VIETNAM

TRADE SUMMARY

The U.S. goods trade deficit with Vietnam was $7.5 billion in 2006, an increase of $2.0 billion from $5.4 billion in 2005. U.S. goods exports in 2006 were $1.1 billion, down 7.8 percent from the previous year. Corresponding U.S. imports from Vietnam were $8.6 billion, up 29.2 percent. Vietnam is currently the 66th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Vietnam in 2005 was $291 million, up from $242 million in 2004.

IMPORT POLICIES

Tariffs

Vietnam is expected to revise its tariff schedule in early 2007 to implement the tariff concessions and bindings negotiated in its World Trade Organization (WTO) accession agreement. The United States negotiated significant reductions in tariff rates for many important U.S. exports in the context of Vietnam's WTO accession. As a result, the vast majority of U.S. exports will face tariffs of 15 percent or less. The United States will closely monitor Vietnam's implementation of these tariff reductions over the negotiated phase-in periods.

Vietnam agreed to join the WTO Information Technology Agreement upon accession, and as a result it has eliminated tariffs on important U.S. exports of information technology products. Vietnam also reduced tariffs to the harmonization rates required by the WTO Chemical Harmonization Agreement for 80 percent of the chemical products covered by the Agreement.

On September 1, 2003, Vietnam implemented the ASEAN Harmonized Tariff Nomenclature, which is based on the international Harmonized Tariff System of 2002. The new system consists of 10,689 lines (4200 more than the former one), of which 5,300 lines are at four and six digits and 5,400 lines are at eight digits.

Currently, there are three categories of tariff rates: normal trade relations (NTR) / most favored nation (MFN) rates that apply to all WTO Member countries, including the United States; Common Effective Preferential Tariff rates that apply to imports from ASEAN countries; and general tariff rates (50 percent higher than NTR/MFN) that apply to all other countries.

The National Assembly retains authority over setting tariff bands for each product. The Ministry of Finance, typically with oversight from the Office of Government, is authorized to adjust applied tariffs within the bands.

Non-tariff barriers

When Vietnam shifted from a centrally-controlled economy toward more market-oriented trade beginning in the late 1980s, non-tariff barriers (NTBs) became a key component of trade policy. In the past few years, Vietnam has made significant progress in eliminating NTBs under the terms of the United States – Vietnam Bilateral Trade Agreement (BTA). The United States sought the removal of additional NTBs through the negotiations with Vietnam on the terms of its accession to the WTO. As a result of WTO membership, Vietnam has eliminated and committed not to reintroduce any quantitative restrictions on imports or other non-tariff measures, such as quotas, bans, permits, prior authorization requirements, licensing requirements or other restrictions having the same effect which would not be consistent with the WTO Agreement.

Import prohibitions: Vietnam currently prohibits the commercial importation of the following products: arms and ammunition; explosive materials (not including industrial explosives); military technical equipment and facilities; narcotics; certain toxic chemicals; "depraved and reactionary" cultural products; firecrackers; certain children's toys; second-hand consumer goods; right-hand drive motor vehicles; used spare parts for vehicles; used internal combustion engines of less than 30 horsepower; asbestos materials under the amphibole group; specialized encryption devices and software not destined for mass market consumption; certain waste and scraps causing environmental pollution; and refrigerating equipment using chlorofluorocarbons. Vietnam previously banned importation of motorcycles with an engine capacity of 175 cc or greater, which served as a market access barrier for exports of U.S. motorcycles. As part of its WTO commitments, Vietnam eliminated the ban on large engine motorcycles and by May 31, 2007 will put in place a nondiscriminatory and transparent system for their importation, distribution and use by individuals and firms that meet the appropriate criteria. The United States will closely monitor implementation of this commitment.

Quantitative restrictions and non-automatic licensing: Decree 12/2006/ND-CP dated January 26, 2006, detailing the implementation of the Commercial Law regarding export-import management, contains a list of goods that require import permits issued by the Ministry of Trade. The list includes two-wheel and three-wheel motorcycles of a cylinder capacity of 175 cc or more; guns and shells used for sport; certain toxic chemicals; and other line managed goods. The decree places salt, tobacco, eggs, and sugar under a tariff-rate quota regime. Separate regulations apply to exports of rice, imports of petroleum and fuel, imports of cigarettes and cigars, and exports and imports of goods related to security and defense.

Special authority regulation: Prior to 2001, importers required approval from the relevant ministry(ies) to import most goods. On January 1, 2007, Vietnam granted automatic trading rights on a majority of products to domestic and foreign firms and individuals, including the right of foreign firms and individuals to act as the importer of record without a physical presence in Vietnam. Certain categories of goods are limited to importation by state trading enterprises, and others are subject to automatic or non-automatic import licensing. These restrictions and import licensing requirements are set out in the Working Party Report on Vietnam's accession to the WTO. Seven ministries and agencies are responsible for overseeing a system of import licensing based on minimum quality/performance standards for animal and plant protection, health safety, local network compatibility (in the case of telecommunications), money security and cultural sensitivity. Goods that meet the minimum standards can be imported upon demand and in unlimited quantity and value.

Foreign Exchange system: As of April 2003, Vietnam eliminated the foreign exchange surrender requirement.

In May 2000, amendments to the Law on Foreign Direct Investment allowed FDI enterprises to purchase foreign currency at authorized banks to finance current and capital transactions and other permitted transactions. Controls on current account transactions have also been liberalized. A 1998 Decree allowed both residents and non-residents to open and maintain foreign exchange accounts with authorized banks in Vietnam. A 2001 Circular permitted foreign investors to transfer profits and other legal income abroad upon presentation of relevant documents to authorized banks. A 2003 decree contains the government of Vietnam's guarantee to assist in the balancing of foreign currency for foreign-invested enterprises and foreign business cooperation parties that invest in the construction of infrastructure and certain other important projects in the event that banks permitted to trade foreign currency are unable to fully satisfy their foreign currency demand.

Customs: Vietnam implemented the WTO Customs Valuation Agreement through a revised Customs Law, which took effect January 1, 2006, and supporting implementing decrees and circulars. Decree 155/2005/ND-CP and Circular 113/2005/TT-BTC entered into force January 1, 2006. It makes the use of transaction value applicable to all imports and provides for full application of the computed value and deductive methods. Additionally, Decree 154/2005/ND-CP of December 15, 2005, provides implementing guidance relating to customs procedures, customs inspection and supervision, and Circular 114/2005/TT-BTC provides for post-clearance audits. These changes have significantly improved customs valuation in Vietnam. Application of Customs Valuation Agreement principles, however, is not entirely uniform and importers complain about the low level of automation of Vietnam's customs system. The United States will continue to work with Vietnam to monitor implementation of the Customs Valuation Agreement as part of the ongoing bilateral dialogue.

In early October 2005, the Ho Chi Minh City Customs Office began a pilot electronic customs service. Processing time between submission of customs declarations and receipt of approval is less than two minutes, compared to an average of eight hours for paper-based procedures. Hai Phong and Ho Chi Minh City are the first localities to launch e-customs service for sea-borne goods. The service was extended to other areas, including export processing zones, throughout Vietnam in 2006.

Trading rights: In 2006, Vietnam committed, as part of the WTO accession process, to provide full trading rights (including the right to sell an imported product to any individual or enterprise having the right to distribute such product in Vietnam) to all foreign individuals and enterprises no later than January 1, 2007. These rights are accorded to foreign individuals and enterprises without any requirement to invest in Vietnam. A foreign individual or enterprise seeking to be an importer of record, including those without a physical presence in Vietnam, are required to file a registration with the relevant Vietnamese authorities for administrative purposes. Trading rights are granted for all products except for a limited number reserved for state trading enterprises and those subject to a phase-in period. Vietnam has reserved the right of importation for state trading entities for the following categories: cigars and cigarettes; crude oil; newspapers, journals and periodicals; and records, tapes and other recorded media for sound or pictures (with certain exclusions). Under the phase-in, foreign firms and individuals are restricted until January 1, 2009, from importing the following categories of products: pharmaceuticals; motion picture films; unused postage, printed cards and calendars; certain printed matter; machinery for typesetting and print machinery (excluding ink-jet printers); and certain transmission apparatus for radio-telephony (excluding mobile phones and consumer cameras). Foreign individuals and enterprises will be given the right to export rice no later than January 1, 2011. The United States will closely monitor implementation of these commitments.

Taxes: Vietnam applies a value added tax (VAT) on all goods and services in covered categories as established in the Law on Value Added Tax dated January 1, 2004. Imported goods subject to the VAT tax are set out in Circular 84/2003/TT-BTC from the Ministry of Finance, and products exempt from the tax are listed in Circular 122/2000/TT-BTC from the Ministry of Finance. Certain goods in Vietnam are also subject to an excise tax, levied in accordance with the Law on Excise Tax 08/2003/QH11 dated June 17, 2003 and explained in further detail in Circular No. 98 TC/TCP of the Ministry of Finance. In several product categories, particularly beer, wine, distilled spirits and automobiles, the United States raised concerns with Vietnam regarding discrimination between imported and domestically-produced like products. As a result of Vietnam's WTO accession negotiations, Vietnam has taken steps or committed to take steps to eliminate the discriminatory application of excise taxes. In particular, Vietnam equalized the excise tax on imported and domestic wines and distilled spirits under 20 per cent alcohol by volume as of January 1, 2006. The excise tax reductions provided to domestic automobiles was eliminated effective December 31, 2006. As part of the WTO accession negotiations, Vietnam was granted a three year transition period to ensure that its excise taxes on imported and domestic beer and distilled spirits over 20 percent alcohol by volume conform with WTO rules. The United States will continue to work with Vietnam to monitor implementation of this commitment.

STANDARDS, TESTING, LABELING AND CERTIFICATION

Sanitary and Phytosanitary Measures (SPS)

Vietnam is currently working on the establishment of an SPS regime based on international standards, guidelines and recommendations. Its existing regime is based on Codex Alimentarius, FAO/WHO standards, World Organization for Animal Health (OIE), International Plant Protection Convention, the standards of regional or developed countries, or national standards. Vietnam has an inter-ministerial Working Group that coordinates SPS activities and the Ministry of Agriculture and Rural Development currently serves as enquiry point and notification authority under the WTO Agreement on Sanitary and Phytosanitary Measures. Specific responsibility for SPS controls, plant and animal quarantine, health quarantine and fisheries inspection is further assigned to other Ministries and agencies.

In May 2006, the United States concluded an agreement with Vietnam which resulted in the immediate opening of Vietnam's market to all U.S. beef and beef products from cattle under 30 months of age. Furthermore, Vietnam agreed to recognize the U.S. food safety inspection systems for beef, pork and poultry plants as equivalent to its inspection systems.

Standards and Technical Barriers to Trade

The Law on Standards and Technical Regulations passed by the National Assembly for implementation in January 2007 has comprehensively reformed the system. Under this law, standards and technical regulations are simplified into two levels: national and local. While standards are applied voluntarily, technical regulations are mandatory. The Law also clearly identified the Ministry of Science and Technology as the responsible agency for issuing and managing national standards, while line ministries are responsible for national technical regulations. Following accession to the WTO, Vietnam's Directorate for Standards and Quality became the inquiry and notification point under the WTO Agreement on Technical Barriers to Trade.

Pharmaceutical companies have raised concerns about alleged discriminatory treatment against foreign firms in product registration requirements for pharmaceuticals. The United States will work closely with the Ministry of Health through ongoing bilateral dialogues to seek improvements in the transparency of the regulatory process.

GOVERNMENT PROCUREMENT

Vietnam is not a party to the WTO Agreement on Government Procurement. Vietnam enacted the Law on Procurement in November 2005. This law provides for greater transparency in procurement procedures and creation of a Procurement Gazette to provide general information on tendering activities, invitations for tender, lists of bidders participating in limited tendering proceedings, and criteria for selection of bids. The law also aims at decentralizing procurement decision-making to the ministries, agencies, and local authorities. The law includes enforcement provisions, including a definition of what constitutes fraudulent behavior and establishing penalties for such behavior. In addition, the law provides for the right of appeal and settlement of disputes relating to procurement decisions. Competition for government procurements may take any of several forms: sole source direct negotiation, limited tender, open tender, appointed tender or special purchase. Different ministries and agencies have different threshold values for the purchase of material or equipment which must be subject to competitive bidding.

EXPORT SUBSIDIES

Export credit is extremely limited in Vietnam. The Export Promotion Fund, managed by the Ministry of Finance, provides subsidies in the form of interest rate support (full or partial refund of interest incurred on ordinary bank loans), direct financial support (to first-time exporters, for exports to new markets, or for goods subject to major price fluctuations) and export rewards and bonuses. Since 1998, the average annual export reward provided to eligible enterprises has ranged from $2,900 to $4,710. Provision of export bonuses, originally targeted for exports of agricultural products, was expanded in 2002 to include non-agricultural products such as handicrafts, rattan and bamboo ware, plastic products and mechanical products. Decision 279/2005/QD/TTg established a new trade promotion program which appears to conform with WTO rules.

Since September 2001, the Development Assistance Fund has administered an export credit program that has provided short-term loan guarantees, medium and long-term investment loans, post-investment interest rate support and investment credit guarantees to domestic enterprises. In May 2006, the Vietnam Development Bank was established by the Vietnamese Government based on a re-organization of the Development Assistance Fund to implement state development investment credit and export credit policies.

Vietnam agreed to cease providing to new beneficiaries, by the date of accession to the WTO, subsidies containing prohibited elements, including subsidies contingent on export performance. Vietnam was granted a period of five years from the date of its WTO accession to eliminate subsidies provided to current beneficiaries under certain programs that offered subsidies contingent on export performance. Vietnam also agreed to eliminate, by the date of accession, all WTO prohibited subsidies previously provided to its textile and garment sector.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Vietnam is a member of WIPO and is a signatory to the Paris Convention for the Protection of Industrial Property. It has acceded to the Patent Cooperation Treaty and the Madrid Agreement. On October 26 2004, Vietnam joined the Berne Convention on Protection for Literary and Artistic Works. Vietnam has committed to provide copyright protection to U.S. copyrights in accordance with the TRIPS Agreement/Berne Convention and BTA. Vietnam acceded to the Geneva Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of their Phonograms in July 6, 2005. On January 12, 2006, Vietnam joined the Brussels Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite.

As a result of efforts to implement its BTA and WTO obligations, Vietnam has made considerable progress over the past few years in establishing the legal framework for IPR protection. New IPR-related legislation enacted between 2005 and October 2006 includes the new Intellectual Property Law and its implementing regulations: Decree No. 100 on Copyright and its Related Rights, Decree No. 103 on Industrial Property, Decree No. 105 on IPR enforcement, Decree No. 106 on Sanctioning Administrative Violations in Industrial Property. The Intellectual Property Law, effective July 1, 2006, provides for injunctions in the Civil Procedure Code and improved court procedures in general for civil litigation on IPR. Other significant legislative developments over the past year include revisions to the Civil Code;

Decree No. 57/2005/ND-CP on Sanctioning Administrative Violations in the Plant Variety Field; a new Law on Cinematography; and amendments to the Law on Customs.

Enforcement of IPR protection in practice remains extremely weak, but there have been some improvements. There have been reports of cracking down on the inclusion of pirated software installed in new computers and a number of enforcement actions initiated by private companies. Some government ministries have begun to purchase licensed software. Vietnam has made commitments under TRIPS and the BTA to provide expeditious remedies to prevent and deter infringement of intellectual property rights, including both judicial and administrative procedures, prompt and effective provisional measures secured by sufficient evidence, and criminal procedures and penalties for willful trademark counterfeiting or infringement of copyrights or neighboring rights on a commercial scale.

Patent and Trademarks

Trademark registration in Vietnam is relatively straightforward, although infringement is widespread and enforcement of administrative orders and court decisions finding IPR infringement remains problematic. Vietnam's laws offer some protection for foreign patent holders, but the system for enforcing patents and trademarks remains weak. The National Office of Intellectual Property (NOIP), under the Ministry of Science and Technology, administers Vietnam's patent and trademark registration systems. NOIP has made significant progress in recent years to build adequate capacity to register and adjudicate patent and trademark claims, and is working with a number of foreign patent and trademark agencies to enhance its systems. Obtaining expeditious adjudication and administrative enforcement of patent and trademark violations remains difficult. Victims of infringement have encountered difficulties implementing NOIP enforcement decisions.

Copyrights

The Vietnam Office of Literary and Artistic Copyright is under the control and supervision of the Ministry of Culture and Information. Significant progress has been made in putting in place the legal framework required to protect copyrights, including those belonging to foreigners, but enforcement is almost non-existent. This is particularly true for certain categories of products, such as PC software, music and video CDs, VCDs and DVDs. Widespread cable and TV signal piracy continues to remain a serious concern. Industry estimates of piracy rates for software, music and videos run as high as 92 percent. Local police authorities are often slow to act on administrative orders fining infringement and enforcing court decisions. After Vietnam joined the Berne Convention and Geneva Convention, the Ministry of Culture and Information made an effort to tighten copyright regulations on foreign musical and theatrical works, as well as sound recordings. All event organizers must now obtain permission in writing from copyright holders before performing their works.

SERVICES BARRIERS

Under the terms of the BTA, Vietnam agreed for the first time to liberalize a broad array of service sectors, including telecommunications, accounting, banking and distribution services, and to apply MFN treatment to U.S. services suppliers in all covered sectors and for all modes of supply (with itemized exceptions).

Vietnam continued to liberalize its services sector in its WTO commitments, which include significant improvements in market access for U.S. service providers. In order to implement these commitments, Vietnam revised the legal framework governing commercial activity with the new Commercial Law of 2005 and implementing regulations issued throughout 2006. The Commercial Law identifies certain ‘conditional sectors’ in which participation requires a license issued by the relevant authority (for example: financial services, telecommunications and distribution). Vietnam made commitments in its WTO accession agreement to ensure that, in sectors requiring a license, licensing procedures and conditions are published prior to becoming effective, review and approval timeframes are clearly established, and any fees and charges associated with the filing and review of an application do not constitute an independent barrier to market access.

Limitations on foreign ownership and other market access limitations and exceptions to national treatment are described in Vietnam’s schedule of specific commitments. Key provisions include:

Legal Services

Foreign lawyers’ organizations providing legal consultancy services are permitted without equity limitations. However, to consult on Vietnamese laws, a foreign lawyer must be a graduate of a Vietnamese law college.

Taxation Services

For a period of one year from the date of Vietnam’s accession, foreign-invested providers are restricted to providing services only to other foreign-invested enterprises for foreign-funded projects. After one year, foreign supply of taxation services is allowed without limitation.

Architectural Services, Engineering and Integrated Engineering Services

Foreign-invested providers are restricted for a period of two years from the date of Vietnam’s accession to providing services only to other foreign-invested enterprises of other WTO Member countries. After two years, there are no market access limitations on these services.

Computer and Related Services

For a period of two years from the date of accession, 100 percent foreign-owned enterprises may only provide services to foreign-invested enterprises. After three years, branching is permitted.

Advertising and Marketing Research Services

From the date of Vietnam’s accession, joint ventures are permitted with foreign ownership limited to 51 percent. After January 1, 2009, the limitation is removed.

Audiovisual Services

Joint ventures or business cooperation contracts are permitted with foreign ownership limited to 51 percent.

Express Delivery Services

Vietnam limits foreign investment to 51 percent of joint ventures for a period of five years from the date of its WTO accession. After five years, 100 percent foreign ownership will be permitted.

Telecommunications

Based on Vietnam's WTO commitments, foreign ownership limitations in joint ventures will now range from 49 percent to 70 percent, depending on the sub-sector (investment in private networks up to 70 percent will be permitted). In three years, foreign ownership limits for all other non-facilities based services will be relaxed up to 65 percent. In the telecommunications sector, 51 percent ownership conveys management control of the joint venture.

Distribution Services

Foreign commercial presence is permitted in commission agents' services, wholesale services, retail services and franchising subject to a limitation on foreign ownership of 49 percent until January 1, 2008. From January 1, 2008 to January 1, 2009, foreign investment must be in the form of a joint venture with a domestic partner, however, there is no equity limitation on foreign ownership. After January 1, 2009, the joint venture requirement is eliminated and 100 percent foreign-owned entities are permitted. The United States secured commitments from Vietnam for an increased number of products covered by the distribution schedule relative to the BTA. Improvements over the BTA include distribution commitments for wine and distilled spirits, automobiles, nutritional supplements and audio media. Vietnam's WTO distribution commitments also cover foreign participation in multilevel sales activities, an important sector for U.S. businesses. Electronic distribution is permitted for computer software and other products over the Internet.

Insurance Services

One hundred percent foreign-owned insurance enterprises are permitted for direct insurance (life and non-life), reinsurance and retrocession, insurance intermediation and services auxiliary to insurance. However, foreign insurance enterprises are restricted from engaging in certain forms of statutory insurance business until January 1, 2008. Five years from the date of its WTO accession, Vietnam will allow foreign insurance companies to open direct branches offering non-life insurance.

Banking and Securities Services

Vietnam currently limits foreign banks to a minority shareholding position of 49 percent, but allows bank branches. As of April 1, 2007, U.S. and other foreign banks will be able to establish 100 percent foreign-invested subsidiaries. After accession, foreign securities firms will be permitted to open joint ventures with up to 49 percent foreign ownership. After five years, the foreign ownership limitation will be removed, permitting 100 percent foreign ownership of securities firms and the ability to branch into Vietnam for some securities activities (asset management, advisory, and settlement and clearing services).

INVESTMENT BARRIERS

Vietnam revised its investment regime through new Enterprise and Investment laws in 2005 and a series of implementing regulations in 2006. Foreign businesses are permitted to remit in hard currency their profits, share revenues from joint ventures, and income derived from services, technology transfers, legally owned capital and intellectual property. Foreigners are also allowed to remit royalties and fees paid for the supply of technologies and services, principal and interest on loans obtained for business operations, and investment capital and other money and assets under their legitimate ownership.

The Enterprise Law regulates the establishment, management and operation of enterprises. It provides for four types of enterprises: limited liability, shareholding companies, partnerships and sole proprietorships.

Under the law any domestic or foreign legal person has the right to establish and manage enterprises in Vietnam. The Investment Law regulates investment activities, investors' rights and obligations, allocation of incentives, state administration of investment activities, and offshore investment. The new law provides for guarantees against nationalization or confiscation of assets and applies uniformly to all investors, foreign and domestic, replacing the previous investment regime which applied differently to domestic and foreign investors. The law establishes criteria for prohibited and conditional investment sectors. Conditional sectors are subject to regulation by separate, specific laws such as laws pertaining to banking, securities, and insurance sector investments. Decree 108/2006/ND-CP dated September 22, 2006, provides registration procedures for obtaining investment certificates. Certificates are obtained through registration for foreign investments of less than VND300 billion ($17.5 million) and those not in sectors categorized as conditional. Investments greater than VND300 billion and those in conditional sectors are required to undergo an investment evaluation that examines an investment's compliance with certain requirements as set out in Decree 108. Evaluation decisions are to be made within 30 days.

Land in Vietnam is subject to public ownership and state administration and as such neither foreigners nor Vietnamese nationals can own land. The Land Law of 2003 permits foreign invested enterprises to lease land for a period of 50 years (extendable) and to mortgage assets associated with land and the value of land use rights to secure loans from all credit institutions permitted to operate in Vietnam.

The BTA provides a broad range of benefits to U.S. investors in Vietnam that should significantly enhance the investment environment for U.S. firms. Vietnamese investment obligations under the BTA include: providing national and most-favored-nation treatment, except where explicit exceptions have been made; ensuring compensation for expropriation consistent with international standards; and guaranteeing access to third-party investor-state dispute settlement. In practice, however, recognition and enforcement of foreign arbitral awards in Vietnam currently remains unpredictable.

In addition, Vietnam is obligated under the BTA and WTO rules to discontinue application of any Trade-Related Investment Measures (TRIMS) or performance requirements inconsistent with the WTO TRIMS Agreement.

Vietnam is also obligated to refrain from imposing requirements to transfer technology as a condition for the establishment, expansion, acquisition, management, conduct or operation of an investment.

Although Vietnam retains restrictions on foreign shareholding in Vietnamese companies, it raised the ratio from 30 percent to 49 percent in September 2005.

According to Government Decree 45 from 1998, the royalty rate for technology transfer cannot exceed 5 percent of the "net selling price" of the products produced with the technology. Decree 45 also narrowly defines the "net sales price" to which the royalty is applied, resulting in very small royalties.

ELECTRONIC COMMERCE

To date, use of electronic commerce has not expanded significantly 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. There have been recent developments, however, to facilitate the growth of electronic commerce in Vietnam, including legal acceptance of e-signatures and implementation of the electronic inter-bank transaction system. The number of online transactions has been increasing. A master plan for development of electronic commerce was issued under Decision 222-2005-QD-TTg of the Prime Minister dated September 15,

2005. The Prime Minister has also approved a national project on "Supporting enterprises in IT applications to serve integration and development in 2005- 2010 period."

An electronic transaction law was issued on November 19, 2005. The Law, which became effective as of March 1, 2006, facilitates electronic commerce by giving legal standing to electronic contracts and electronic signatures as well as allocating the responsibilities of parties with respect to the transmission and receipt of electronic data. For the law to be fully enforced, six decrees will be required, including: a Decree on E-Commerce; a Decree on E-Finance; a Decree on E-Signature; a Decree on E- Banking; a Decree on E- Government; and a Decree on Handling Administrative Violations in E-Transactions. The Decree on E-Commerce (Decree 57) issued in June 2006 has regulated in more detail the use of transaction documents in the form of data messages in trade.

The Vietnamese government continues to attempt to keep close control of all websites established in Vietnam. The Law on Information Technology came into effect on January 1, 2007. In accordance with this new law, those organizations and individuals who use Vietnam domain ".vn" for their websites will not have to inform the Ministry of Posts and Telematics (MPT), as had been required under the previous legislation. Those not using the ".vn" domain are required to inform MPT in the network environment about certain information related to the website owner and the website's name. Under this law, there will be three decrees to regulate the law: the Decree on IT Applications in the Activities of State Organizations; the Decree Regulating in Detail the Implementation of Some Articles of the IT Law on the IT Industry; and the Decree on Handling Administrative Violations in the IT Sector.

OTHER BARRIERS

Both foreign and domestic firms have identified corruption in Vietnam in all phases of business operations as an obstacle to their business activities. In 2005, Vietnam scored a 2.6 out of a possible high score of 10 points on Transparency International's Corruption Perception Index. In large part, lack of transparency, accountability and media freedom, widespread official corruption and inefficient bureaucracy remain serious problems. Top leaders in the Communist Party of Vietnam and the government of Vietnam publicly admit they must address these problems on an urgent basis. Competition among government agencies for control over business and investments has created confusing and overlapping jurisdictions and bureaucratic procedures and approvals, which in turn create opportunities for corruption. Low pay for government officials and inadequate systems for holding officials accountable for their actions compound the problems. Implementation of Vietnam's public administration reform program, developed with the assistance of the World Bank, combined with Vietnam's obligations under the transparency provisions of the BTA, are expected to improve the situation.