which were in or near the two major cities of Ho Chi Minh City in the south and Hanoi in the north. U.S. businesses have received 119 investment licenses for projects worth US$943 million and have injected US$404 million thus far into Vietnam, creating 3,350 direct jobs. Significant additional U.S. investment is counted as investment from third countries in cases where, for example, the investment involves a third-country subsidiary of a U.S. company.

Many investors perceive Vietnam's rapidly growing population of 80 million as a virtually untapped market with great potential. Vietnam's entry into the Asia-Pacific Economic Cooperation forum (APEC) in late 1998, its planned entry into the ASEAN Free Trade Area (AFTA) by 2006, and its stated intention to join the World Trade Organization (WTO) in the near future signaled greater openness to foreign investment. This signal was significantly strengthened with the conclusion of the U.S.-Vietnam Bilateral Trade Agreement (BTA) in July 2000, implementation of Foreign

Investment Law reforms, and completion of structural adjustment agreements with the International Monetary Fund (IMF) and World Bank in the first quarter of 2001. After Vietnam's newly elected leadership explicitly committed itself to broadening economic reform and further improving the climate for investment, Moody's Investment Service upgraded Vietnam's credit rating from negative to stable. These developments, together with the country's relatively low-wage work force, natural resource base, and stable macroeconomic performance in recent years is encouraging foreign investors from Asia, Europe, and the U.S. to view Vietnam as a highly promising location.

Despite this good start, however, Vietnam remains a difficult investment environment. Currently in a period of transition from a command economy to a 'state-supervised' market economy in which the state sector retains a 'leading role', Vietnam is trying to implement a series of gradual reforms that will enable the economy to function more efficiently. As the government engages in this complex process, foreign investors must cope with a wide range of problems and costs. These include 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, and shortage of trained personnel. Issuance of investment licenses and implementation of projects often is a lengthy process during which the investment environment in areas such as taxes and procedures frequently changes.

The above shortcomings seriously hampered the recovery of FDI flows to Vietnam in 2000 after three consecutive years of dramatic declines, which began with the onset of the Asian financial crisis. Disbursed capital rose by 17% to US$ 1.8 billion and licensed capital increased by 27 percent to US$ 1.972 billion. But despite this improvement, Vietnam has a long way to go to reach the heady levels of 1996 when licenses were issued for US$ 8.6 billion in new foreign investment projects. And just as some new investors were arriving, there were a number of other foreign companies that either closed their representative offices or reduced their numbers of expatriate and Vietnamese staff.

One of the greatest challenges for Vietnam is to make its economic system more competitive and attractive for investment by cutting red tape, streamlining regulations, and generally making the entire economic system more efficient and transparent, as well as less corrupt. Some of the most vociferous and frequent complaints from foreign investors concern the length of the contract negotiation and delays in obtaining project approvals from the government.

In an effort to improve Vietnam's investment environment, in May 2000, after months of revisions that generally diluted the original, more extensive proposals, Vietnam's National Assembly approved a number of changes to the 1996 Law on Foreign Investment (LFI). These changes, which formally took effect July 1, 2000, were explained and augmented by implementing regulations Decree 24, dated July 30, 2000 and Circular 12, which was effective on October 1, 2000. As a package, these documents have been hailed by the Government of Vietnam (GVN) as proof that it is making a serious attempt to significantly improve the business environment for foreign investors in Vietnam. Changes include the following

Foreign Currency Conversion: All foreign invested enterprises (FIE's) and foreign parties to Business Cooperation Contracts (BCCs) now have the right to convert Vietnamese dong into foreign currency. Decree 5 issued January 7, 2001, further clarified this right, making it possible for the above to purchase foreign currency from authorized banks. And Circular 4, issued May 18, 2001, explicitly permits foreign investors to transfer abroad profits, shared revenues from joint ventures, and income from provision of services, technology transfer and the sale of property. However, these changes do not carry with them a guarantee of availability and the State Bank of

Vietnam (the country's central bank and monetary authority) continues to maintain significant foreign exchange controls.

Government Guarantees: The GVN now is permitted to provide investment guarantees to foreign investors in infrastructure and other projects, within the limits of the LFI. Previously, there had been no legal basis for such guarantees. After changes by the National Assembly, however, the final language of this provision is weaker than an earlier version. And it has not been strengthened by any of the ensuing implementing regulations, giving rise to legal and practical questions about what assurances such a guarantee really provides to the investor.

Licensing: One other potentially significant improvement addresses business-licensing procedures. The amended LFI establishes two categories of projects: those that need to be evaluated before licensing; and those that only require registration. Circular 12 contains additional information on the registration process, provides guidance on which investments qualify to use this simplified application procedure, and stipulates that registration should take not more than 15 days. While the new registration process appears to be of limited applicability to most investments, it could be relevant to those who plan to export most or all of their production.

Unanimity Rule: The scope of this rule, under which certain decisions by the boards of directors of joint venture (JV) enterprises required unanimous approval, was reduced somewhat by another LFI amendment. Unanimity now is required only for appointment and dismissal of the general director and the first deputy general director and amendments to the JV charter. Previously appointment or dismissal of the chief accountant, approval of financial statements and total project cost and expense statements, and investment loans also were subject to unanimous decision by the board of directors. This change permits foreign investors to exercise greater control in proportion to their share in a joint venture. Under the U.S.-Vietnam Bilateral Trade Agreement, the unanimity rule in the remaining areas is to be phased out within three years of entry into force of the agreement. In recent years, the GVN has permitted dozens of joint ventures to convert to 100 percent foreign-owned companies.

Restructuring: FIEs and foreign parties to BCC's will be allowed to restructure their investments through division, separation, merger, or consolidation. This is an improvement but does not go as far as investors had desired.

"Grandfathering" / Change in Law : If a change in law adversely affects the interests of a FIE or a party to a BCC, the investors will be entitled to continued enjoyment of incentives and privileges stipulated in their original investment licenses. More favorable provisions in any law passed after the date an investment license is issued will automatically apply to an already-licensed foreign-invested business or BCC. This change already had been issued in decree form but now has the status of law, which can be helpful to investors in pressing cases with Vietnamese authorities.

Assignment of Interest: A wholly foreign-owned enterprise wanting to sell an interest in its company no longer must offer pre-emptive purchase rights to Vietnamese businesses.

Offshore Accounts: Subject to approval by the State Bank of Vietnam, an FIE can open an offshore bank account even if it is not related to a foreign loan. However, this is a limited improvement. Not only is this privilege subject to State Bank of Vietnam approval, but Circular 5 subjected all FIE's to a requirement to sell domestically at least 50 percent of their foreign currency earnings, the same rate currently applied to domestic enterprises, effectively reducing the amount FIE's are able to deposit abroad.

Carrying Forward Losses: All foreign-invested businesses and foreign parties to BCC's are allowed to carry forward losses to set off against profits in the ensuing five years (for tax purposes).

Reserve Funds: The requirement to establish reserve funds equal to five percent of after-tax profits has been abolished. Reserve and other similar funds now are discretionary. However, in practice, virtually no companies complied with the former reserve fund requirement before the amendment was abolished.

Remittance Tax: The remittance tax rates have been reduced to 3, 5, and 7 percent, from 5, 7, and 10 percent, respectively, reducing the tax burden on FIEs, although the corporate tax rate on foreign branch firms, permitted in some sectors, was raised to offset this reduction..

Overseas Vietnamese: Overseas Vietnamese investors will be entitled to the three percent remittance tax rate and a 20 percent reduction of corporate income tax, compared to businesses of the same type established by other foreign investors, except where the investor is entitled to an incentive tax rate of 10 percent..

Mortgage of Land: The LFI, as amended, permits foreign bank branches to accept mortgages of land use rights. Previously, this was not permitted. Unfortunately, Decree 24 set out a number of prerequisites which limited the scope of this change. Moreover, this amendment will require supplementation through banking regulatory change, establishment of a national land registry system, and possibly, amendment of the land law in order to permit foreign banks to take possession of land after a foreclosure.

Land Compensation and Clearance: Where a Vietnamese party to a JV contributes capital in the form of land, it will be responsible for carrying out land compensation and clearance and for other procedures necessary to obtain the land use right for the JV company. The costs for land compensation and clearance will be included in the value of the contribution. This amendment clarifies provisions already available through government decrees.

Import Duties: The new LFI repeats the import duty exemptions already granted in decrees 10 and 12. In addition, raw materials and materials and components imported for manufacturing purposes for especially encouraged investment projects or projects implemented in areas of especially difficult socio-economic conditions will be exempted from import duties for a period of five years after the commencement of production activities.

Termination of Business: The parties are now allowed to decide in their JV contract, BCC, etc. when and how a foreign-invested business or a BCC is to be terminated. Previously, the LFI itself contained standard termination provisions. This change is practically meaningless, however, as the Ministry of Planning and Investment had never exercised the previous provisions, which allowed it to determine the terms of termination of a JV or BCC.

Liquidation/Bankruptcy: The amended LFI provides that, if land has been contributed as capital by a Vietnamese party in a JV, and the JV is liquidated or subject to bankruptcy, the remaining value of the land use rights will be included as one of the assets of the business to be liquidated or dissolved. Previously, there had been claims by Vietnamese partners (supported by the land law) that the land reverted to the state. This amendment clarifies existing regulations.

Inspection: Inspections of foreign-invested businesses and BCC's generally cannot be undertaken more than once a year. Extraordinary inspections may only be carried out when there is indication that the business has violated the law. This is a potentially significant change as some foreign investors have complained they have been harassed with frequent and unusual inspections by unscrupulous officials.

B. THE US - VIETNAM BILATERAL TRADE AGREEMENT (BTA)

The recently concluded BTA provides a broad range of benefits for U.S. investment in Vietnam that should significantly enhance the investment environment for U.S. firms. A major part of the BTA is devoted to investment which: provides national and most-favored-nation treatment, except where explicit exceptions have been made; guarantees access to third-party investor-state dispute settlement; disciplines trade-related investment measures; ensures treatment of expropriation consistent with international standards; and gradually phases out a variety measures viewed as obstacles to profitable investment by U.S. business, including Vietnam's extensive investment screening system, export requirements, minimum capital requirements and discriminatory prices and fees for a wide range of goods and services. In addition, other chapters of the BTA will reduce tariffs and quantitative restrictions on U.S. investor's imports; permit U.S. investors to engage directly in trade; require the government to operate more transparently; open sectors of interest to U.S. business including banking, insurance, professional services, telecommunications, distribution, etc.; and provide protection consistent with World Trade Organization (WTO)-standards for U.S. investors' intellectual property. The BTA has been submitted to both the U.S. Congress and Vietnamese National Assembly for the approvals required for entry into force. Both sides anticipate approval and implementation of the BTA will be forthcoming in the near future. The complete text of the US - Vietnam BTA is available for review at www.ustr.gov.

C. STATE OWNED ENTERPRISES

State-Owned Enterprises (SOEs) continue to dominate the industrial economy of Vietnam. A large majority of these SOEs suffer from weak finances, high debt, obsolete plant and equipment, poor management, poorly trained staff, low labor productivity, and low product quality. They are protected by an array of tariff and non-tariff barriers. The government's protectionist approach to these loss-making companies has long stood in the way of further trade reform and investment liberalization.

According to the World Bank, Vietnam has approximately 5,571 SOEs, down from around 12,000 in the early 1990's, with most of the reduction having been achieved through mergers. At least 60 percent of the remaining SOEs are incurring losses, and some estimates indicate this number may even be higher. They account for 30 percent of GDP but approximately 50 percent of bank credit. Total SOE debt (including inter-enterprise debt) was estimated at US$ 135 billion at end-1999, a large proportion of which was owed to banks and was non-performing. With considerable foot dragging, the government has 'equitized' (converted to shareholding companies with diversified, including some minority private ownership) approximately 502 SOEs through May 2001. Foreign ownership of an equitized company's shares sold on Vietnam's new stock exchange, opened in summer 2000, is limited to 20 percent, down from a 30 percent cap enforced prior to the opening of the exchange in July 2000.

As part of a recently-concluded structural adjustment package with the World Bank and the IMF, the government has committed to equitize an additional 1,775 SOEs over the next three years and ensure that those remaining become competitive. While this represents a significant potential improvement, many international observers expressed disappointment that the government did not agree to completely dismantle its SOE sector over time. Vietnam continued to send mixed signals to foreign investors on this front when the Ninth Party Congress, held in May 2001, approved a Socio-economic strategy for 2001-2010 which reconfirms the "leading role" of the state enterprise sector and instructs the government to strengthen SOE operations in broad range of sectors which hold considerable interest for the international investor, including telecommunications, banking, insurance, petroleum and more.

The government has organized around 2,000 SOEs into 17 so-called 'general corporations' (or conglomerates) and 77 'special corporations', thereby reinforcing monopoly or privileged conditions in the following industries: electricity, coal, petroleum, cement, maritime, civil aviation, telecommunications, gemstones and gold, textiles and garments, steel, coffee, tobacco, paper, food, chemicals, rubber, glass, and railways. Together these account for approximately 80 percent of the productive capacity of the state sector.

D. PROTECTED TRADE IN VIETNAM

Vietnam's protected trade regime includes the following features:

- an average unweighted tariff rate of around 15 percent - relatively low for a developing country;
- tariffs are levied on reference prices, not actual costs (though Vietnam is already beginning to phase in a transaction-price based valuation system);
- import quotas and tariff surcharges apply to a number of commodities including steel, fertilizer, sugar, cement, and petroleum products;
- import rationing and prohibitions on certain items;
- excise taxes of up to 100 percent levied on tobacco, gasoline, motor vehicles, and alcoholic beverages;
- exchange controls on foreign currency transactions;
- an import permit and allocation system in some industries;
- an overall lack of transparency;
- license requirements for importers (only given to Vietnamese and foreign investors for manufacturing inputs if so permitted by their investment license).

Improvements will be made in virtually every area listed above as Vietnam implements its obligations under the BTA and the ASEAN Free Trade Area (AFTA).

Foreign importers are barred from direct participation in Vietnam's distribution system, although foreign investors have the right to sell, market, and distribute what they manufacture locally. Foreign investors have the right to import goods needed for their investment projects, provided this right is included in their investment licenses, however, they must import the goods through licensed Vietnamese import/export firms. An exception is made for foreign manufacturers importing inputs directly to production when such import rights are explicitly included in their investment licenses. Under the BTA, trading rights and market access in distribution services for foreign investors will be gradually expanded. While Vietnam has greatly expanded in recent years the number of Vietnamese firms permitted import/export rights, the vast majority of general import/export companies remain SOE's..

E. FOREIGN INVESTMENT

Foreign investment in Vietnam is regulated by the Ministry of Planning and Investment (MPI) through the LFI and related implementing regulations, decrees, and circulars.

That said, de facto approval is needed from other ministries or government bodies, which regulate particular sectors, e.g. oil and gas, pharmaceuticals, financial services. Compared to previous legislation, the amended LFI delegates more authority over investment licensing to provinces, municipalities, and investment zones. While this decentralization is frequently in the foreign investor's favor, it has also given rise to considerable regional differences in procedure and interpretation of relevant investment law and regulation. The Prime Minister's office retains authority over larger and 'sensitive' projects. MPI remains the principal government agency dealing with foreign investors.

There are four primary forms of investment for foreigners in Vietnam:

a. Joint venture (JV) agreements typically pair foreign and local companies sharing capital and profits, most frequently in a 70-30 percent split. The contribution of the local company, typically an SOE, to the JV generally consists solely of land use rights. The theoretical minimum percentage of foreign involvement in a JV is 30 percent, and examples of JVs where the foreign partner is not a majority shareholder are very rare. The minority partner retains veto power over the majority partner concerning selection of senior management and changes in the JV charter. However, under the BTA these rights will be phased out within three years of entry into force of the agreement. Accounting for the vast majority of foreign investment to date, many investors found JVs particularly attractive because they believed they would benefit from the assistance of an established Vietnamese firm in dealing with bureaucratic and administrative procedures. Licenses normally are granted for 20-50 years, and upon expiration can be renewed or the venture can be liquidated. Some investors complain the government allows SOEs to overvalue their land use rights to meet the 30 percent capital requirement.

b. A Business Cooperation Contract (BCC) allows a foreign firm to pursue business interests in cooperation with a Vietnamese firm by investing capital and sharing revenues without conferring the right of establishment or ownership. In many respects, it is the most flexible arrangement Vietnam offers to foreign investors, although the BCC license typically does not contain tax holidays or concessions given to other types of foreign investments. BCC's have predominated in the telecommunications sector and, as production sharing contracts, in the petroleum sector, where the government limits foreign involvement in operations and management.

c. 100-percent Foreign-Owned Enterprises have become more popular recently, as investors have learned to navigate the local system on their own and as problems with JV partners have become more apparent. The GVN also has shown more willingness to allow them in certain sectors on a case-by-case basis. Disadvantages include more difficult access to land-use rights (except in industrial zones and export processing zones) and a more limited duration of license.

d. Build-operate-transfer (BOT) investment agreements are authorized under the LFI, but the legal, regulatory, and financial framework is still incomplete, although there is BOT legislation. The LFI also recognizes build-operate-own (BOO), build-transfer-operate (BTO), and build-transfer (BT) forms of investment. Under a BOT agreement the investor builds an infrastructure project, operates it for an agreed period of time to recover the investment and earn a profit, and then cedes it to the government without further compensation. Several BOT licenses have been granted while others, particularly in the power generation sector, have been held up in protracted negotiations. The most intractable BOT issues have been financing and government regulatory and cost-recovery guarantees.

e. Foreign investors have pressured the Vietnamese government for years to expand the permissible forms of foreign investment. In particular, they are interested in being able to form joint stock companies and having the opportunity to issue shares and bonds that could be traded in Vietnam's nascent stock market. Vietnam is required to offer this option to U.S. investors no later than three years after the BTA takes effect, but investors would like to see this happen even more quickly. At a recent donors conference, however, the Minister of Planning and Investment said that Vietnam would make such a move into "unknown territory" only slowly but did commit to initiating a "pilot project" on this in the near future.

F. LICENSING

Licensing requirements for all categories of investment are stringent and time-consuming. Investors may not always be aware of all regulatory requirements for licenses, which has led at times to complaints of unfair or discriminatory treatment. Although MPI is the primary point of contact for most foreign investors, Vietnam currently does not offer a 'one-stop shop' for investment negotiation and approval. Foreign investors typically must contact and obtain support and/or approvals from a number of national and local agencies.

But the GVN is making progress in this area. Over the past several years, the government has taken steps to streamline and accelerate the investment licensing process and has initiated investor 'hotlines' for tax and regulatory advice. The GVN also continues to hold regular 'business forum' meetings with domestic and foreign business associations to discuss issues of importance to private sector business These fora together with frequent dialogues between GVN officials and foreign investors held between the semi-annual fora have led to improved communication and have sometimes allowed foreign investors to make timely comments on and influence legal and procedural reforms. Under the BTA, Vietnam has committed to gradually phase out its extensive investment licensing regime which is uses to manage and screen investment and replace it with a simple investment registration regime in all but a few sectors, as it has already successfully done for domestic investment.

Prime Ministerial approval is required for investment licenses for the following:

- industrial zones, export processing zones, and build-operate-transfer projects;
- projects with investment capital in excess of US$ 40 million;
- projects in the areas of culture, insurance, finance, auditing, press and publishing, sea and air transport, posts and telecommunications, national defense and security;
- projects that use five hectares or more of urban land or 50 hectares or more of rural land.

MPI and/or other relevant agencies evaluate investment projects with respect to the following:

- 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 government or to the Vietnamese party. Specific government objectives include 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.

Foreign enterprises also have the have the right to apply to the Ministry of Trade or the Service of Trade in Hanoi or Ho Chi Minh City for a representative office license, which gives foreign firms the right to conduct market research and to pursue business interests, short of actually selling products and services in Vietnam. Foreign banks must apply to the State Bank of Vietnam for representative office or bank branch licenses.

G. TAXES

Vietnam's standard corporate income tax rate of 32 percent is a bit on the high side but it still considered competitive within the region. And Vietnam offers a broad range of tax incentives to foreign investors in selected priority sectors and remote geographical locations. But foreign investors have continuously expressed concern about lack of transparency in the tax collection enforcement and at times complain of harassing repeat visits by local tax enforcement officials. They also have sought changes to the high personal income tax rates for Vietnamese national employees in the higher pay scales which significantly increases the gross salary employers must pay to maintain competitive and reasonable take home salaries. In recent months, two additional tax-related changes have caused consternation in the foreign investor community. One was a decision by the tax department that expatriate employee benefits such as school fees and air tickets for home leave - are now taxable as personal income (to which a tax rate of 50% is applied.) Worse, this applies retroactively to the 2000 tax year. In addition, the GVN recently announced that, as of June 19, 2001, highly profitable firms whose after-tax income accounts for more than 20 percent of their company's total capital will be required to pay an additional 25 percent on top of the standard 32 percent corporate income tax.

H. CONVERSION AND TRANSFER POLICIES

Vietnam's foreign exchange regime was significantly improved with an amendment to the LFI, followed by Decree 5 and Circular 5, all which explicitly give foreign investors the right to exchange local currency for foreign currency for the purpose of meeting certain current transactions or remitting certain categories of earnings. Despite these significant improvements, various articles of the LFI continue to require FIEs to 'balance' their requirements for foreign currency, to open Vietnamese and foreign currency accounts at Vietnamese or foreign banks in Vietnam, and to convert Vietnamese currency into foreign currency at the official exchange rate. Conversion of Vietnamese dong into hard currency requires a foreign exchange license, which at times of high demand for foreign exchange can present a problem for foreign businesses. No information on average delays in remitting investment returns is available, in part because few foreign investments thus far have been both profitable and have sought to repatriate profits rather than reinvest them to expand operations.

Foreign businesses are allowed to remit profits in hard currency, subject to availability. Foreigners also are allowed to remit abroad 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. Approval by MPI is needed to increase or decrease the capital of a foreign-invested business.

In principle, most FIEs are expected to be 'self-sufficient' for their foreign exchange requirements, although this sometimes proves impractical. For access to foreign currency, investors fall into three categories, only one of which - including build-operate-transfer and other infrastructure projects, import substitution projects, and 'special' projects - receives 'assurance' of currency conversion, although even that right is not clear. Investors in the other two categories have no guarantees of foreign currency access or conversion rights.

The requirement for all domestic and some foreign-invested companies dealing in foreign exchange to sell 80 percent of their foreign exchange holdings to the state banking system was reduced to 50 percent in September 1999. This year's Decree 5, expanded the scope of this requirement to include all FIEs and BCCs.

I. EXPROPRIATION AND COMPENSATION

The U.S. Embassy knows of no recent instances of expropriation of a foreign investment by the Government of Vietnam.

Under the BTA, in any future case of expropriation or nationalization, 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.

J. DISPUTE SETTLEMENT

Vietnam's legal system, including dispute and claims settlement mechanisms, remains underdeveloped. Negotiation between the concerned parties is the most common and preferred means of dispute resolution. Although contracts are difficult to enforce in Vietnam, particularly if one party to a dispute is a foreigner, investors generally should negotiate and include dispute resolution procedures in their contracts.

In the event of an investment dispute, there are a number of domestic avenues available. Economic courts, in addition to hearing bankruptcy cases, also have jurisdiction over cases involving business disputes. Administrative courts hear cases that concern alleged infractions of administrative procedures by government authorities. In such cases, the plaintiff must pay to the court a bond, half of which is forfeited if the dispute is resolved before the beginning of court proceedings. Also, the court proceedings must begin within six months of the date of the dispute. However, many international investors express concerns about the ability of the court system to impartially and promptly render a decision that accurately reflects the facts and properly interprets the relevant Vietnamese law and/or international law and practice. Thus, they prefer to have other options available to them. According to Vietnamese press accounts, many court judgments on business issues are ignored because the affected party can use "influence" to forestall the application of the judgment.

Outside of the court system, economic arbitration centers operate in a number of provinces and cities. However, it is not clear if these centers are legally competent to settle disputes involving foreign parties. The second type of arbitration institution in Vietnam is the Vietnam International Arbitration Center (VIAC), which operates in close coordination with the Vietnam Chamber of Commerce and Industry (VCCI). It has authority to settle disputes arising from international economic transactions including contracts on foreign trade and investment. However, it is not clear if investors would be free to choose foreign arbitrators. Nor can international standard arbitration rules, such as those of the International Chamber of Commerce (ICC) or the United Nations Commission on International Trade Law (UNCITRAL), be used. The decisions of the VIAC are final and cannot be appealed to any domestic court. The center does not yet have an established track record for competence or impartiality, and questions have been raised about the enforceability of its awards. Therefore, most foreign parties choose stipulate "third party" arbitration in their contracts with Vietnamese parties and the government.

Foreign arbitral awards are legally enforceable in Vietnam; domestic awards are not. Vietnam acceded to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1995, meaning that foreign arbitral awards rendered by a recognized institutional arbitration institution must be respected by Vietnamese courts without a review of the case's merit. In practice, little is known about how a request for enforcement of foreign arbitration awards would fare in Vietnamese courts.

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 U.S. to provide advice in this area as part of the U.S. technical assistance program designed to assist Vietnam to fully implement the BTA.

For the time being, exit strategies for foreign investors remain limited and problematic. GVN permission is required to liquidate an investment or business venture and is sometimes hard to get. The current Bankruptcy Law was enacted in 1994, although the government reportedly is preparing a new law or amendments to the existing law for submission to the National Assembly. At present, the bankruptcy process can be quite complicated and often takes more than a year to complete. The Bankruptcy Law applies to all domestic and foreign-invested companies except national defense and public service organizations, but since its enactment only a small number of firms have been put into bankruptcy proceedings and declared bankrupt.

K. PERFORMANCE REQUIREMENTS / INCENTIVES

While Vietnam is not yet a member of the World Trade Organization (WTO), under the BTA, Vietnam will be obligated to discontinue application of any trade-related investment measures (TRIMS) or performance requirements inconsistent with the WTO TRIMS agreement. Vietnam currently does impose a number of performance requirements with respect to the establishment of an investment and/or the receipt of a benefit or incentive. The BTA does permit Vietnam to gradually phase out several TRIMS-inconsistent local content requirements in five years or less of the BTA's entry into force. Vietnam also applies foreign exchange balancing requirements on selected investment projects, especially those in ventures that purport to aim for export rather than domestic markets.

Vietnam also at times requires that foreign investment projects in certain sectors -- notably, footwear, clothing, steel, cement, paper, and paint.-- export a large portion of their production as a condition of establishment or incentives. While export requirements are not one of the performance requirements explicitly listed as prohibited under the TRIMS agreement, Vietnam has agreed in the BTA to phase some of these requirements out within seven years after the BTA is in force.

The GVN employs an extensive range of incentives in attempts to attract foreign investment into certain priority sectors or geographical regions. The LFI and subsequent decrees authorize MPI to 'encourage investment in mountainous and remote areas' of the country and in regions with 'difficult economic and social conditions'. MPI also encourages investment in export production, agricultural and forestry production, high technology, ecology, research and development, labor-intensive processing of raw materials, and large industrial and/or infrastructure projects. The law also favors, to a lesser degree, investments in metallurgy, basic chemicals, petrochemicals, fertilizer manufacture, manufacturing (especially electronic components and car and motorbike parts), and planting industrial crops. Under Circulars 1817 and 1818 (1999), the Ministry of Science, Technology, and Environment (MoSTE) also encourages projects in the areas of treatment of environmental pollution and waste, production of new or rare and precious materials, application of new biological technology, application of new technology for manufacturing communication and telecommunication equipment, and electronic and informatics technology. Most recently, the GVN opened the health care and education sectors more widely to foreign investment and began providing a variety of incentives for such investment.

Under the LFI, the standard rate of profit tax is 32 percent, with preferential rates for designated project categories. Exemptions in designated project categories also exist for the newly established tax of 25 percent levied on highly profitable firms. Favored investments include those in mountainous and poor rural regions, and in selected priority sectors, such as machine and electronic equipment manufacture, which use advanced technology or that export a high proportion of their product.

Depending on the sector, FIEs and foreign parties to a BCC may be exempted from profits tax for a maximum period of two years commencing from the first profit-making year and may be allowed a 50 percent reduction of profits tax for a maximum period of two consecutive years. Certain 'encouraged' projects may be exempted from profit tax for up to four years from their first profitable year and may be allowed a 50 percent reduction of profits tax for a further four years. Where the investment is 'especially encouraged', the maximum period of tax exemption shall be eight years. Such exemptions are generally written into a company's investment license.

The law on export and import duties specifies the rates which FIEs and parties to BCC's must pay on exports and imports. Equipment, machinery, specialized means of transportation, components and spare parts for machinery and equipment, raw materials and inputs for manufacturing, and construction materials that cannot be produced domestically, which are imported to Vietnam to form fixed assets of an FIE or a BCC are exempted from import duties. Other exemptions or reductions of import and export duties can be stipulated by the GVN for 'encouraged' projects and are also generally contained in an enterprise's investment license.

Other special incentives are available to foreign investors in build-operate-transfer (BOT) projects and projects located in export processing zones (EPZ) and industrial zone (IZ). BOTs may be joint ventures or 100 percent foreign-owned. They are exempt from land tax and from payment of duties on goods imported to implement the contracts. They enjoy a lower profits tax rate (10 percent), a five percent withholding tax rate (the lowest normal rate), an eight-year tax holiday starting from the first profitable year, and a government guarantee for conversion of revenue from local to foreign currency. The term of a BOT can extend to 50 years, after which project ownership reverts to the government.

Projects in both EPZs and IZs are entitled to profit tax rates of 10-12 percent for the duration of the investments. EPZs were the first production zones developed in Vietnam, but interest in them has been less than anticipated due to inadequate infrastructure. Ho Chi Minh City's Tan Thuan Zone is Vietnam's largest EPZ, while are planned or in operation in Da Nang, Can Tho, Hanoi, and Ho Chi Minh City. Export-producing firms wishing to operate in an EPZ apply for licenses and pay taxes directly to the EPZ management boards, which streamlines the process. Imports of machinery and raw materials enter the zones duty-free, and EPZ firms sometimes also benefit from lower rents, fewer regulations, and a variety of tax incentives. EPZ firms must pay normal import duties for any goods they sell domestically.

IZs are open to companies engaged in construction, manufacturing, processing or assembly of industrial products, and service to support industrial production. Companies submit license applications and pay taxes directly to the IZ management boards. IZ firms also are eligible for certain tax benefits, including a 10 percent profit tax for the duration of the investment. Companies that reinvest profits may be eligible for refund of profit taxes. Foreign-invested automobile manufacturing projects are subject to local content requirements in their investment licenses.

Vietnam has also instituted a number of incentives designed to attract investment from foreign investors of Vietnamese origin. They are allowed to choose to operate under domestic, as opposed to foreign, business licenses, although they may choose to operate as a foreign business where doing so would be advantageous to them. The land law has also been amended to permit limited categories of these investors to buy land use rights to build homes, which other foreigners are not permitted to do.

L. RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

Until the late-1980's the Vietnamese economy was organized according to principles of socialist central planning. Since then, the government has moved to develop a market-oriented economy and has formally recognized the existence of the private sector. In recent years, the private sector, foreign and domestic and, to a lesser extent, a small collective sector have begun to play greater roles in the economy, although the government insists the state sector will continue to dominate.

Although dozens of large-scale Vietnamese private enterprises now exist, there are thousands of small, family-owned firms. At the end of 1999, official statistics showed there were almost 28,000 companies in the formal domestic private sector. Then in January 2000, Vietnam enacted the Enterprise Law which provided, for the first time, a simplified domestic business registration rather than discretionary government approval and licensing. Domestic investors can now determine their own management structures. Also, as part of implementation of the new law, the GVN has moved to abolish more than 150 "unnecessary" permits required by various ministries and localities for operation of a business. Since the law entered into force, 20,000 domestic enterprises have been registered under the new process with a total capital of US$ 1.4 billion. While some were enterprises which moved from the informal into the formal sector, most analysts agree that a significant proportion were new enterprises.

Non-state businesses have created substantial new employment in Vietnam during the past ten years, while employment in the state sector has been stagnant or declining. Private firms, however, have been severely disadvantaged relative to SOEs in terms of access to credit and land, and in legal and regulatory treatment. Private firms face restrictions in using land use rights for joint ventures with foreign investors. SOEs also receive most of the lending from state-owned banks, which dominate the banking sector. In general, despite these restrictions, the relatively larger private firms that are emerging in Vietnam operate with better management and greater efficiency than the SOEs. Moreover, high-ranking government officials have stated the GVN's intention to put foreign and domestic investment on more or less even footing with SOEs with respect to access to credit, legal and regulatory treatment, pricing, and fees.

However, SOEs are likely to retain better access to land and will continue to be expected to "dominate" in key sectors as identified by the leadership.

M. PROTECTION OF PROPERTY RIGHTS

The Vietnamese legal system is still in a state of transition to support a more market-oriented economy and undergoes frequent and at times significant change. Vietnamese officials have limited experience drafting legislation, and new laws and regulations sometimes are contradictory or unclear. Different officials, sometimes within the same agency, may interpret laws differently. There is a shortage of practicing lawyers, law-graduate judges, and law professors. Substantial foreign assistance is being devoted to assist Vietnam to establish a legal structure compatible with international standards.

All land in Vietnam belongs to the people, administered or managed by the state. Private land use rights (LURs) were established for the first time in 1988. A LUR is a state-granted right to use land for a specific purpose. The 1992 constitution granted stronger land rights to individuals, including rights over commercial and personal property. In the 1993 land law, the National Assembly broadened LURs to include to exchange, transfer, rent, inherit, and mortgage land.

LURs may be granted for up to 50 years, depending on the specific use of the land. Individual holders of LURs can sell them if they move to a new location, change jobs, or are unable to work. In 1998 several changes to the land law were enacted, primarily to distinguish between corporate leaseholders, who can use their land for domestic or foreign joint ventures, and individual leaseholders who are not permitted to enter joint ventures with foreign entities.

Vietnamese LUR-holders have the right to mortgage them, but Vietnamese banks generally value land at a maximum of 70 percent of the total rent already paid on the property, not the property's appraised value. As organizations only were obliged to begin paying rent in February 1995, the values of mortgages on land are not large, which limits their usefulness for property-based project finance. The amended LFI permits foreign banks branches to accept mortgages of land use rights, for the first time, but before significant use is made of this new right, foreign banks are likely to want to see establishment of a national land registry system and amendment to the land law to permit them to take possession of the land after a foreclosure, and amendments to banking regulations.

Vietnam is a member of the World Intellectual Property Organization (WIPO) and is a signatory to the Paris Convention for Industrial Property. It has acceded to the Patent Cooperation Treaty and the Madrid Agreement, but has not yet joined the Berne Convention. Vietnam is working to devise a system of protecting intellectual property rights (IPR) consistent with the WTO TRIPS agreement. Considerable progress has been made over the past several years, with new regulations expanding legal protection to areas previously not covered, such as business secrets and new plant varieties, for example, protection of which were the subject of new regulations issued within the past 12 months. Under the BTA, which contains a comprehensive chapter on intellectual property protections, Vietnam will be obligated to provide protection at or above the internationally-accepted TRIPs standard in most areas, though a number of areas allow phase-ins of between one and three years after the BTA enters into force. Trademark registration in Vietnam is relatively straightforward, although infringement is widespread and enforcement of IPR administrative orders finding infringement and court decisions remains problematic.

Vietnam's laws offer some protection for foreign patent holders, but there are infringements. Vietnam's National Office of Industrial Property (NOIP) under the Ministry of Science, Technology and Environment (MOSTE) administers Vietnam's patent and trademark registration systems. NOIP has made significant progress in recent years to build its capacity to adequately record and adjudicate patent and trademark claims and is working closely with a number of foreign patent and trademark agencies to enhance its systems. Yet, obtaining expeditious adjudication and administrative enforcement of patent and trademark violations remains slow and difficult.

In June 1997, Vietnam and the United States signed a Bilateral Copyright Agreement to establish a legal framework to protect Vietnamese and U.S. Copyright holders. This agreement was formally implemented in December 1998 and marks a major step forward for Vietnam, as the country previously did not recognize any foreign copyrights. Vietnam's copyright office is under the control and supervision of the Ministry of Culture and Information.

Enforcement of IPR remains generally inadequate. For some types of products, such as PC software, music and video cds, vcds and dvds, as well as brand trademark violations, such as logos on t-shirts and other consumer items, IPR enforcement is virtually non-existent. Industries estimates of piracy rates for software, music and video, run as high as 99 percent. Local police authorities often are slow to act on administrative orders finding infringement and court decisions. Violators sometimes negotiate with plaintiffs, demanding payoffs to stop producing pirated material. However, there is the beginning of some progress with increased awareness of the need for effective IPR enforcement to foster investment, both foreign and domestic, in sectors such as software development and the arts. In addition, Vietnamese authorities are becoming increasingly concerned about how the proliferation of pirated products also undermines their ability to prevent the distribution of pornography and other illegal content.

N. TRANSPARENCY AND THE REGULATORY SYSTEM

Although the Vietnamese government has begun to streamline and rationalize the investment licensing process over the past year, MPI and other national, provincial, and local government agencies retain a great deal of discretionary authority. U.S. and other investors frequently encounter the need for further negotiation and administrative processes after the licensing process has been completed. A general lack of transparency in law and regulation make it difficult not only to exercise rights, but to even be aware of what rules apply to an investment. In recent years, Vietnam has improved its process for making and publicizing laws, but beyond major national laws and regulations, much rule-making affecting foreign investors still occurs at the ministerial, sub-ministerial and local levels, without any regular process for public notification and little possibility for advance warning of changes in rules or for public input during the rule-making process. Under the BTA, Vietnam will be obligated to promptly publish all existing and future laws, regulations and administrative procedures which might affect any matter covered under the agreement including investment and trade in goods and services. The BTA further commits Vietnam to enforce only laws, regulations or administrative practices that have been so published and to publicize such laws in sufficient advance of their effectiveness to ensure U.S. investors have adequate time to adjust their operations accordingly. Vietnam has committed to provide a process by which the U.S. Government and U.S. nationals have the ability to provide their views to the Vietnamese Government on any such laws, regulations or administrative practices while they are still being formulated. Finally, U.S. nationals will be given the rights to appeal administrative action relating to matters relating to the agreement.

O. EFFICIENT CAPITAL MARKETS / PORTFOLIO INVESTMENT

Vietnam' financial system is in the early stages of reform and is not yet an efficient allocator of financial resources. At least 50 percent of personal savings are held as cash, gold, or other assets outside the banking system. The financial sector's main problems include public distrust of financial institutions and the local currency, lack of competitiveness in lending, inadequate interest rate spreads between dong borrowing and lending rates, the restricted availability of medium or long-term bank capital (especially for private business), and continued heavy, non-transparent state regulation.

Raising capital for development is one of Vietnam's main economic priorities. Foreign investors generally meet their foreign currency credit needs offshore or with foreign bank branches, although availability of foreign exchanges to convert dong assets to cover dollar liabilities can be, at times, uncertain. Foreign banks are severely limited in their right to take dong deposits and frequently encounter difficulties meeting customer's dong cash needs. The state bank and the Ministry of Finance have conducted sales of state bonds denominated in local currency, but Vietnam only has an informal secondary market for such instruments.

The banking industry in Vietnam is characterized by its small size in terms of deposits and loans and by the relatively large number of banks, both foreign and domestic. The four state-owned banks -- the Vietnam Bank of Foreign Trade (Vietcombank), the Vietnam Industrial and Commercial Bank (Incombank), the Bank for Agriculture and Rural Development, and the Vietnam Investment Bank -- still dominate domestic banking activity, providing an estimated 70 percent of all lending. Most local banks are under-capitalized, particularly when non-performing loans are taken into account, and most also are weakened by state-directed lending under non-commercial criteria. Furthermore, local banks, including the four state-owned banks, hold a large number of non-performing loans, mainly to SOEs. While, under Vietnamese accounting standards, non-performing loans are said to be about 13 percent of outstanding loans, IMF staff, using international accounting standards, estimate the ratio to be closer to 30 percent.

In 1997, the government introduced a new accounting standard, the 'Vietnamese accounting system', and is now demanding, with little success, that foreign banks and companies comply fully with its parameters. A number of major international accounting firms have opened offices in Vietnam and, unlike foreign law firms (which are subjected to restrictions including advising clients on Vietnamese law and hiring Vietnamese lawyers), can provide advice on accounting and business issues directly to foreign clients in Vietnam. Nonetheless, a general lack of financial transparency and compliance with internationally accepted standards among Vietnamese firms continues to pose problems for the government's plan to expand stock and securities markets to raise capital internally.

Despite these challenges and after years of discussion and planning, Vietnam opened a stock market in July 2000. But, to date, with only 5 companies listed, small trading volume, and restrictive rules on both listing and investor participation, the nascent market has yet to become real source for financing or intermediation. Foreign companies are not yet permitted to issue publicly traded shares, and there are strict limitations on foreign investors' holdings of listed companies' shares. Furthermore, foreign ownership of equitized companies shares -which comprise all those currently traded on the stock exchange - are limited to 20 percent.

A handful of regional and Vietnam-specific investment funds were set up to invest in Vietnam following the lifting of the U.S. trade embargo in 1994, but their results have mostly been poor. After promising beginnings in 1995, by 1998 shares in some of the funds were trading at an average discount of nearly 50 percent, and some were forced significantly to write down the value of their portfolios, while most failed to fully invest the funds raised for Vietnam due to a dearth of attractive opportunities. The continuing lack of a developed stock market means funds do not have access to portfolio investment. Foreign firms are not allowed to invest in local companies without an approval, and approval to invest in non-state-owned enterprises have been difficult to obtain.

P. POLITICAL VIOLENCE

The long-standing policy of the government of Vietnam has been not to tolerate political dissent. From time-to-time it has detained or arrested overseas Vietnamese, Buddhist monks, and other Vietnamese citizens for engaging in allegedly subversive activities, including religious proselytizing. Spontaneous demonstrations occasionally have been observed protesting specific policies or actions by local governments, but are not known to have resulted in damage to projects and/or installations. In early 2001, significant protests were staged by ethnic minority members in Gia Lai and Dak Lak provinces in the Central Highlands, prompting a heavy-handed reaction by the Vietnamese government and security forces. These protests stemmed from the impact of falling commodity prices on the local economy, land disputes and discriminatory treatment related to tensions between Vietnamese of the Kinh ethnic majority and the minority groups that have traditionally occupied these areas, corruption and heavy-handedness by local government officials, and restrictions on religious freedom aimed at Protestant churches popular among many of Vietnam's ethnic minorities. Nonetheless, damage was largely contained to official property: there were no reports of any damage or injury to foreign investments or their owners or employees. Political risk for foreign investors continues to be more likely to arise from shifts in internal party politics rather than from political violence.

Q. CORRUPTION

U.S. and other foreign firms have identified corruption in Vietnam in all phases of business operations as an obstacle to their business activities. Vietnam's extensive bureaucratic system of licensing, including for investment projects, along with the general lack of transparency of law and administrative practice, encourages many forms of corruption. At present, law enforcement authorities under the Ministry of Public Security (MPS) have responsibility for investigation of corruption cases. Vietnam's anti-corruption laws and regulations are adequate, although enforcement has been inconsistent. Penalties may be severe, and in recent years several high-profile cases involving embezzlement and misuse of state property have resulted in execution or long prison sentences. Local disturbances in several provinces this year and in 1997 were at least partially linked to official corruption and abuse of power.

R. BILATERAL INVESTMENT AGREEMENTS

Vietnam has 41 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, Denmark, Egypt, Finland, France, Germany, Hungary, India, Indonesia, Italy, Laos, Latvia, Lithuania, Malaysia, Mongolia, Netherlands, Philippines, Poland, Romania, Russia, Singapore, South Korea, Sweden, Switzerland, Taiwan, Tajikistan, Thailand, Ukraine, and Uzbekistan. Vietnam has not concluded a Bilateral Investment Treaty (BIT) with the U.S., but the BTA contains an investment chapter which closely resembles U.S. BITs and contains the principal obligations common to such agreements Vietnam also does not have bilateral taxation treaty with the U.S.

S.OPIC AN D OTHER INVESTMENT INSURANCE PROGRAMS

According to U.S. law, the Overseas Private Investment Corporation (OPIC) may not operate in Vietnam until the President determines the country is in compliance with the emigration standards of the Jackson-Vanik Amendment to the 1974 Trade Act, or waives compliance as being in the national interest, and until OPIC certifies that Vietnam is making adequate progress toward protection of workers' rights. In March 1998, the President executed a Jackson-Vanik waiver and OPIC and Vietnam signed a bilateral agreement to enable OPIC to begin operations in Vietnam. The waiver for Vietnam, and therefore continued availability of OPIC services to U.S. business in Vietnam, is subject to annual renewal and has been renewed each year since the waiver was first issued. As of January 2000, OPIC had approved two applications for projects in Vietnam, with six others pending.

Vietnam joined the Multilateral Investment Guarantee Agency (MIGA) in 1995. During the visit of former OPIC Chairman, George Munoz, OPIC announced the establishment of a Vietnam fund of US$ 200 million.

T. LABOR

One of Vietnam's principal attractions for foreign investors has been its large, relatively well-educated (the literacy rate is approximately 80 percent), and inexpensive labor force. Now estimated at nearly 40 million, the labor pool continues to increase by up to 1.5 million workers annually due to the post-war population explosion.

Despite its attractions, however, labor in Vietnam poses some problems for foreign investors. There is a shortage of managerial talent and skilled workers, resulting in higher salaries for those employees. Another factor raising the cost of skilled and managerial workers is Vietnam's sharply progressive personal income tax system, resulting in labor costs for relatively high-paid local staff to be 2-3 times higher than in other Asian countries. One western manager estimated that if he wanted one of his engineers to receive a net salary of US$ 2,000 per month, the gross cost to his firm for wages, taxes, and benefits would exceed US$ 9,000 per month. In some cases he said would be less expensive to employ an expatriate worker.

Under two 1999 directives, foreign organizations, including FIEs, must recruit and hire staff through state-owned employment bureaus, a requirement many investors find onerous. Under new regulations, however, if the employment bureau is unable to locate a suitable employee within thirty days, the employer can recruit directly.

Employers are required by law to establish labor unions within six months of establishment of the company. All labor unions must be members of the Vietnam General Confederation of Labor, an organization under the Communist Party's Fatherland Front. In 2000, 72 labor strikes occurred, compared to a total of 63 in 1999. Strikes took place in SOEs, FIEs, and domestic private companies. There were no known strikes at U.S.-invested companies. Most of the strikes involved labor-management disputes over health, safety, or other working conditions, work hours, or late payment of wages, and were settled quickly.

Vietnam is a member of the International Labor Organization (ILO). As of June 2001, it had ratified three of the eight core labor conventions: 100 (Equal Remuneration); 111

(Non-discrimination in Employment); and 182 (Worst Forms of Child Labor). Vietnam ratified the first two conventions on October 7, 1997 and the last on November 19, 2000. Vietnam has not ratified ILO Conventions on freedom of association, protection of the right to organize and collective bargaining. However, under the Declaration on Fundamental Principles and Rights to Work, all ILO members, including Vietnam, have pledged to respect and promote all the core ILO labor standards, including those on association, right to organize and collective bargaining. A number of technical assistance projects in the field of labor sponsored by foreign donors are underway in Vietnam, including work by the ILO and the U.S. Department of Labor.

U. FOREIGN TRADE ZONES & FREE PORTS

Companies may choose to produce within an export processing zone (EPZ) to take advantage of exemptions from customs duties for equipment, raw materials, and commodities imported into the zones, and for finished goods and products exported from the zones, subject to specific provisions regulating EPZs. All of the production within an EPZ must be exported. Industrial zones (IZs) have been developed to offer tax advantages for establishing factories within the zones. Companies can produce within an IZ for the domestic market or for export. The companies pay no duties when importing raw materials, if the end products are exported.

From the establishment of its first EPZ in 1991 through February 2000, Vietnam established a total of 64 IZs and 3 EPZs. As of the end of 2000, there were 1,460 licensed enterprises in the zones, including 786 foreign enterprises which had invested US$ 3.83 billion there thus far. In 2000, the IZs and EPZs attracted 161 projects with US$ 652 million in registered capital. In 2000, the IZs and EPZs accounted for 18.5 percent of gross industrial output and 12 percent of export value.

The operation of customs warehouses was approved in 1994. There are bonded warehouses in Can Tho, Da Nang, Haiphong, Ho Chi Minh City, Mong Cai, Quang Ninh, Binh Duong, Dong Nai and Vung Tau. Entities permitted to lease customs bonded warehouses are foreign enterprises, individuals, and overseas Vietnamese; Vietnamese import-export license companies; and FIEs licensed to perform import-export activities. Most goods pending import and domestic goods pending export can be deposited in bonded warehouses under the supervision of the provincial customs office. The exceptions are 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 lease 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.

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.

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CHAPTER 8: TRADE AND PROJECT FINANCING

A. DESCRIPTION OF THE BANKING SYSTEM

Vietnam is making progress in developing the basic infrastructure to support a modern banking system and financial markets. Recent projects to modernize the inter-bank market, create an international accounting system, and allow outside audits of major Vietnamese banks are encouraging. However, the banking system continues to suffer from a lack of consumer confidence, inexperience in capital markets and the slow of institutional reform.

The central bank, the State Bank of Vietnam (SBV) was broken up in 1988 with the State Bank assuming the enhanced regulatory role and commercial activities being shifted to other institutions. SBV now supervises four state-owned commercial banks (SOCBs), and a number of joint-stock (private) banks, joint-venture banks, representative offices of foreign banks, and branches of foreign banks. A handful of the foreign banks have branches in both Hanoi and Ho Chi Minh City.

The four state-owned banks dominate domestic banking activity. They are the Bank of Foreign Trade (Vietcombank) which is the de-facto import-export and trade-financing bank. The Vietnam Industrial and Commercial Bank (Vietincombank) which is the primary financier for industrial development. The Vietnam Bank for Agriculture and Rural Development (BARD) which finances agriculture and commodities. The Vietnam Bank for Investment and Development (BIDV) which is the infrastructure bank.

In addition to the four state-owned banks, foreign banks recognize three joint-stock banks as viable partners. They are the Asian Commercial Bank (ACB), the Maritime Bank and the Export-Import Bank.

The opening of the economy has placed new demands on a financial sector that until the early 1990s operated largely in isolation from international standards and practices. The Vietnamese banking system continues to experience credibility problems in the international financial community. Its banks are poorly managed, not subject to standards laid out in the Basel capital accords, not audited by international caliber auditing firms (and if they are the results are state secrets), do not hold to international accounting standards and are overexposed to the state sector.

Deposit Insurance in Vietnam was instituted in 2000 and is governed by SBV Decree No. 89/1999/ND-CP dated 1st September 1999 and SBV Circular No. 03/2000/TT-NHNH5 dated 16th March 2000. Under these guidelines a bank must purchase deposit insurance from the Deposit Insurance Corp. of Vietnam for all Dong deposits placed by individual depositors. The bank must pay an annual premium equivalent to 0.15% of average balances of all dong deposits of individual account holders and this premium is payable in four installments. The maximum insured amount is VND30 million per account/individual per bank.

The effectiveness of deposit insurance has not been tested since the Deposit Insurance Corp. started only a little over a year ago and no bank has failed since the inception of the insurance. This coupled with the question of whether local banks are actually paying the insurance premiums makes the effectiveness and solvency of deposit insurance a great unknown.

Vietnamese banks do not have Bank for Internationals Settlement (BIS) tier ratings. Vietnam has not adopted the Basel capital accord so details of risk-adjusted assets and calculation of risk-adjusted capital ratios are not calculated or disclosed.

In theory, banks are encouraged to adopt prudent banking and business practices, and accordingly provisions requiring them to establish controlling committees and internal audit functions to ensure legal and procedural compliance. In practice, however, because of the cozy relationship between the SOCBs and the government, prudent banking and business practices are not always adhered to. In addition, this process has just began so most SOCBs are not adequately staffed to carry out these internal audit functions.

The same can be said for the SBV, the supervisory and regulatory body. SBV is working hard towards improving its internal processes and enhancing the level of inspection and supervision of the banks within its jurisdiction. Despite the government's good intention, the SBV is not an independent body like the US FED, and it continues to operate under government guidance. In some key areas of operation, such as the provision of liquidity support, the management of foreign currency reserves, and issuance of banking licenses, SBV's actions are subject to prime ministerial approval.

In Vietnam, bank financial statements are not in compliance with International standards because Vietnam does not use international generally accepted accounting principals. The Vietnamese Accounting System is a hybrid of the centrally planned old Soviet-Union system (cash basis) and an international accounting system (accrual basis). For state-owned commercial banks (SOCBs), their financial statements are not audited by independent auditors but rather by the State. At one time the World Bank did give a grant to have the state-owned commercial banks' financials be audited by international accounting firms such as KPMG, PWC, etc. The audit was done but the results were not made public.

SBV did recently say that starting next year, the SOCBs would be required to apply international audit standards to their annual audits. Vietcombank will be the first to go through this process. However, it did say that the audit reports will not be made public, but will be submitted to the World Bank, MoF, and other institutions overseeing the banks. Vietnam is trying hard to wean the role of the SOCBs as instruments of public policy, and change the process by which financial resources are harnessed and allocated. Although there are no mandated policy-lending objectives in Vietnam, bank lending historically has been influenced by socially and politically oriented objectives rather than commercial considerations. In practice, socially oriented lending is quite pervasive, and adopting more prudent lending standards will take some time.

The four SOCBs account for 3/4 of the credit market in Vietnam. For these banks, state-owned enterprises remain the main recipients of bank credit, typically borrowing on an unsecured basis at concessionary interest rates. Since the private sector in Vietnam accounts for less than 10% of Vietnam's GDP and has traditionally been discriminated against by the SOCBs, One can safely say that lending to the private sector is less 10%.

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. Secrecy laws cover much of the banking industry's data and meaningful information on the sector as a whole and on individual financial institutions has typically not been available.

Prior to 1999, loans were not, by convention, classified as impaired until they were over due by at least 360 days, and even then, asset quality measures disclosed by banks were based on only the overdue installments, rather than total principal. Since 1999, banks have been required to classify their credit assets according to four categories: loans that are performing satisfactorily and that have not yet fallen due; fully secured loans overdue up to 180 days and unsecured loans past due 90 days; secured loans, which are overdue from 180 days to 360 days; and, secured loans, which are past due 360 days or unsecured loans past due 180 days.

As these time-bound classifications do not address the probability of loss, they are liberal by international standards, although significantly improved over the previous method.

Officially, overdue loans in the banking system were about 12%-14% of total assets in mid-1999, although the basis of the calculation is unclear. A recent report by the IMF stated that, based on audits undertaken in 1997 that adhered to internationally accepted standards, impaired loan ratios in the SOCBs ranged from 17% of total loans to as high as 50%. According to the IMF report, nonperforming loans in the sector averaged about 30-35%. Given that the economy has experienced slower growth since the Asian financial crisis of 1997, these rates may have increased.

For the joint-stock commercial banks, which most have been capitalized at a minimum of VND70 billion or USD5 million, the nonperforming loans of these banks are widely believed to be significantly higher.

Over the last few years, there has been tremendous credit expansion by the SOCBs (20-30% increase) in order to pump up the economy. Many of the new loans are seen to be less commercially viable than the loans already in the SOCBs portfolios, prompting experts to be bearish on chance that a large number of these loans will not default.

Despite the relative weakness of Vietnamese banks, deposits have been increasing quite rapidly. But, having started from such a low base, they are still relatively small compared to GDP. Vietnam continues to operate largely as a cash economy with an estimated 45 percent of money as cash and over 50 percent of local business transactions are conducted outside of the banking system. At present, there are only around 10,000 individual bank accounts for a population of 80 million. Part of the issue for local banks is the problem of confidentiality. Many Vietnamese just do not want bank, the government and others to know the value of their assets. Another part of the difficulty in encouraging domestic savings, and therefore speeding the development of capital markets, is the managed interest rate, which does not reflect the market.

Despite the official policy of designating the Vietnamese dong as the medium of exchange for all domestic transactions, the U.S. dollar remains an important parallel currency. Estimates suggest that over US $2 billion is in circulation in the informal market. Some experts believe that an additional US $8-10 billion in hard currency and gold is being hoarded by local consumers. US dollars are also the preferred currency for international trade. The government has indicated it intends to move more aggressively to de-dollarize the economy.

B. FOREIGN EXCHANGE CONTROLS AFFECTING TRADE

The Foreign Exchange laws in Vietnam have undergone a number of changes in 2000 and 2001. The percentage of hard currency that local companies has to surrender to the State Bank of Vietnam has been reduced and the long-term act of 'balancing' done by Foreign Invested Enterprises has been eliminated in favor of a similar currency surrendering scheme.

What this means is that the State Bank of Vietnam is trying hard to increase its reserve of hard currency so that it can allocate the currency to enterprises that need it. For foreign traders, that usually means the importer or end customer. In Vietnam the end-user is often a State-Owned Enterprise (SOE) that has little ability to raise hard currency and must depend on allocations by the State Bank of Vietnam (SBV) to cover offshore transactions. The hope among the government and SBV is that the new currency surrender rules will free up more hard currency for this type of transaction.

In general, it may be assumed that an enterprise may need to have 'rights' to access foreign currency. Moreover, even though the "right" to convert exists, there is no implied assurance of availability.

C. LIST OF BANKS WITH CORRESPONDENT U.S. BANKING RELATIONSHIPS

Following the lifting of the U.S. trade embargo in 1994, several U.S. banks established a presence in Vietnam. The Bank of America and Citibank have received branch licenses in Hanoi and, in January 1998 and March 1999, Citibank and Chase, respectively, were granted branch licenses, which would allow them to conduct full banking operations, to operate in Ho Chi Minh City. No other U.S. banks have been issued branch licenses to operate in Ho Chi Minh City.

The following state-owned banks are the most active in terms of correspondent relationships with U.S. banks: Vietcombank, Vietincombank, the Bank for Agriculture and the Bank for Investment and Development. In addition, several joint-stock banks have correspondent relationships, such as the Asian Commercial Bank (ACB), Vietnam Export-Import Bank (EXIM Bank), the Maritime Bank, Saigon Commercial and Industrial Bank and the Vietnam Commercial Joint-Stock Bank for Private Enterprise (VP Bank).

D. GENERAL AVAILABILITY OF FINANCING

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

In the past, most Vietnamese companies have requested deferred payment L/C's, 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/C's and L/C's up to 180 days are most common.

U.S. exporters should make sure that Vietnamese banks opening L/C's are located in Hanoi or Ho Chi Minh City. Many exporters have found a general lack of expertise in dealing with L/C problems at Vietnamese bank branches situated outside of these principal commercial centers. 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. 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 is risky and should rarely be instituted.

A government regulation now requires Vietnamese companies to deposit 80 percent of the L/C value prior to its opening at the bank. This regulation applies to all non-essential goods and can affect the ability of the Vietnamese to enter into an import transaction, since many companies are working with constrained capital. Furthermore, recent regulations prohibit deferred L/C's with terms extended to greater than 360 days.

E. AVAILABILITY OF GSM CREDIT GUARANTEES

Agriculture commodities qualify for GSM-102/103 credit guarantees in Vietnam.

Vietnam is classified under the Southeast Asia region along with its Malaysian, Philippines, Singaporean, and Thai neighbors. Announced allocations for FY-2000 was US $90 million for the region. Information on GSM credit guarantees in Vietnam can be accessed at www.fas.usda.gov/excredits.

F. AVAILABLITY 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. Details are available from these organizations (see "Contacts" section).

Although Vietnamese banks (and their regulators) tend to have a strong preference for collateral, it may be possible for US 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.

G. INSURANCE AND PROJECT FINANCING FROM THE EXPORT-IMPORT BANK OF THE U.S., OPIC, AND THE IFIS

The U.S. Presidential waiver of the Jackson-Vanik Amendment, which pertains to emigration rights, first occurred in March 1998 and was subsequently passed again annually in June. With the first waiver, U.S. bilateral export financing, project financing, loan guarantee and insurance programs became available through the U.S. Export-Import Bank (EXIM Bank) and the Overseas Private Investment Corporation (OPIC) for transactions in Vietnam. The establishment of these two agencies' programs in Vietnam coupled with the activities of the Trade and Development Agency (TDA), which provides grants for Feasibility Studies and training for projects being pursued by U.S. firms, have greatly contributed to the competitiveness of U.S. companies in Vietnam.

The Export-Import Bank (EXIM Bank) offers export financing of American products through loans and loan guarantees, as well as providing working capital guarantees and export credit insurance. EXIM Bank is one of the newest U.S. Government agencies in Vietnam, having only signed the Framework Guarantee Agreement (a necessary step to opening programs) with the State Bank of Vietnam on 9 December 1999. Despite the fact that it has been here for less than one year, EXIM Bank has issued over fifty letters of interest and anticipates a bright future in Vietnam. EXIM Bank has received no final commitment applications for Vietnam, since Vietnamese officials are still finalizing their internal guarantee approval process. Information on EXIM Bank programs in Vietnam can be accessed at www.exim.gov.

The Overseas Private Investment Corporation encourages private American business investment in emerging economies by providing project financing and political risk insurance, including against currency inconvertibility, expropriation, and political violence. OPIC has been in operation in Vietnam since the Jackson-Vanik Waiver of 1998 and has approved several loan and insurance applications. Information on OPIC programs in Vietnam can be accessed at www.opic.gov.

U.S. exporters that want to package financing for their exports should work with the local office of one of the foreign banks with representative offices or branches operating in Vietnam. These banks have experience in the Vietnamese market and are adept at evaluating the risk that comes with providing trade-financing facilities in this market.

When dealing with importers or financing originating in Vietnam, U.S. suppliers should request irrevocable letters of credit (L/C's). They should have one of their correspondent banks confirm the L/C's. Foreign banks tend to only deal with the four state-owned banks (Vietincombank, Vietcombank, BARD and BIDV) and three top-tier joint-stock banks (ACB, Maritime Bank and EXIM Bank) for trade financing.

American banks residing here include American Express Bank, Bank of America, Chase Manhattan Bank and Citibank. 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 Bank of America, Chase Manhattan Bank and Citibank offering on-shore services as licensed branches, and American Express Bank offering off-shore services. Other large foreign banks operating in Vietnam include ABN Amro Bank, ANZ Bank, BFCE, Credit Lyonnais, HSBC, ING Bank and Standard Chartered Bank. Though almost all foreign banks concentrate on wholesale banking, some of these offer retail banking services and ATM and electronic on-line service mostly for the use of expatriates in Vietnam.

Bilateral government tied aid, commonly offered by the governments of our competitors, provide non-US companies with a comparative advantage that affects American trade performance in Vietnam. Sometimes these are actually 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. The introduction of U.S. EXIM and OPIC has somewhat offset this advantage. It is important to note that U.S. multinational firms with manufacturing operations located in the countries that offer Vietnam tied financing can participate in supplying equipment to the projects supported by bilateral tied loans. An U.S. exporter that can bring financing to the table will also enhance its competitiveness.

Project Financing: To date there has not been one true limited-recourse financed project in Vietnam. Multi or bilateral project financiers such as the International Finance Corporation (IFC) or Export Credit Agencies (ECU's) have supported all projects. Project finance has not taken off due to State Foreign Exchange controls, a absence of guarantees on return, inadequate loan security (no mortgaging of land-use rights, no step in rights, underdeveloped dispute resolution procedures), corruption and the fact that every negotiation is completely different from previous agreements.

Vietnam secures a substantial portion of its development funding from Official Development Assistance (ODA) including 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 and take advantage of projects funded by these agencies. Numerous U.S. companies have been successful in securing large procurements for both goods and services financed by ODA.

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. The World Bank conducts its procurement by the rules of international competitive bidding.

The Asian Development Bank (ADB) provides development funding for investment projects concentrating in power, transportation, fishing, agriculture and the environment. Tenders are also conducted based on international bidding.

Both the World Bank, through the International Finance Corporation (IFC) and the ADB, through the 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 should they desire access to its support for investment projects.

The Japanese Bank for International Cooperation (JBIC) is a merger of The Overseas Economic Cooperation Fund (OECF) and the Japanese Export Import Bank (JEXIM). 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 of Japanese goods.

The United Nations Development Program (UNDP) provides funding for industrial and agriculture development. UNDP in Vietnam is active across a broad front 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.

The offering of project loan sovereign guarantees by the Vietnamese government was limited by the International Monetary Fund (IMF) under the Enhanced Structural Adjustment Program (ESAP). The restrictions that formally expired at the end of 1998 applied to all new, non-concessional borrowing by state-owned enterprises and Vietnamese banks. Though the restrictions imposed by the IMF have expired, the Vietnamese are continuing to follow them. Joint ventures and private foreign companies requiring a State loan guarantee are also subject to these limitations. For loans with a maturity of one to twelve years, the Ministry of Finance can only provide guarantees up to US $400 million per year. Since the majority of project debt in Vietnam is medium-term (5-7 years), this has significantly limited loans requiring government guarantees. The IMF conditions stipulated that Vietnam could not borrow funds with terms of less than five years and there are no IMF conditions attached to loans with terms exceeding twelve years.

Over the past years, several domestic and international leasing companies have received licenses to conduct business in Vietnam. While the initial capitalization is small (US $5-10 million), these companies could play a significant role as alternative financiers in the future, focused 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.

H. FINANCING AND METHODS OF PAYMENT TO EXPORT FROM THE LOCAL ECONOMY TO ANOTHER MARKET

In principle, state-owned banks could provide export financing to US 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.

Letters of credit are readily negotiable in Vietnam, but foreign currency regulations may limit the amount of foreign exchange from export sales which the firm can actually use.

I. CONTACT INFORMATION FOR MDB OR OTHER IFI OFFICES

Asian Development Bank (ADB)
U.S. Liaison to ADB: Mr. Denny Barnes
Fax: (632) 890-9713
Email: Denny.Barnes@mail.doc.gov

Asian Development Bank (ADB) in Hanoi
Resident Representative: Mr. John Samy
15 Dang Dung
Hanoi, Vietnam
Tel: (84-4) 733-0923
Fax: (84-4) 733-0925
Email: adb@netnam.org.vn

International Monetary Fund (IMF)
Senior Resident Representative: Mr. Dennis De Tray
63 Ly Thai To
Hanoi, Vietnam
Tel: (84-4) 825-1927
Fax: (84-4) 825-1885

International Finance Corporation (IFC)
Chief of Mission: Wolfgang Bertelsmeier
Metropole Center, Suite 707, 56 Ly Thai To St.
Hanoi, Vietnam
Tel: (84-4) 934-2282
Fax: (84-4) 934-2289

United Nations Development Program (UNDP)
Resident Representative: Mr. Edouard Wattez
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World Bank (WB)
Chief of Mission: Mr. Andrew Steer
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The Washington External Affairs Office
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CHAPTER 9: BUSINESS TRAVEL

A. BUSINESS CUSTOMS

1. **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. It is very important to try not to put your Vietnamese counterparts in an embarrassing situation or one that calls for public back tracking. You should be careful not to cause your Vietnamese contact embarrassment in front of superiors, peers, or
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 "steamroller" 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.

American businesspeople typically assume that "win-win" deals are common and relatively easy to achieve. Few Vietnamese probably share that optimism. To most, business is a zero-sum game. There is a winner and a loser. This is important to keep in mind when dealing with a Vietnamese organization. It can define your relationship with your Vietnamese counterpart and your Vietnamese counterpart's relationship with the local market. Once a deal is struck in principle, Americans may want to get on with it, while Vietnamese may want to take more time to improve their terms (even if that means delaying the entire undertaking).

2. **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
This will help the Vietnamese side understand how to relate to you.

3. **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, just ask for advice.

4. **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.

   If your business relationship continues through correspondence, you should continue to include introductory and closing pleasantries in your letters. Vietnamese are typically used to the formality of corresponding in Vietnamese and the abruptness of some Western business correspondence can make them uncomfortable.

5. **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 and marketing material and/or technical information to the actual meeting. This will allow the Vietnamese side to share and review information within the organization in order to ensure the correct people participate in the meeting.

   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 'us versus them' 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, 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 include 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 (generally at the end of a paragraph). One should brief the interpreter on each meeting in advance.

6. **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.

7. **Business Hours:** 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.

   Vietnam is usually twelve hours ahead of Eastern Standard Time, except when the U.S. is on Daylight Savings. Then, Vietnam is eleven hours ahead. Vietnam consists of a single time zone.

B. TRAVEL ADVISORY AND VISAS

1. **Entry Requirements:** U.S. passports are valid for travel to Vietnam. Visas are required and relevant information may be obtained from the Embassy of Vietnam, 1233 20th Street, Suite 501, N.W., Washington, DC 20036 (telephone 202-861-0737, fax 202-861-0917) or the Vietnamese Consulate General, 1700 California Ave., Suite 475, San Francisco, CA 94109 (telephone 415-922-1577, fax: 415-922-1848). Vietnamese embassies in other countries or travel agents that organize travel to Vietnam can also issue or facilitate the issuance of a visa.

2. **Medical Facilities:** Most local medical facilities do not meet western hygienic standards and are low on medicines and supplies. However, there are several small foreign-owned and operated clinics in Hanoi and HCMC that are exceptions to this rule. A list of foreign clinics is provided in the appendices.

3. **Advisory:** Petty crime, such as pick pocketing and purse snatching, has become increasingly prevalent in Hanoi and HCMC, particularly in major tourist areas and hotels. A good rule is to carry with you only what you can afford to lose, and leave the rest in the hotel safe deposit box or in-room safe.

   Vietnamese internal security personnel may place foreign visitors under surveillance. The Vietnamese Government has seized passports and blocked the departure of foreigners involved in commercial and legal disputes in Vietnam. As these issues are rapidly changing, specific questions may be directed to the Embassy of Vietnam, Washington D.C., or to the Office of American Citizens Services and Crisis Management, Department of State, Washington, DC 20520.

C. VIETNAMESE HOLIDAYS

January 1: New Year's Day
February 12-14: Tet (Lunar New Year)
April 30: Reunification Day
May 1: Labor Day

September 3: Independence Day

D. BUSINESS INFRASTRUCTURE

1. **Airlines:** There are no direct flights to Vietnam from the U.S. and therefore visitors coming from the U.S. will need to make a transit stop in one of the hub cities (Osaka, Hong Kong, Bangkok, Singapore, Seoul, Tokyo or Taipei).

2. **Hotels:** International standard hotels are limited to major cities such as HCMC, Hanoi, Hai Phong and Da Nang. Prices in these hotels are reasonable as a result of increasing competition. Major cities have also seen a boom in the opening of mini-hotels oriented toward the business client and long-term guest. These hotels offer limited, but dependable service at cheaper prices, starting at around $40 per night. Advance reservations, as well as confirmation in writing, is advised. Visitors to Vietnam are required to stay in hotels or authorized guesthouses, or can stay with foreign friends as long as they register with the local police.

Select hotels in Hanoi:

DAEWOO HOTEL
(5 star hotel, close to the U.S. Embassy)
360 Kim Ma Street
Tel: 84-4-831-5000, Fax: 84-4-831-5010

FORTUNA HOTEL
6B Lang Ha
Tel: 84-4-831-3333, Fax: 84-4-831-3300

GALAXY HOTEL
1 Phan Dinh Phung St.,
Tel: 84-4-828-2888, Fax: 84-4-828-2466

HANOI HORISON HOTEL
(5 star hotel, close to the U.S. Embassy)
40 Cat Linh Street, Hanoi
Tel: 733 0808, Fax: 733 0888

HANOI HOTEL
D8 Giang Vo
Tel: 84-4-845-2270, Fax: 84-4-845-9209

HILTON HANOI OPERA HOTEL
(5 star hotel, in the center of town)
1 Le Thanh Tong Street, Hanoi
Tel: 84-4-9330 629, Fax: 84-4-9330 626

MELIA HOTEL
(5 Star office and hotel, in the center of town)
44 Ly Thuong Kiet Street, Hanoi
Tel: 84-4-9343 343, Fax: 84-4-9343 344

MERITUS WESTLAKE HOTEL
(5 star hotel located north of the central business district)
1 Thanh Nien Road, Hanoi

Tel: 84-4-8238 888, Fax: 84-4-8293 888

NIKKO HOTEL
(5 star hotel, in the center of town)
84 Tran Nhan Tong Street, Hanoi
Tel: 84-4-822 3535, Fax: 84-4-822 3778

SOFITEL METROPOLE HOTEL
(5 star French colonial hotel, in the center of town)
15 Ngo Quyen Street
Tel: 84-4-826-6919, Fax: 84-4-826-6920

SOMERSET HANOI TOWERS (formerly, Regency Hanoi Towers)
(Serviced apartments being rented as hotel rooms, in the center of town)
49 Hai Ba Trung Street
Tel: 84-4-934-2342, Fax: 84-4-934-2343

SUNWAY HOTEL
(Moderately priced hotel, south of the center of town)
19 Pham Dinh Ho Street
Tel: 84-4-971-3888, Fax: 84-4-971-3555

Select hotels in Ho Chi Minh City:

CARAVELLE HOTEL
(5 star hotel, in the center of town)
19 Lam Son Square, District 1
Tel: 84-8-823-4999, Fax: 84-8-824-3999

EQUATORIAL HOTEL
(5 Star Hotel in District 5)
242 Tran Binh Trong St., Dist.5
Tel: 84-8-839

MAJESTIC HOTEL
(4 star colonial hotel, on the river)
1 Dong Khoi Street, District 1
Tel: 84-8-829-5512, Fax: 84-8-829-5510

NEW WORLD HOTEL
(5 star hotel, near the central market)
76 Le Lai Street, District 1
Tel: 84-8-822-8888, Fax: 84-8-823-0710

RENAISSANCE RIVERSIDE HOTEL
8-15 Ton Duc Thang St., Dist.1
Tel: 84-8-822-0033, Fax: 84-8-823-5666

REX HOTEL
141 Nguyen Hue St., Dist.1
Tel: 84-8-829-2185, Fax: 84-8-829-6536

SAIGON PRINCE HOTEL
63 Nguyen Hue St., Dist.1

Tel: 84-8-822-2999, Fax: 84-8-824-1888

SOFITEL PLAZA HOTEL
(5 star hotel, across the street from the U.S. Consulate)
17 Le Duan Street, District 1
Tel: 84-8-824-1555, Fax: 84-8-824-1666

3. **Money:** Vietnam's currency is the dong. It is technically illegal to set prices or accept payment in US dollars. However, this policy is widely ignored and the US dollar is very common and accepted in most hotels, restaurants and other establishments. Major credit cards are also accepted at most hotels, many restaurants and at some shops. However, there is a certain amount of credit card fraud in Vietnam, and it is generally recommended that credit cards only be used at major hotels and establishments of international standing.

4. **Postal Services:** The Central Post Office (Buu Dien) in major cities offers a wide range of services, including the mailing of postcards, letters and packages, telephone and fax services, post office boxes, and sale of stationery items. Express mail service for local and international mail is provided by Vietnam's Express Mail Service (EMS) or one of the foreign express delivery companies: Airborne Express, DHL Worldwide Express, FedEx, TNT Express Worldwide, and UPS.

   Mailing a letter to the U.S. costs about US $1 through regular international mail and approximately US $45 through one of the international couriers. Domestic mail varies per destination with HCMC to Hanoi being VND 800 (6 cents)/10 grams and US $2 for courier service.

5. **Telecommunications:** International Direct Dial (IDD) and fax services are available at post offices and most business standard hotels. Communication costs in Vietnam are among the highest in the region (over US $3 per minute to the U.S.), as the government has been funding a countrywide expansion and upgrade of the network. There are no local access numbers for international calling through US long distance carriers (AT&T, MCI, Sprint, etc.). Travelers are required to place calls through the Vietnamese long distance carrier. Hotels also tend to add high surcharges to telephone and fax service. Check the fee structure prior to placing any calls overseas.

   There are also no dial-up numbers for international Internet Service Providers (AT&T, AOL, CompuServe, etc.). Internet services can be accessed through business centers or from a growing number of Internet cafes. Internet cost is extremely high and the speed and reliability of the connection is extremely low. Vietnam has an extensive and cumbersome firewall system that limits some access to outside sites and prohibits most use of wide area networks. The extreme high cost and unreliability of the Internet has driven a number of 'connected' companies to reconsider doing business in Vietnam.

   International Roaming for mobile telecommunications is available in Vietnam for users from forty-seven different countries (usually ones that share Vietnam's GSM standard). Costs are extremely high.

6. **Domestic Transportation:** Travel within Vietnam is becoming easier with more domestic flights to the major cities. As a matter of government policy, Vietnam Airlines and other common carriers charge higher fares to foreigners than to Vietnamese citizens. For foreigners, a round trip ticket between HCMC and Hanoi is about US $260 for economy class and US $350 for business class.

Domestic departure tax is VND 20,000 and US $10.00 for international departures. Vietnam Airlines (fax: 84-4-976-0220) and the semi-private Pacific Airlines (fax: 84-4-733-2158) are the only carriers allowed to fly domestically.

Trains and buses in Vietnam have extensive routes and offer a cheap way to travel. However, you get what you pay for. Traveling by train or bus is recommended only to the most seasoned and hearty of travelers as it is uncomfortable and (due to infrastructure and maintenance problems) dangerous.

In major cities, metered taxis are plentiful and relatively inexpensive, especially in HCMC 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 US $25 and US $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.

7. **Utilities:** The average domestic electricity bill is US $50 a month, while for an office it averages US $350. The water bill is approximately US $10 every two months for houses.

8. **Taxes:** The tax structure in Vietnam is very complicated. A value-added tax (VAT) is charged on most items. The employer usually pays personal income taxes, as they are multi-tiered and quite high. There are also corporate taxes, import taxes and duties, and other levies. It is recommended to work with an international accounting firm when setting up in Vietnam.

9. **Rents:** Rental prices have dropped dramatically after being some of the highest in Asia a few years ago. One bedroom at a serviced apartment complex in the center of town goes for about US $900 a month, while individual houses range from US $300 to US $4,000 depending on location, size, and standard. Office space rents at approximately US $20 per square meter.

10. **Housing/Schools:** Housing ranges from one-bedroom apartments in the middle of town to palatial villas out in the suburbs. Most expatriates live in serviced apartments in the central district, urban villas or large houses in suburban compounds. In Hanoi and HCMC, it is generally possible to find housing built and maintained to international standards. There are a number of international-standard educational options in Hanoi and Ho Chi Minh City for children from pre-school through elementary. Families with older children wishing to relocate to Vietnam should research the market thoroughly.

11. **Dining Out:** Major cities have a wide variety of cuisine and prices. Restaurants tend to be small private enterprises (virtually no franchises) and have a high failure rate. A number of publications in Vietnam (Timeout, The Guide, etc.) update their restaurant lists monthly. These guides are available at most hotels. In smaller towns, the only option is usually Vietnamese or simple western food.

12. **Foreign Commercial Service:** U.S. business travelers are encouraged to obtain a copy of the "Key Officers of Foreign Service Posts: Guide for Business Representatives" available on sale by the superintendent of documents, U.S. Government Printing Office, Washington D.C. 20402; Tel. (202) 512-1800; Fax (202) 512-2250. Business travelers to Vietnam seeking appointments with U.S. Embassy Hanoi officials should contact the commercial section in advance.

The U.S Commercial Service in Hanoi can be reached by telephone at: (844)

4650, fax at (844) 831-4540 or email at Hanoi.Office.Box@mail.doc.gov.

The U.S Commercial Service in HCMC can be reached by telephone at: (848) 825-0490, fax at (848) 824-0491 or email at Ho.Chi.Minh.City.Office.Box@mail.doc.gov.

13. **Temporary Entry of Goods:** Vietnam does not subscribe to the ATA Carnet system. There are no known regulations governing the temporary entry of computers into Vietnam. That said, the authorities are always sensitive to the import and export of information, such as that on a hard disk. Visitors are strongly advised not to have any information on their computers that the authorities of Vietnam might deem pornographic or politically sensitive.

If a computer is equipped with a modem (as most laptops are), it technically requires an import license as a telecommunications device from the Ministry of Trade. However, this regulation (which also should apply to mobile phones) is rarely, if ever, enforced. Encryption software must be licensed for import.

Exhibit materials and related items have generally been allowed to enter Vietnam temporarily without duty or restriction. However, recently some foreign exhibitors have encountered difficulties bringing high-tech equipment to Vietnam for trade shows. Technically, items brought into Vietnam temporarily for exhibition at trade shows require a special license from the Ministry of Trade. Exhibition organizers typically assist exhibitors in obtaining these licenses, so U.S. exhibitors should contact show organizers regarding this matter well in advance.

A related issue is that of bringing samples into Vietnam for display (but not sale) in a company's offices. A license offering duty exemption for such items may be obtained but only if the items in question are listed specifically in the firm's investment license.

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CHAPTER 10: ECONOMIC AND TRADE STATISTICS

APPENDIX A: COUNTRY DATA

- Population: 80 million
- Population Growth Rate: 2.3%
- Religions: Buddhism, Confucianism, Cao Dai, Christian (Roman Catholic and Protestant), Animism,
- Languages: Vietnamese (official), Chinese, English, French, Ethnic minority languages
- Work week:
  Monday through Friday (government employees)
  Monday through Saturday (non-government employees)

Source: World Bank

APPENDIX B: DOMESTIC ECONOMY

(estimated)

Vietnam's Domestic Economy	1999	20002	001
Nominal GDP (US$ billion)	26.0	27.9	29.8

Real GDP Growth (%)	4.8	6.7	5.6
GDP Per Capita (US$)	370	370	395
Government Spending (% of GDP)	21	19	21
Consumer Prices (% change)	4.1	-1.6	1.9
Unemployment (%, urban area)	7.4	n/a	n/a
Foreign Exchange Reserves, excluding gold (US$ bn)	2546.0	3115.0	n/a
Average Exchange Rate (VND/US$)	14,000	14,500	15,000
Foreign Debt (US$ billion)	10.9	13.5	15.3
Debt Service Ratio	10.1	9.3	n/a
Note: The above figures are unofficial estimates. Sources: Government Statistics Office, World Bank estimates.			

APPENDIX C: TRADE STATISTICS

Total Vietnam Exports

Vietnam Trade Statistics	1999	2000	2001 (estimated)
11,540	14,449	15,200	
Total Imports to Vietnam	10,460	15,320	15,800
Exports to the U.S.	608	821	950
Imports from the U.S.	290	367	420
Note: The above figures are US$ millions and are unofficial estimates. ***Source:*** U.S. Department of Commerce, U.S. Census Bureau, General Statistical			

APPENDIX D: FOREIGN DIRECT INVESTMENT STATISTICS

1. **Annual Foreign Direct Investment in Vietnam**

Year	Capital Per project (million US$)	Number of projects	Licensed capital Actual inflows (billion US$)	
1992	10.5	193	2.027	0.394
1993	9.5	272	2.588	1.099
1994	10.3	362	3.746	1.946
1995	16.4	404	6.607	2.671
1996	23.5	367	8.64	2.646
1997	14	333	4.654	3.25
1998	15	260	3.897	1.956
1999	5.6	298	1.548	1.536
2000	5.7	344	1.972	1.8 (est.)

Note: The licensed capital statistics for 1997 and 1998 may be unrealistic. One large project each year, a Singapore-invested resort complex in 1997 worth US$700 million and a Russia-invested petroleum refinery project in 1998 worth US$1.3 billion, are unlikely to be completed in the foreseeable future. Absent these projects, the decline in new FDI after 1996 would appear to have been even sharper. This pattern of approving one or more very large investment projects, particularly in the last month or two of the year, continues and suggests an attempt to make the end of year statistics appear much better than they might actually be. In December 2000, agreement was reached on the US$1.2 billion Nam Con Son gas development project with to that time amounting to only about US$ 700 million. This would have cut the previous year's anemic total by more than half. However, most industry observers predict this last project, a joint venture between a BP/Amoco consortium and the state oil company, Petro Vietnam, is much more likely to be fully implemented then those mentioned above.

2. **Total Foreign Direct Investment in Vietnam:**

   - Licensed projects: 2,767 (US$ 36.9 billion)
   - Disbursed capital: US$ 17.88 billion (48 percent of licensed capital)

Note: GVN authorities routinely revise or revoke investment licenses which have not been utilized and other investment licenses contain automatic expiration clauses that take effect if a project or certain phases of a project are not implemented by a certain date. Statistics on the number of licensed projects and the value of licensed projects are then adjusted accordingly. Thus, the total cumulative value of licensed investment in 2000 remained roughly the same as in 1999 and the total number of licensed projects actually fell despite the fact that 344 new projects worth nearly US$2 billion were licensed during the course of the year. What the reader should note is that the amount of investment capital actually disbursed in proportion to licenses capital rose from 35 percent in 1999 to 48 in 2000.

3. **Licensed Foreign Direct Investment by Sector (cumulative): (estimates as of May 2001)**

Sector	Number of projects	Licensed capital (billion US$)	Invested capital (billion US$)
1. General Industry	1496	13.7	6.93
2. Real estate development	132	7.03	2.08
3. Hotels & Tourism	125	3.52	1.86
4. Oil & gas	29	3.16	2.56
5. Construction	206	2.91	1.61
6. Transportation/communication	94	2.57	0.85
7. Agriculture & forestry	332	2.02	1.06
8. Fisheries	50	0.16	0.1
9. Finance & banking	48	0.55	0.51
10. Other services	255	1.28	0.32
Total	2767	36.9	17.88

Total licensed capital of foreign investment is equivalent to 123 percent of GDP (2000).

4. **Foreign Direct Investment by Country (2000):**

Country	Number of	Licensed capital (million
1. Netherlands	4	592

2. United	8	520
3. Taiwan	128	245
4. Brit. Virgin Isl.	18	112
5. Japan	27	81
6. S. Korea	34	67
7. Russia	5	59
8. Australia	7	58
9. France	8	30
10. Thailand	10	23
11. United States	12	20
12. Cayman Isl.	1	18

5. **Foreign Direct Investment by country: (Cumulative, as of 5/5/2001)**

Country	Number of projects	Licensed capital (billion US$)	Of which invested to date (billion US$)
1. Singapore	236	6.61	2.01
2. Taiwan	666	4.77	2.41
3. Japan	311	3.97	2.65
4. South Korea	288	3.19	1.91
5. Hong Kong	211	2.85	1.46
6. France	110	1.86	0.59
7. British Virgin Is.	113	1.8	0.87
8. Netherlands	42	1.71	0.51
9. Russia	36	1.48	0.6
10.United Kingdom	35	1.16	0.67
11.Thailand	95	1.11	0.49
12.Malaysia	84	1.04	0.88
13.United States	119	0.94	0.4
14. Australia	71	0.74	0.55

There is little data available on Vietnam's direct investment abroad. According to the Ministry of Planning and Investment, as of mid-2000, Vietnamese businesses had invested in 25-30 projects worth about US$ 11-12 million in Russia, Singapore, the United Kingdom, Laos, Japan, Hong Kong, Thailand, Cambodia, and other countries, primarily in the transport, communications, hotel, restaurant, and agriculture sectors. One Vietnamese government-owned telecommunications firm established an office in California. There are no Vietnamese government regulations on investment overseas.

Note: Statistics, including those on investment, are often difficult to come by and are generally based on definitions that differ from internationally-accepted standards. Those published in government statistical surveys are generally incomplete and often inconsistent from publication to publication and over time. Under a recent policy, the Ministry of Planning and Investment will only respond to written requests for statistics or information on how they are compiled and calculated, a process that is cumbersome and, at times, lengthy. Additional statistical data is often released in the local press but is difficult to confirm and update year-to-year, because it is not also provided in a database, which is readily available to the public.

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CHAPTER 11: U.S. AND VIETNAM CONTACTS

A. U.S. GOVERNMENT

1. UNITED STATES EMBASSY - HANOI

Charge D'Affaires a.i.: Mr. Dennis G. Harter
Deputy Chief of Mission (arriving August 2001): Mr. Robert Porter
7 Lang Ha
Hanoi, Vietnam

Mailing Address:
American Embassy - Hanoi
PSC 461 Box 400
FPO AP 96521-002

Tel: (844) 772-1500
Fax: (844) 772-1510

U.S. FOREIGN COMMERCIAL SERVICE, U.S. EMBASSY, HANOI

Commercial Counselor: Mr. Michael Frisby
6 Ngoc Khanh, 3rd floor
Hanoi, Vietnam

US Mailing Address:
American Embassy - Hanoi
PSC 461 Box 400
FPO AP 96521-002

Tel: (84-4) 831-4650
Fax: (84-4) 831-4540
Email: Michael.Frisby@mail.doc.gov

ECONOMIC SECTION, U.S. EMBASSY, HANOI

Economic Counselor (arriving August 2001): Ms. Claire Pierangelo
7 Lang Ha
Hanoi, Vietnam

US Mailing Address:
American Embassy - Hanoi
PSC 461 Box 400
FPO AP 96521-002

Tel: (844) 772-1500
Fax: (844) 772-1510

U.S. FOREIGN AGRICULTURAL SERVICE, U.S. EMBASSY, HANOI

Agricultural Attaché: Mr. Henry Schmick
6 Ngoc Khanh, 3rd floor
Hanoi, Vietnam
Tel: (84-4) 831-5580 ext. 105/106
Fax: (84-4) 831-4573
E-mail: SchmickH@fas.usda.gov

2. U.S. CONSULATE - HO CHI MINH CITY

Consul General (arriving August 2001): Ms. Emi Yamauchi
4 Le Duan Street, District 1
Ho Chi Minh City, Vietnam
Tel: (84-8) 822-9433/0617, 823-4642
Fax: (84-8) 822-9434

U.S. FOREIGN COMMERCIAL SERVICE, U.S. CONSULATE - HCMC

Principal Commercial Officer: Mr. Greg Loose
9th Floor, 65 Le Loi Street, District 1
Ho Chi Minh City, Vietnam
Tel: (84-8) 825-0490
Fax: (84-8) 825-0491
Email: Greg.Loose@mail.doc.gov

U.S. FOREIGN AGRICULTURAL SERVICE, U.S. CONSULATE - HCMC

Agricultural Specialist: Mr. Truong Minh Dao
9th Floor, 65 Le Loi Street, District 1
Ho Chi Minh City, Vietnam
Tel: (84-8) 825-0502
Fax: (84-8) 825-0503
Email: fas.hcmc@hcm.vnn.vn

3. U.S. DEPARTMENT OF COMMERCE-INTERNATIONAL TRADE ADMINISTRATION:

Country Desk Officer: Mr. Hong-Phong Pho
Room 2036 HCHB
14th St. & Constitution Ave., NW
Washington, DC 20230
Tel: (202) 482-3877
Fax: (202) 482-3316
Email: Hong-Phong_Pho@ita.doc.gov

4. U.S. DEPARTMENT OF STATE:

Vietnam Economic Desk Officer: Mr. Greg Hicks
Room 5210, 2201 C Street, N.W.
Washington D.C. 20520
Tel: (202) 647-3133
Fax: (202) 647-3069
E-mail: HicksG@state.gov

B. **TRADE ASSOCIATIONS**

VIETNAM CHAMBER OF COMMERCE AND INDUSTRY (VCCI)

American Desk: Mr. Pham Chi Trung
9 Dao Duy Anh
Hanoi, Vietnam
Tel: (84-4) 574-2143
Fax: (84-4) 574-2020
Email: vcci@fmail.vnn.vn

VCCI/Ho Chi Minh City
Director: Mr. Nguyen Vu Hai
171 Vo Thi Sau Street, District 3
Ho Chi Minh City, Vietnam
Tel: (84-8) 932-7301
Fax: (84-8) 932-5472

AMERICAN CHAMBER OF COMMERCE (AMCHAM)

Hanoi Chapter
Executive Director: Mr. Adam Sitkoff
59A Ly Thai To Street, Hanoi, Vietnam
Hanoi, Vietnam
Tel: (84-4) 934-4493
Fax: (84-4) 934-2787
Email: amchamhn@pressclub.netnam.vn

Ho Chi Minh City Chapter
Executive Director: Mr. Herbert Cochran
76 Le Lai Street, 3rd floor
Ho Chi Minh City, Vietnam
Tel: (84-8) 824-3562
Fax: (84-8) 824-3572
Email: amcham@hcm.vnn.vn

UNION OF ASSOCIATED INDUSTRIALISTS AND COMMERCIAL COMPANIES (UAIC)

Contact: Mr. Nguyen Van Tu
51 Chuong Duong
Ho Chi Minh City, Vietnam
Tel: (84-8) 829-3390
Fax: (84-8) 821-1806

US / ASEAN BUSINESS COUNCIL

Director: Mr. Ernest Bower
1400 L Street, N.W., Suite 375
Washington, DC 20005-3509
Tel: (202) 289-1911
Fax: (202) 289-0519
Email: ebower@usasean.org
Web Page: www.us-asean.org

US-VIETNAM TRADE COUNCIL

Director: Ms. Virginia Foote
The International Center, 731 Eighth Street, SE
Washington DC, 20003
Tel: (202) 547 3800

Fax: (202) 785 0112
Email: usvtc@erols.com

Country Representative: Mr. Thaddeus Hostetler
104 Tran Hung Dao
Hanoi, Vietnam
Tel: (84-4) 822-3653
Fax: (84-4) 822-3652
Email: usvtc@erols.com

C. **GOVERNMENT OF VIETNAM**

MINISTRY OF AGRICULTURAL & RURAL DEVELOPMENT (MARD)
Mr. Le Van Minh
Director, International Relations Department
2 Ngoc Ha
Hanoi, Vietnam
Tel: (84-4) 843-7520
Fax: (84-4) 733-0752

MINISTRY OF CONSTRUCTION (MOC)
Mr. Nguyen Dang Can
Director, International Relations Department
37 Le Dai Hanh
Hanoi, Vietnam
Tel: (84-4) 978-0697
Fax: (84-4) 976-2153

MINISTRY OF CULTURE & INFORMATION (MOCI)
Mr. Pham Xuan Sinh
Acting Director, International Cooperation Department
51-53 Ngo Quyen

Hanoi, Vietnam Tel: (84-4) 943-9972
Fax: (84-4) 826-7101

MINISTRY OF EDUCATION AND TRAINING (MOET)
Dr. Tran Van Nhung
Director, International Cooperation Department
49 Dai Co Viet
Hanoi, Vietnam
Tel: (84-4) 869-2479
Fax: (84-4) 869-4085

MINISTRY OF FINANCE (MOF)
Mr. Pham Cong Minh
Director, International Cooperation Department
8 Phan Huy Chu
Hanoi, Vietnam
Tel: (84-4) 934-1541
Fax: (84-4) 826-2266

MINISTRY OF FISHERIES (MOFI)
Mr. Ho Van Hoanh
Director, International Relations Department
10-12 Nguyen Cong Hoan

Hanoi, Vietnam
Tel: (84-4) 771-6709
Fax: (84-4) 771-6702

MINISTRY OF FOREIGN AFFAIRS
Mr. Nguyen Xuan Phong
Director, Americas Department
1 Ton That Dam
Hanoi, Vietnam
Tel: (84-4)199-2230
Fax: (84-4) 843-0409

MINISTRY OF INDUSTRY (MOI)
Mr. Tran Minh Huan
Director, International Cooperation Department
54 Hai Ba Trung
Hanoi, Vietnam
Tel: (84-4) 826-7988
Fax: (84-4) 826-5303

MINISTRY OF JUSTICE (MOJ)
Mrs. Nguyen Huy Ngat
Director, International Relations Department
25A Cat Linh
Hanoi, Vietnam
Tel: (84-4) 733-6213
Fax: (84-4) 843-1431

MINISTRY OF PLANNING AND INVESTMENT (MPI)
Mr. Duong Duc Ung
General Director, Foreign Economic Relations Department
2 Hoang Van Thu
Hanoi, Vietnam
Tel: (84-4) 823-0161
Fax: (84-4) 823-2494

MINISTRY OF PUBLIC HEALTH (MPH)
Dr. Trinh Bang Hop
Director, International Cooperation Department
138 Giang Vo
Hanoi, Vietnam
Tel: (84-4) 846-0593
Fax: (84-4) 846-4051

MINISTRY OF SCIENCE, TECHNOLOGY & ENVIRONMENT (MOSTE)
Mr. Thach Can
Director, International Cooperation Department
39 Tran Hung Dao
Hanoi, Vietnam
Tel: (844) 826-3388, 822-8874
Fax: (844) 825-2733

MINISTRY OF TRADE (MOT)
Mr. Dinh Van Hoc
General Director, America & European Department
21 Ngo Quyen

Hanoi, Vietnam
Tel: (84-4) 826-2522
Fax: (84-4) 826-4696

MINISTRY OF TRANSPORTATION AND COMMUNICATIONS (MOTC)
Mr. Doan Xuan Vien
Director, International Cooperation Department
80 Tran Hung Dao
Hanoi, Vietnam
Tel: (84-4) 942-0625
Fax: (84-4) 942-1436

STATE BANK OF VIETNAM (SBV)
Mr. Ha Dan Huan
Director, Foreign Department
47-49 Le Thai To
Hanoi, Vietnam
Tel: (84-4) 934-3360
Fax: (84-4) 825-0612

D. **PEOPLE'S COMMITTEES (partial listing)**

THE PEOPLE'S COMMITTEE OF BA RIA - VUNG TAU
Chairman: Mr. Nguyen Trong Minh
26 Thong Nhat St., Vung Tau City
Tel: (84-64) 852-520
Fax: (84-64) 852-234

THE PEOPLE'S COMMITTEE OF BINH DUONG PROVINCE
Chairman: Mr. Ho Minh Phuong
1 Quang Trung, Thi Xa Thu Dau 1
Tel: (84-650) 827-896
Fax: (84-650) 822-174

THE PEOPLE'S COMMITTEE OF CAN THO CITY
Chairman: Mr. Thieu Quang Thai
61 Phan Dinh Phung St.
Can Tho City, Vietnam
Tel: (84-71) 820 302
Fax: (84-71) 821 932

THE PEOPLE'S COMMITTEE OF CAN THO PROVINCE
Chairman: Mr. Nguyen Phong Quang
2 Hoa Binh St.,
Can Tho City, Vietnam
Tel: (84-71) 820 427
Fax: (84-71) 820 713

THE PEOPLE'S COMMITTEE OF DA NANG CITY
Chairman: Mr. Nguyen Ba Thanh
Vice Chairman: Mr. Hoang Tuan Anh
42 Bach Dang
Da Nang, Vietnam
Tel: (84-511) 822038 / 821238
Fax: (84-511) 821285

THE PEOPLE'S COMMITTEE OF DONG NAI PROVINCE
Chairman: Mr.Vo Van Mot
2 Nguyen Van Tri, Ward Thanh Binh
Bien Hoa City, Dong Nai
Tel: (84-61) 823 712
Fax: (84-61) 824 934

THE PEOPLE'S COMMITTEE OF HAI PHONG CITY
Chairman: Mr. Tran Huy Nang
18 Hoang Dieu
Hai Phong, Vietnam
Tel: (84) 08031-204 (Direct)
Fax: (84-31) 842-368

THE PEOPLE'S COMMITTEE OF HANOI
Chairman: Mr. Hoang Van Nghien
12 Le Lai,
Hanoi, Vietnam
Tel: (84-4) 825-3536
Fax: (84-4) 825-3584

THE PEOPLE'S COMMITTEE OF HO CHI MINH CITY
Chairman: Mr. Le Thanh Hai
86 Le Thanh Ton St., Dist.1
Tel: (84-8) 829 1055
Fax: (84-8) 829 6988
Web Page: hcmste.gov.vn

E. COMMERCIAL BANKS

HANOI

AMERICAN EXPRESS BANK
Chief Representative: Ms. Nguyen Xuan Huong
43 E Ngo Quyen, 6th floor, Hanoi, Vietnam
Phone: (84-4) 824-3214
Fax: (84-4) 824-3962
Email: nxhg@fpt.vn

BANK OF AMERICA
Country Manager: Mr.Mohan Coomaraswamy
27 Ly Thuong Kiet, Hanoi, Vietnam
Tel: (84-4) 824-9316
Fax: (84-4) 824-9322
Email: Mohan.Coomaraswamy@bankofamerica.com

CHASE MANHATTAN BANK
Chief Representative: Mr. Wesley J. Grove
31 Hai Ba Trung, Room 203-204
Hanoi, Vietnam
Tel: (84-4) 822-9534
Fax: (84-4) 822-9603
Email: wesley.grove@chase.com

CITIBANK
Branch Manager: Mr. John Beeman

17 Ngo Quyen St., 1st Fl.
Hanoi, Vietnam
Tel: (84-4) 825-1949
Fax: (84-4) 824-3960
Email: John.beeman@citicorp.com

HO CHI MINH CITY

BANK OF AMERICA
Representative: Mr. Mohan Coomaraswamy
1 Phung Khac Khoan
Ho Chi Minh City, Vietnam
Tel: (84-8) 829-9928
Fax: (84-8) 829-9942
Email: Mohan.Coomaraswamy@bankofamerica.com

CITIBANK
Branch Manager: Mr. Chuyen Dinh Uong
8 Nguyen Hue, 7th Floor
Ho Chi Minh City, Vietnam
Tel: (848) 824-2118
Fax: (848) 824-2114
Email: Chuyen.Uong@citicorp.com

CHASE MANHATTAN BANK
Chief Representative: Mr. Wesley J. Grove
29 Le Duan, District 1
Ho Chi Minh City, Vietnam
Tel: (84-8) 823-6270
Fax: (84-8) 822-6271
Email: wesley.grove@chase.com

F. MULTILATERAL INSTITUTIONS

ASIAN DEVELOPMENT BANK (ADB)
U.S. Liaison to ADB: Mr. Denny Barnes
Manila, Philippines
Fax: (632) 890-9713
Email: Denny.Barnes@mail.doc.gov

ASIAN DEVELOPMENT BANK (ADB) in Hanoi
Resident Representative: Mr. John Samy
23 Phan Chu Chinh
Hanoi, Vietnam
Tel: (84-4) 933 1414
Fax: (84-4) 933 1373
Email: adb@netnam.org.vn

INTERNATIONAL FINANCIAL CORPORATION (IFC)
Chief of Mission: Deepak Khanna
Metropole Center, Suite 707, 56 Ly Thai To St.
Hanoi, Vietnam
Tel: (84-4) 934-2282
Fax: (84-4) 934-2289
Email: dkhanna@ifc.org

INTERNATIONAL MONETARY FUND (IMF)
Senior Resident Representative: Mr. Dennis De Tray
63 Ly Thai To
Hanoi, Vietnam
Tel: (84-4) 825-1927
Fax: (84-4) 825-1885
Email: ddetray@imf.org

UNDP
Resident Representative: Mr. Edouard Wattez
25-29 Phan Boi Chau
Hanoi, Vietnam
Tel: (84-4) 942-1495
Fax: (84-4) 942-2267
Email: Wattez@undp.org.vn

WORLD BANK
Country Resident: Mr. Andrew Steer
63 Ly Thai To
Hanoi, Vietnam
Tel: (84-4) 934-6600
Fax: (84-4) 934-6597
Email: Asteer@worldbank.org

THE WASHINGTON EXTERNAL AFFAIRS OFFICE
Contact person: Lucy Oh/ Melissa Fossberg
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Fax: 202-522-3405
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G. OTHER CONTACTS

HANOI

ARTHUR ANDERSON VIETNAM LTD.
(AUDITING/ACCOUNTING/CONSULTING)
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BAKER AND MCKENZIE (LAW FIRM)
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Fax: (84-4) 825-1737
Email:francois.d.mattelaer@vn.pwcglobal.com

ERNST & YOUNG (AUDITING/ACCOUNTING/CONSULTING)
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FRESHFIELDS (LAW FIRM)
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RUSSIN & VECCHI (LAW FIRM)
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WHITE & CASE (LAW FIRM)
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FRESHFIELDS (LAW FIRM)
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RUSSIN & VECCHI (LAW FIRM)
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WHITE & CASE (LAW FIRM)
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Email: wchcmc@fmail.vnn.vn

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CHAPTER 12: MARKET RESEARCH

The following Industry Sub-sector Analyses (ISA) and Agricultural Reports will be available in 2002. A complete list of market research is available on the National Trade Data Bank (NTDB). Contact Valerie Evans at 202 482-1192 for the current status. Agricultural reports can be accessed at www.fas.usda.gov.

A. Vietnam Industry Sub-sector Analysis (ISA) Reports - 2002

Airport, Avionics & Ground Support
Civil Aircraft (Airliners, Helicopters, Business Jets)
Distance Learning / On Line Training
Food Processing, Packaging, and Cold Chain
Hazardous and Toxic Waste Handling and Treatment
Internet/ E-Commerce
Medical Diagnostic Equipment
Offshore Oil and Gas Machinery and Services (Update)
Power Generation
Security and Safety Equipment
Solid Waste Handling and Disposal
Specialized Plastics Machinery
Telecom Equipment and Services (Update)
Textile Equipment and Machinery

B. Vietnam Agricultural Reports - 2002

Coffee Annual
Coffee Semi-Annual
Cotton and Products
Food Processing
Grain and Feed
Hotel, Restaurant, and Institutional Food Service
Livestock and Products
Oilseeds and Products
Retail Foods
Solid Wood Products

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CHAPTER 13: TRADE EVENT SCHEDULE

A list of major trade events to be held in Vietnam during the last quarter of FY 2001 is provided below. Trade events in Vietnam are usually not announced or planned more than 6 months in advance, and a list of 2002 trade events was not available at the time this report was written. Firms should consult the contacts listed below, or contact the US & Foreign Commercial Service or the Agricultural Affairs Office in Hanoi for the latest information.

A. HANOI

The following exhibitions are sponsored by the Trade Promotion Commission of the Vietnamese Ministry of Trade.

31 Trang Tien Street
Hanoi, Vietnam

Tel: (844) 934-2208/1512
Fax: (844) 826-4696

2001

Vietnam Computer World Expo	Sept. 6-9
2nd Exhibition on Products of CODEX Standard	Sept. 6-9
Construction Exhibitions	Sept. 15-20
Agricultural International Exhibition	Sept.
Telecommunication Electronic & Computer Fair	Sept.
The International Exhibition on Industry	Oct. 10-14
Fair & Exhibition on Rubber, Plastic, Leather & Leather Imitation	Oct. 15-22
The 4th International Construction & Electricity Exhibition	Oct. 26-29
International Industry Machinery Exhibition IIME' 2001 - Vietnam	Oct. - Nov.
International Exhibition on Medical Equipment	Oct.
Construction Materials & International Decoration Fair	Nov. 9-15
Exhibition on Infrastructure & Construction Industry	Nov.
The International Exhibition on Informatics & Electronics	Dec. 11-14
Vietnam Fashion Fair's 2001	Dec.

B. **HO CHI MINH CITY**

1. The following exhibitions are sponsored by Chamber of Commerce & Industry of Vietnam to be held in Ho Chi Minh City.

Contact: Ms. Bui Thi Thuc Anh
171 Vo Thi Sau St., Dist.3
Ho Chi Minh City
Tel: (848) 932-6339
Fax: (848) 820-1789
E-mail: btta-vcci@hcm.fpt.vn

2001

Vietnam - U.S. Economic Exchange Forum	Jul. 12-16
Information Technology Week	Aug. 16-19
Industrial-Agricultural Machinery & Equipment Exhibition	Nov. 28 - Dec. 1

2. The following exhibitions are sponsored by the Vietnam Exhibition Center - VEFAC.

Contact: Mr. Nguyen Dang Minh Triet
7 Nguyen Thi Minh Khai St., Dist.1
Ho Chi Minh City
Tel: (848) 822-3552
Fax: (848) 822-0616

2001

Vietnam - U.S. Trade Exchange Exhibition	Jul. 13-17
International Industry Exhibition	Oct. 18-24
Marine Economic VN 2001	Oct. 3-7
Fashion World 2001	Nov.
Vietnam - Asean Economic Exchange	Nov. 26- Dec. 02

Country Commercial Guides can be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at (800) 553-NTIS. U.S. exporters seeking general export information and assistance or country-specific commercial information should consult with their nearest U.S. Export Assistance Center or the U.S. Department of Commerce's Trade Information Center at (800) USA-TRADE, or go to one of the following web sites: www.usatrade.gov or www.tradeinfo.doc.gov .

American Embassy Hanoi
U.S. Department of Commerce | U.S. Trade Representative
Key Officers | Public Affairs Section | U.S. Agricultural Service
U.S. Foreign Commercial Service | Fulbright Program in Vietnam
irchano@pd.state.gov