Doing Business in Vietnam: 2009 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in Vietnam

Market Overview Return to top

- Vietnam is a true emerging market, offering ground floor and growing opportunities for U.S. exporters and investors. Vietnam's economic growth rate has been among the highest in the world in recent years, expanding annually at 7-8.5 percent, while industrial production has been growing at around 14-15 percent per year. Vietnam's macroeconomic challenges and the global financial crisis dampened this growth in 2008 and will continue to do so in 2009.

- In response to significant macroeconomic challenges, including high inflation and a large and growing current account deficit, the Government of Vietnam (GVN) implemented a series of fiscal and monetary tightening measures in 2008 that were effective in stabilizing the Vietnamese Dong, cutting the trade deficit, and slowing inflation. As these measures were taking hold, the global economic outlook worsened in the fall of 2008. As a result, Vietnam now expects 6.5 percent GDP growth in 2009, but many economists predict growth to slow to around 5 percent if current trends continue.

- Bilateral trade continued its impressive growth, increasing from $1.2 billion in 2000 to $15.7 billion at the end of 2008. Despite the economic slowdown in Q4, U.S. exports to Vietnam grew by an impressive 47 percent to reach $2.8 billion in 2008, while Vietnam's exports to the United States, the country's largest export market, were up by 21 percent, reaching $12.9 billion. However, U.S. export growth to Vietnam slowed considerably in Q4 2008, a trend which will continue well into 2009 due to the global economic slowdown.

- In 2008, Vietnam continued to implement laws and regulations in compliance with its WTO obligations, following its joining the WTO in January 2007. Through 2015, the Government of Vietnam (GVN) will implement far-reaching economic, regulatory and administrative changes that will provide an increasingly favorable environment for American businesses to enter and expand in the market. To this end, in 2008 Prime Minister Nguyen Tan Dung unveiled "Project 30," the government's far reaching initiative to cut, simplify and revise all national and provincial regulations that affect businesses and citizens throughout the country.

- The momentum and direction generated by the entry into force of the U.S. - Vietnam Bilateral Trade Agreement (BTA) in 2001 transformed the bilateral commercial relationship between the United States and Vietnam and accelerated Vietnam's entry into the global economy.

- This momentum has continued with the United States and Vietnam signing a Trade and Investment Framework Agreement (TIFA) in 2007 and commencing negotiations of a Bilateral Investment Treaty in December, 2008. Under the TIFA the United States and Vietnam continue to advance the BTA and Vietnam's WTO commitments, and are exploring new initiatives to increase trade in industrial and agricultural products and services, and encourage further investment between the counties.

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

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

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

- While Vietnam has reduced tariffs on many products in line with its WTO commitments, it reversed course on tariff reductions on a number of imports in 2007, including meat and poultry, and automobile and automobile parts, all of which had been lowered in 2007. Firms find tariff changes such as these, which are often implemented with short phase-in periods, to be challenging to business and manufacturing planning.

Market Opportunities Return to top

- Continued strong economic growth, ongoing reform and a large population of 85 million—half of which are under the age of thirty—have combined to create a dynamic and quickly evolving commercial environment in Vietnam.

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

- In 2008 per capita GDP passed $1000 for the first time. With disposal income levels in major urban areas four to five times this level, significant opportunities in the consumer and services sectors continue to emerge.

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

- The GVN plays a significant role in the economy, with state-owned enterprises (SOEs) making up 37 percent of GDP. The GVN strategy to "equitize" (partially privatize) SOEs in all sectors of the economy continues at a measured pace. The GVN will maintain majority ownership in the largest and most sensitive sectors of the economy, including energy, telecommunications, aviation and banking. The equitization process will create opportunities for many U.S. companies.

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

- A new telecommunications law is expected to be passed by the National Assembly in 2009, opening up new opportunities for trade and investment by foreign firms in this rapidly expanding market segment.

- As of January 1, 2009 the GVN allows wholly owned foreign invested companies in most sectors to distribute their own products, in line with its WTO commitments.

Market Entry Strategy

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

- From 2005 to 2007, Vietnam's National Assembly passed a number of laws affecting the commercial environment, including new enterprise, investment and intellectual property legislation. Effective implementation, including formulation and issuance of follow-on implementing regulations and decrees continue to be important in determining the on-going impact of many of these legislative initiatives.

- $11-12 billion of untied ODA (Official Development Assistance) funding has been committed to VN, primarily for infrastructure development. U.S. companies doing business in transportation, telecommunications, energy, environmental/water, civil aviation, financial services and other infrastructure sectors are advised to develop core strategies and capabilities for bidding on ODA (World Bank, Asian Development Bank, USAID) projects.

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Chapter 2: Political and Economic Environment

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

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Chapter 3: Selling U.S. Products and Services

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According to current Vietnamese regulations, unless a foreign company has an investment license permitting it to distribute its own goods in Vietnam, a company must appoint an authorized agent or distributor.

Agents: A Vietnamese agent sells a foreign supplier's goods in Vietnam for commission. In this case, the sale is normally transacted between the foreign supplier and a local buyer in Vietnam while the Vietnamese agent typically performs the following responsibilities: market intelligence, identifying sales leads, pursuit of sales leads, sales promotions, sales closing, product warranty and after-sales services, etc. The specific responsibilities of a Vietnamese agent depend on the agency agreement between the agent and the foreign supplier. The risk of non-payment rests with the foreign supplier. Vietnam's Trade Law recognizes the right of foreign companies to appoint agents provided that the Vietnamese agent's registered scope of business includes such activities. In some cases, a foreign supplier can appoint a sales representative (an individual) instead of an agent (a company). Despite a number of benefits, this approach is considered more risky than using an agent.

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

Legal and Practical Considerations: U.S. companies should conduct sufficient due diligence on potential local agents or distributors to ensure that they have the specific permits, facilities, manpower, capital, and other requirements necessary to meet their responsibilities. Commercial agreements should clearly document the rights and obligations of each party, and stipulate dispute resolution procedures. In most cases, payment by irrevocable confirmed letter of credit is recommended initially and credit terms may be considered after U.S. companies have an in-depth knowledge of their local partners.

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

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

Finding a Local Partner: While wholly owned foreign invested enterprises are becoming more numerous, the majority of foreign companies operating in Vietnam choose to partner with local firms. One way to locate Vietnamese partners is to contact and network through 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. VCCI members include state-owned enterprises (SOE's), joint-stock companies, and private firms in a variety of sectors. In Ho Chi Minh City, the Investment & Trade Promotion Center (ITPC) can also make introductions to prospective partners. Another channel for finding a local partner is through the Vietnam Trade Promotion Agency (VIETTRADE) or through local industry associations, as many key industries in Vietnam have formed associations. A number of private consulting companies have also developed matching services. Depending on business objectives, the most effective means for finding a local partner (potential agent and distributor) may be 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 http://www.buyusa.gov/vietnam/en/.

Establishing an Office Return to top

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

Representative Office License: A representative office is generally easy to establish, but is the most restrictive form of official presence in Vietnam. The license is issued by the relevant Department of Trade (DoT) in the city or province where the representative office is to be set up. A representative office license allows for a narrow scope of activities, as stipulated in Decree 72/2006/ND-CP, dated July 25, 2006, detailing the Trade Law's regulations on representative offices, branches of foreign businesses in Vietnam, and in Circular 11/2006/TT- BTM, dated September 28, 2006, providing guidance on the implementation of Decree 72/2006/ND-CP.

A representative office may rent office space/residential accommodations, employ local staff along with a limited number of expatriate staff, and conduct a limited range of business operations. Permitted activities include market research and monitoring of the marketing and sales programs carried out by its overseas head office, as well as pursuing long-term investment activities. As the representative office is regarded as a commercial liaison office and not an operating entity, it is strictly prohibited from engaging in any revenue-generating activities, such as trading, rendering professional services, revenue collection, 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, another license is required. A "branch representative office" license is no longer allowed. 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 several representative offices when all are applied for simultaneously. If an additional license application is made at a later date, government authorities may require documentation on the performance of the first representative office.

- Tax Considerations: A representative office is exempt from corporate tax 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 or the 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 relevant DoT. The application and profile must be prepared in English and Vietnamese, and both sets of documents must be duly executed. The license is usually valid for three years and may be extended for additional three-year periods.

Branch License: The term "branch" office under the laws of Vietnam refers to an entirely foreign-owned business that operates in certain designated service sectors. These sectors, which are restricted and closely monitored by the Vietnamese government, include banking and finance, law, insurance, marketing and advertising, education, tourism, logistics, construction, and other types of services. Many foreign branch offices first entered Vietnam as representative offices and later applied for a branch license.

Branch status authorizes a foreign business to operate officially in Vietnam, including 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 of Industry and Trade (MoIT) or other competent authorities for the industry in question (e.g., the State Bank of Vietnam for banking licenses, or the Ministry of Justice for law offices).

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

Foreign Investment Licenses (FIL): Foreign direct investment (FDI) in Vietnam is regulated by the Department of Planning and Investment (DPI) at the local level and the Ministry of Planning and Investment (MPI) at the central level through FILs and related implementing regulations, decrees, and circulars. Compared to previous legislation, the new FIL rules delegate more authority over investment licensing to provinces, municipalities, and investment zones. For example, as of September 2006, approval authority for investment certificates under $100 million has been devolved to the provinces (for a limited number of sectors only). Certain investments above $100 million require consultation between the province and MPI. MPI also reserves the right to approve or deny all investments in certain sensitive sectors, including airports, seaports, mining and oil and gas investments. Even with these recent changes, several provinces and large cities have been urging the Vietnamese government to expand their autonomy still further in this area. The Prime Minister's office retains authority over larger projects and projects deemed sensitive. MPI remains the principal government agency acting as an advisor for the Prime Minister with regard to giving approval to large and sensitive projects.

Under the prevailing Investment Law of Vietnam promulgated in 2005 applicable to both local and foreign investors, primary forms of direct investment by foreigners and Vietnamese include:

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

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

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

a) Enterprises organized and operating in accordance with the Law on Enterprises; credit institutions, insurance enterprises, investment funds and other financial organizations in accordance with various laws;

b) Medical service, educational, scientific, cultural, sports and other services;

c) Establishments which conduct investment activities for profit-making purposes;

d) Other economic organizations in accordance with law.

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

a) Investors shall be permitted to sign a BCC contract in order to co-operate in production and to share profits or to share products and other forms of business cooperation. The contract shall set out the co-operating parties; the contents of the cooperation; the duration of business; the rights, obligations and responsibilities of each party; the co-operative relationship between the parties and the management organization as agreed by the parties. A BCC contract in the sector of prospecting, exploration and mining of petroleum and some other natural resources and in the form of a production sharing contract shall be implemented in accordance with the provisions in this Law and other provisions of the relevant laws.

b) Investors shall be permitted to sign a BOT, BTO and BT contract with the competent State body in order to implement projects for new construction, expansion, modernization and operation of infrastructure projects in the sectors of traffic, electricity production and business, water supply or drainage, waste treatment and other sectors as stipulated by the Prime Minister. Investments under BOT, BTO and BT contracts are regulated by Decree 78/2007/ND-CP dated May 11, 2007.

4. To invest in business development. Investors shall be permitted to invest in business development through the following forms:

a) Expanding scale, increasing output capacity and business capability.

b) Renovating technology, improving product quality and reducing environmental pollution.

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

6. To invest in the carrying out of a merger and acquisition of an enterprise. Investors shall be permitted to merge and to acquire companies and branches. The conditions for merger and acquisition of companies and branches shall be regulated by the 2005 Investment Law, the Law on Competition and other provisions of the relevant laws.

With regard to portfolio investment (indirect investment as termed in Vietnamese legal documents), investors shall be permitted to carry out the following forms of indirect investment in Vietnam:

1. Purchase of shareholding, shares, bonds and other valuable papers;
2. Through securities investment funds;
3. Through other intermediary financial institutions.

Any investment by way of purchase or sale of shares, share certificates, bonds and other valuable papers of individuals and organizations and procedures for conducting indirect investment activities shall be implemented in accordance with the law on securities and other provisions of the relevant laws.

Franchising Return to top

Franchising is a relatively new business concept in Vietnam. Although existing here since the early 1990s, it has been slow to develop and has yet to enjoy the level of popularity it has achieved in more developed countries. With Vietnam's accession to the WTO and the opening up of retail distribution to foreign companies in as of January 1, 2009, the sector is expected to flourish. With an estimated annual growth of 20 percent in recent years, franchising shows great potential as a form of business in Vietnam.

Decree No 35/2006/ND-CP, dated 31 March 2006, regulating franchises in Vietnam provides for key concepts in franchising, requirements of franchise agreements and State administration of franchises for the first time. This provides a clearer legal basis for franchising operations than existed previously and is a significant step in spurring the development of this sector.

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

Direct Marketing Return to top

Direct marketing and multi-level marketing techniques have been novel and rather suspect concepts in Vietnam until very recently. This is rapidly changing as large internationally recognized players move into the market. Decree 110/2005/ND-CP, the Decree on the Administration of Multi-Level Sales Activities, issued August 24, 2005, provides the basis for regulation of this sector. Previously, foreign-owned companies could only conduct direct marketing activities through a Vietnamese partner unless they had in-country manufacturing. There are still issues governing distribution that await clarification as the legal environment evolves, including how Decree 110 will relate to changes in distribution rights under Vietnam's WTO commitments as of January 2009.

The logistical barriers to direct marketing include the lack of consumer data, although this too is changing, a scarcity of mailing lists, poor local transportation and delivery services, complex product licensing requirements, having to use a primarily cash-based payment system because of low credit-card penetration and difficulty doing automated bank billing, and ambiguous regulations and variable interpretations of Decree 110 by licensing authorities related to conducting training and providing printed sales materials.

In years past several cosmetics and lingerie companies had experimented with door-to-door sales on a limited basis in Ho Chi Minh City. More recently, multinationals with global reputations for multi-level or direct marketing prowess have introduced new techniques and structures to Vietnam and the ranks of sales agents/distributors are beginning to grow. These include companies in personal care and nutrition as well as household products. Some are setting up production in Vietnam. Foreign life insurance companies have been licensed for some time and have assembled large teams of agents who engage in traditional telemarketing, door-to-door selling, and workplace marketing in urban areas.

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

Joint Ventures/Licensing

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Joint Ventures: A foreign joint venture, one of the most popular forms of investment by foreign companies, is understood as an economic entity with at least one foreign company partner. The 2005 Investment Law permits the establishment of 100 percent foreign-invested enterprises (or 100 percent FIE's- see above) in many but not all sectors. Recent reforms have made this an increasingly popular option, although some foreign investors still opt to form joint ventures with a Vietnamese partner. Joint ventures, like all different types of business formations, have advantages and disadvantages. On the positive side, a Vietnamese partner, which is often a state-owned enterprise (SOE), can contribute crucial relationships with government officials and clients, local market know-how, access to qualified staff, and knowledge of land-use rights. However, there are many potential liabilities with a Vietnamese partner. Local management skills are often limited and the organizational culture may be cumbersome and bureaucratic. They also may not share the fundamental outlook and objectives of their foreign partner and may hesitate to make major strategic moves such as recapitalization or fundamental changes to the business plan. Finally, a Vietnamese partner can rarely contribute significant operating capital to the business. Joint Venture licenses are normally granted for fifty-year to seventy-year periods and can usually be easily renewed with the mutual consent of all the parties, or, alternately, dissolved.

At present there are approximately 3,300 SOEs out of over 100,000 registered domestic enterprises. Under the State's restructuring plan, many SOEs are destined for equitization, sale, lease, transfer, or closure. 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 significant share of non-agricultural output and employment. However, the average capitalization of the SOEs is many times that of the other forms, allowing them to dominate manufacturing and trade activities. Therefore, many foreign investors partner with SOE's, including firms controlled 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 may have to 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 and Technology has primary authority to approve technology transfer contracts. The implementing regulations of the law governing technology transfer have made such deals difficult. The key areas to note are strict requirements for precise details on the timetable for the delivery of technology; provisions requiring extensive warranties; the limited duration of contracts; and restrictions on royalty rates. The Commercial Law does provide protection for transferred technology, but some of its provisions remain to be implemented.

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

Selling to the Government

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The Vietnamese Government is the leading purchaser of goods and services in Vietnam. If provincial and municipal governments and SOE's are included, the potential for sales to this sector is very large. Bolstering state budgets, Vietnam is the recipient of significant levels of Official Development Assistance (ODA). According to the MPI, multilateral and bilateral donors have pledged approximately $11-12 billion in ODA support to Vietnam for the period 2006-2010. 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, telecommunications, energy, environmental/water, civil aviation, education and financial services. Vietnam's record for actually implementing domestic and ODA funded projects has been mixed.

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

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

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, and are more frequently awarded as direct contracts rather than open competitive bidding.

Distribution and Sales Channels

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

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

Vietnam has reserved the right to import certain goods to state trading companies. In brief, these goods are: cigars and cigarettes; crude oil; newspapers, journals and periodicals; and records, tapes and other recorded media for sound or pictures (with certain exclusions).

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

Many foreign firms have complained that the administration of customs can be opaque and inefficient. Importers have claimed that duty classifications for the same product differ from inspector to inspector, and that even the same inspector may charge different rates for the same item at different times. Should the importer disagree with the classification, it can appeal before the local customs' office, Customs' HQ in Hanoi or an administrative court. Companies also complain that corruption remains a problem in the customs clearance process. Despite prosecution of corrupt customs officials at many levels, the use of "facilitation fees" to expedite customs clearance is not an unheard-of occurrence.

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

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

Distribution Services: According to Vietnam's WTO Commitments, 100 percent foreign-owned companies may engage in distribution services (including wholesale or retail sales) of most legally imported or domestically produced products as of January 1, 2009. Distribution services include commission agent sales, wholesaling, retailing and franchising (franchise branches will be permitted in 2010).

Wholesaling: According to Vietnamese law "wholesaling" means the activity of selling goods to other business entities and organizations. This activity does not include the activity of selling goods directly to the final consumer or end user.

Foreign companies engaging wholesalers in Vietnam should examine the investment certificate or business registration certificate of each reseller or distributor to make sure that the reseller is properly licensed to engage in wholesaling or retailing of the products sold to them.

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

A company licensed to engage in retailing has the right to establish a single retail sales outlet. Subsequent outlets are subject to approval from the relevant local Department of Planning and Investment (DPI). Local authorities will take into consideration the "master plan" of the province, including the "economic needs" of the proposed establishment that takes into consideration such factors as available parking and access roads, the number of retail sales outlets already in the locality, and population density. To date, this so-called "economic needs test" has been limited to large retail establishments such as department stores and bulk retailers, and shopping malls.

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

In recent years, Vietnam's retail landscape has been going through 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, Metro, CitiMart 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 kinds of outlets are said to account for more than 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. An example of a recent international entrant to Vietnam's retail segment is France-based Big C, which opened a "hyperstore" outlet in Hanoi. Company officials estimate that up to 10,000 customers visit the facility a day.

Shopping center developments are also mushrooming in Vietnam. The Saigon Superbowl and Diamond Plaza in Ho Chi Minh City, the nation's first large-scale entertainment and retail centers, along with Parkson's Plaza and Huong Vuong Plaza, are in full operation. Although Ho Chi Minh City leads this sector, similar developments are taking place in Hanoi.

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 and industrial equipment manufacturer Parker-Hanafin and air conditioner giant Carrier have opened similar outlets in HCMC. These developments are changing the way the wealthier and more cosmopolitan segments of urban Vietnamese shop. Still, apart from these pioneering projects, retail outlets consist mainly of family-run market stalls or small street-front shops.

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

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

CURRENT FOREIGN-INVESTMENT CAPS FOR DISTRIBUTION AND RELATED INDUSTRIES

WTO Service Sector	JV Required ?	Percentage of Foreign-Ownership Allowed
Distribution Services: - Commission Agent's Services; -Wholesale Trade Services; -Retailing Services.	No	100 percent
Warehousing Services (CPC 742)	Yes, until 2014	51 percent
Advertising/ Marketing Services (CPC 871)	Yes	In principle, up to 99 percent.
Freight transport agency Services (CPC 748) including freight forwarding services	Yes, until 2014	51 percent

Selling Factors/Techniques Return to top

<u>Development of Consumerism</u>: Foreign brands have proliferated in Vietnam over the past decade. This is indicative of rising urban incomes and increasing integration with the global economy. Market observers speak of the growth of "consumerism" in Vietnam, but it must be borne in mind that this remains a country with low per capita GDP ($1,024 for the country as a whole in 2009, according to official figures). The market for most imported consumer goods is still in a handful of the larger cities where incomes are considerably higher than the national average, and some parts of the Mekong Delta. Among consumers there is much trial usage, but little brand loyalty except for among the affluent. 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 U.S., 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, where "TV is King." Urban consumers are remarkably familiar with leading foreign products, even those not generally available in Vietnam. One major reason for this is contact with relatives abroad. 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. An increasingly affluent Vietnamese population is also traveling more widely than in the past, and the number of Vietnamese students abroad is growing rapidly. 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.

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 economic regions surrounding core urban centers: the South centered on Ho Chi Minh City, the North based in Hanoi, and the Center focused on Da Nang. The main distinctions among these regions are consumer purchasing ability, brand awareness and recognition. Vietnam's per capita GDP stands at around $1,024, while unofficial estimates put HCMC's and Hanoi's per capita GDP at well over triple the national average. The actual disparity is probably even greater, as certain income elements that 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 do consumers in the North and Central regions, although this is changing. 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 consumer goods companies, the first marketing goal is to penetrate Ho Chi Minh City; as well over half of all Vietnamese purchases of foreign consumer goods take place in this area.

By contrast, companies that sell products related to Vietnam's infrastructure development (energy, environment, aviation, telecommunications, etc.) frequently focus selling efforts in Hanoi, which is headquarters to most state owned enterprises (SOEs), the multilateral development banks (Asian Development Bank and World Bank) and other development organizations offering official development assistance (ODA). Even with Vietnam's rapid transition to a more consumer-based society, SOEs still control roughly 37 percent of the economy and account for a significant portion of overall imports on a total value basis.

Product Information: Foreign companies in Vietnam utilize trade fairs, product seminars, product demonstrations, and point-of-sales materials, as well as print and broadcast advertising. The aim is not only to promote their merchandise, but also to educate both sellers and end-users. Successful long-term brands typically have to be adapted to long term tastes, particularly consumer goods. 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 might require approval in advance by local authorities.

Practical Considerations: Hands-on involvement is required to achieve commercial success in Vietnam. U.S. firms should foster close relationships and maintain regular communication with Vietnamese representatives, agents, and/or distributors of their products. Not only are many products competing for limited shelf, showroom or warehouse space, but Vietnamese representatives also often handle multiple brands of the same product 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 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.

Electronic Commerce

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E-Commerce in Vietnam, although still in a relatively early stage, has seen robust development over the last several years as the country continues its integration with the global economy and as the domestic economy booms. This growth follows naturally as the Vietnamese government, rapidly expanding business community and increasingly sophisticated citizenry become aware of the benefits and conveniences brought about by E-Commerce. As Internet infrastructure continues to improve, bandwidth and speed are up and service is increasingly reliable. As of the end of 2008, Vietnam, with a population of 86 million people, had a 24 percent Internet penetration rate. In urban areas- even if many homes still lack computers- Internet cafes are ubiquitous and WiFi access increasingly common.

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

As part of its effort to reform administrative processes throughout all levels of government, the Office of the Government is attempting to increase national competitiveness through modernization of administrative systems and by a increasing the role for E-government. Government agencies have increasingly turned to information technology applications in dealing with businesses and the general public. Almost all ministries, as well as provincial and municipal governments have established websites providing a wide range of information. A few central and local offices have started to provide simple public services electronically such as E-business registration, E-customs declaration, Ebidding, and E-certificate of origin systems. Nearly half of all provinces and municipalities in Vietnam have created master plans for E-Commerce development, and the World Bank has committed to funding over $100 million for E-Government development over the next five years.

More and more Vietnamese businesses are coming to appreciate the role of E-Commerce in cutting transaction fees, finding new customers domestically and overseas as well as transacting business on line. Along with the robust growth of Internet access and the development of electronic payment systems, business-to business (B2B) E-Commerce has been expanding with increasing speed. As of the end of 2008, 97 percent of Vietnamese businesses had internet access, 38 percent had Websites, and some 10 percent were engaged in e-commerce in some form. Dozens of domestic B2B websites have also been set up.

Vietnamese consumers are gaining increased familiarity with business-to-customer (B2C) and customer-to-customer (C2C) models. Hundreds of B2C and C2C E-Commerce websites have been established in a wide variety of fields, ranging from online supermarkets, transportation, tourism, publications, and computer equipment. Systems for electronic payment are also slowly coming into use.

Recognizing the importance of E-Commerce to economic growth, the Government of Vietnam developed a master plan for E-Commerce development covering the period of 2006 to 2010 with the following concrete targets for the end of the period: (1) Approximately 60 percent of large companies conduct B2B E-Commerce transactions; (2) Some 80 percent of small and medium-sized enterprises are aware of the benefits and convenience of E-Commerce and conduct B2C or B2B E-Commerce transactions; (3) About 10 percent of the general population conducts B2C or Customer-to-Customer Ecommerce transactions; (4) Invitations for bids for government procurements are publicized on government websites and E-Commerce is used for government procurement.

Given the current widespread application of information technology in both the public and private sectors, E-Commerce applications are expected to see continued strong growth in the immediate future.

Trade Promotion and Advertising Return to top

Advertising has been permitted in Vietnam only since 1990, but the industry has grown by 30 percent per annum over the past 5 years. In 2007 industry turnover reached $937 million and an informal estimate for 2008 turnover puts that figure close to $1 billion U.S. dollars. This assumes a growth rate approaching 8 percent. The largest share of this went to foreign-invested advertising firms. Foreign companies hold a near monopoly in this market due to better sources of capital, technology, creativity, and professional expertise as compared to local firms. Vietnam acceded to the WTO in January 2007, and under its WTO commitments, Vietnam must open its market to other members.

<u>Regulation</u>: Advertising remains heavily regulated by the Vietnamese Government. In principle, only companies licensed in Vietnam may place advertisements. Advertisements for tobacco and liquor (excluding beverages with alcohol content below 15 percent by volume) are prohibited in the mass media. Advertising for pharmaceuticals, agrichemicals, cosmetics and toiletries require registration and

approval from the appropriate ministries before being run, while the Ministry of Culture, Sports and Tourism must approve all advertising content. Arbitrary enforcement and interpretation of the regulations continue to hinder the development of the advertising industry. Limits on advertising and promotional expenditures exist and are tied to a percentage of total sales. The Government's current regulations prevent domestic enterprises from investing more than 10 per cent of their total spending on advertising programs.

Foreign Ad Agencies in Vietnam: The country now has more than 1,000 domestic ad companies, of which about 700 are operating in HCM City. Vietnam hosts over 30 representative offices of the world's leading advertising companies, including J. Walter Thompson, Dentsu, Sattchi & Sattchi and McCann.

Approximately 80 percent of local advertising companies are now working on advertising contracts for foreign-invested advertising firms. The remaining 20 per cent have independent advertising contracts, but their work is still very often supported by foreign advertising companies abroad. Foreign advertising firms are generally not permitted to directly sign contracts with local media agencies. Instead they must go through local advertising companies to implement ad campaigns in newspapers or TV commercials.

The majority of foreign advertising firms are likely to remain as representative offices for the foreseeable future. Many foreign firms work closely with Vietnamese advertising companies in order to support their international client. Under the Bilateral Trade Agreement that came into effect in 2001, American companies were allowed to enter into joint ventures with Vietnamese firms to offer advertising services, although the U.S. firm was limited to a 51 percent share in such a venture. As of the beginning of 2009, U.S. advertising firms are to be allowed to open branch offices in Vietnam, although how this new rule will be implemented remains to be seen.

While some highly sophisticated advertising production may take place offshore, most production for the multinational ad agencies takes place within Vietnam, primarily in Ho Chi Minh City. Foreign advertising executives note that a large proportion of advertising activities are in Ho Chi Minh City and the surrounding provinces as this area leads the nation in disposable income, familiarity with foreign trends and brands, quality of broadcast programming and print media, and production skills.

Clients: While multinational corporations in Vietnam continue to provide the majority of business for foreign advertising firms, successful local companies are expanding their advertising campaigns and increasing advertising spending. Currently, the leading categories of TV ads are cosmetics/toiletries, pharmaceuticals, electrical appliances, vehicles (primarily motorcycles), household products, soft drinks, and foods. The leading print ad buyers are firms marketing soft drinks, toiletries/cosmetics, vehicles (primarily motorcycles), pharmaceuticals, and transport/tourism services.

Television: Many foreign brand managers make heavy investments in television advertising campaigns. Over 90 percent of Vietnam's urban population own televisions. These viewers 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, especially in peak evening hours. There are 64 local and one national broadcaster (VTV). With the emergence of satellite dishes and cable networks, many households also watch international networks (CNBC, CNN, StarTV).

<u>Print Media</u>: While spending on TV advertising continues to increase substantially, print advertising has really exploded, with annual growth rates of around 30 percent in recent years.

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. Surveys suggest that Vietnam's advertising rates are the lowest (in terms of cost per insertion) 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 "Thanh Nien" (Young Adult), "Nhan Dan" (The People), "Tuoi Tre" (Youth), "Saigon Giai Phong" (Saigon Liberation) and "Lao Dong" (Labor). In recent years, quite a few international quality publications have begun circulation, including "Nha Dep" (Beautiful Home), "Dinh Cao" (Sports & Fitness), "M" (Fashion) and "Phu Nu The Gioi" (Woman's World), Gia Dinh & Tiep Thi (Family & Marketing). These latest publications are setting new standards for the quality of publishing in Vietnam. English newspapers and publications include the Saigon Times Daily, Vietnam News, Vietnam Economic Times, Thanh Nien English News, and Vietnam Investment Review.

<u>Outdoor Advertising</u>: Outdoor advertising ranges from billboards and signboards to public transport, building walls, bus stations, and wash and service stations, among others. Many placements are illegal, so firms should confirm that the advertising agency has proper permits to lease the space.

Under Decree 24/2003/ND-CP dated 12/2/2003 governing many aspects of advertising, large outdoor advertising billboards that are not suitable to urban planning, social safety, aesthetics and the environment will be restricted in urban areas. For example, billboard advertising in Ho Chi Minh City is restricted to the vicinity of the airport. Advertising on articles such as umbrellas, scooters, booths and roofs does not require a permit; however, it must comply with advertising regulations.

<u>Radio</u>: 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 many local and one national broadcaster, Voice of Vietnam (VOV). The cost per thousand listeners is relatively inexpensive. Although radio is not as popular as TV and print media for advertising, radio ad expenditures should continue to expand, especially as more and more drivers take to the road in Vietnam.

<u>Trade Fairs</u>: Trade fairs are numerous and cover a broad range of sectors, but generally do not provide venues of an international standard for product promotion. Many are cosponsored by Government ministries, SOEs, and industry associations. Common venues are the Giang Vo Exhibition Center, the National Convention Center and the Viet-Xo Cultural House in Hanoi. In Ho Chi Minh City, the Reunification Palace, international hotels, the Ho Chi Minh City International Exhibition and Convention Center

and the newly opened Saigon Exhibition & Convention Centre (SECC) are the common locations.

Pricing

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

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

- Import agent fees (typically 1 to 2 percent of the invoice)
- Customs duty. As of a result of the implementation of the U.S. – Vietnam BTA, the Government of Vietnam has granted permanent 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 percent on nonagricultural products. With Vietnam's accession to the WTO, many tariffs have fallen, or will fall, further.
- Value-added tax (VAT) in the range of 5 to 10 percent is levied on the landed cost when the goods change title

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

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.

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 to the Christmas Holiday and 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 these holidays 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.

Sales Service/Customer Support Return to top

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). Foreign firms may need to emphasize customer service training for the front-line local staff, as well as technical training for technicians.

Warranties are also an effective marketing tool to assure customers that they are buying a genuine, high quality product. After-sales service is viewed as part of marketing and distribution. Foreign (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.

Protecting Your Intellectual Property Return to top

Introduction

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

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

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

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

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- Business Software Alliance (BSA)

IPR Resources

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

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at **www.StopFakes.gov**.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the U.S., contact the U.S. Copyright Office at: **1-202-707-5959**.
- For U.S. small and medium-size companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: **http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html**
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **www.StopFakes.gov** This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports

of IPR-infringing products) and allows you to register for Webinars on protecting IPR.

  - For an in-depth examination of IPR requirements in specific markets, toolkits are currently available in the following countries/territories: Brazil, Brunei, China, Egypt, European Union, India, Italy, Malaysia, Mexico, Paraguay, Peru, Russia, Taiwan, Thailand, and Vietnam.
  - For assistance in developing a strategy for evaluating, protecting, and enforcing IPR, use the free **Online IPR Training Module on** www.stopfakes.gov**.**

- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Vietnam at: http://www.buyusa.gov/thailand/en/contact_us.html

IPR Climate in Vietnam

Vietnam is a member of the World Intellectual Property Organization (WIPO) and is a signatory to the Paris Convention for the Protection of Industrial Property. It has acceded to the Patent Cooperation Treaty and the Madrid Agreement Concerning the International Registration of Marks, and in 2004 joined the Berne Convention. In 2007, Vietnam joined the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations. Vietnam is working to devise a system of protecting intellectual property rights (IPR) consistent with the WTO TRIP's agreement, and has made related commitments under the U.S - Vietnam Bilateral Trade Agreement (BTA). Vis-à-vis TRIPS standards, Vietnam still lacks regulations on the protection of encrypted program-carrying satellite signals. Nevertheless, the Government of Vietnam has taken measures to stop the broadcast of unlicensed cable content, decreasing signal piracy considerably.

While significant progress on the legal regime for protecting IPR has taken place in recent years, enforcement of IPR remains inadequate at the street and market level, at least with regard to music, motion picture, software and trademark violations. Most major cities in Vietnam are rife with music CD, VCD, and DVD shops, with 99 percent of the product on sale being pirated. A wide variety of consumer products bearing false or misleading labels are also readily available in the markets, as are counterfeit labels themselves. Local police authorities often are slow to act on court decisions. Violators sometimes negotiate with plaintiffs demanding payoffs to stop producing pirated material.

There are several enforcement agencies involved in and vested with authority to address IPR infringement issues. These include the Ministry of Science and Technology Inspectorate, the Ministry of Culture, Sports and Tourism Inspectorate, the Ministry of Industry and Trade's Market Management Bureau, the Ministry of Public Security's Economic Police, the Ministry of Finance Customs Office and the People's Court (Civil Court). As a result, there are no clear-cut lines of responsibility among these agencies. Generally, sending warning letters to 'infringers' or bringing civil actions to the courts has not been very effective. Warning letters that are not accompanied by a decision of infringement from the National Office of Intellectual Property (NOIP) are often ignored and court actions are lengthy and relatively costly. Vietnamese courts do not have detailed intellectual property regulations or settled procedures for dealing with intellectual property cases and their knowledge and experience in this field is still limited.

Administrative enforcement has been the most effective approach and is recommended as the first step for dealing with infringement cases in Vietnam.

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

Due Diligence Return to top

Any firm establishing a new business venture in Vietnam should develop business relationships in a positive, but cautious manner. It is imperative that relationship building include adequate due diligence prior to entering into contracts or other commercial arrangements. Too often, the local business sector is oriented toward making money quickly. Thus care must be taken to check the bona fides of every business, be it agent or customer, before entering into a business arrangement.

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

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

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

In 2008, the government issued a license to Vietnam WorldVest Base (WVB) Financial Intelligence Services Co. Ltd. (www.vietcr.com), allowing it to provide credit rating services on Vietnamese companies.

Other limited resources may include local municipal governments (people's committees) with information on companies registered in their jurisdictions. While such information may not be generally available to the public, authorities do recognize that certain professionals such as attorneys may have a legitimate need for such information and may share it with them.

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

Local Professional Services

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Foreign Law Firms: As Vietnamese law firms still generally lack expertise in commercial and international law, foreign investors should consider using the services of a foreign law firm in Vietnam. Branches and subsidiaries of foreign law firms in Vietnam are allowed to hire licensed Vietnamese lawyers and trainee solicitors. Licensed Vietnamese lawyers working at foreign firms can provide formal legal opinions on matters of Vietnamese law. Although foreign lawyers who have not been admitted to the Vietnamese Bar Association cannot appear as representatives of their clients in Vietnamese courts, Vietnamese lawyers who work for foreign firms do so.

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

The services of local law firms encompass investment law and consulting. 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 may be 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.

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.

Consulting Services: Both internationally recognized and local consulting and advising services are available in Vietnam. A number of the large international accounting/professional services firms now have well-established offices here. As the economy develops and market opportunities expand, availability of such services continues to broaden. Such entities can provide invaluable assistance in doing business in Vietnam.

Web Resources

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

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

AmCham Hanoi: http://www.amchamhanoi.com/site/index.php

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

Vietnam Consulate General in San Francisco: http://www.vietnamconsulateca.org/home.asp

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

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

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

Vietnam Chamber of Commerce and Industry: http://vibforum.vcci.com.vn/
Vietnam Economy: http://www.vneconomy.com.vn/eng/

Vietnam Investment Review: http://www.vir.com.vn/Client/VIR/Default.asp

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

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

Commercial Sectors

Power Generation, Distribution and Transmission

Overview

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	2006	2007	2008 (estimated)
Total Market Size	2,185	2,287	2,500
Total Local Production	775	960	1,075
Total Exports	N/A	N/A	N/A
Total Imports	1,410	1,327	1,425
Imports from the U.S.	73	79	92

Figures are in $000. Total market size for equipment and services is based on Electricity of Vietnam and World Bank (WB) statistics and estimates. Other statistics are unofficial estimates.

The electric power sector represents one of the most promising areas for U.S. commercial prospects in the Vietnamese market. At present, Electricity of Vietnam (EVN), a state owned enterprise with more than 50 subsidiaries and affiliates, which reports directly to the Prime Minister, holds a monopoly on electricity transmission and distribution. The electric power industry is under the jurisdiction and management of the Ministry of Industry and Trade (MoIT).

The Vietnamese government relies on Power Development Master Plans to manage the development of the electric power sector. These plans forecast growth in demand and map out the overall development of the power industry to meet that demand going out ten years, while also providing a twenty-year overview. The Prime Minister approved the Sixth Master Plan in Decision 110/2007/QD-TTg, dated July 18, 2007, covering the period 2006 – 2015, with an overview extending to 2025.

Demand for Electricity: According to EVN's statistics, as of December 2008, Vietnam power generation industry produced 65.89 billion kWh, providing energy to 12,172,879 direct buyers, of which industrial/construction and commercial/household buyers accounted for 50 percent and 40 percent respectively. The Sixth Master Plan envisions that with forecasted GDP growth at 8.5 – 9 percent or even higher over the period 2006-2010, the demand for electricity will grow by 17 percent per year (base-case scenario) and 20 percent per year (high-case scenario) during the period 2006- 2015 (see chart 1). This soaring demand is attributed both to increasing industrial and residential use. Power shortages are expected during this period if adequate measures are not taken to increase the power supply accordingly.

Given the recent downturn in the global economy, the government of Vietnam has reduced its 2009 GDP growth projection to the range of 6.2 percent for the year. Although no official government downward projection for electricity consumption exists at the time of this writing, electricity demand, particularly from the industrial sector, is expected to decline in correlation to the decline in industrial output growth. The charts below represent projections made prior to the 2008 global financial crisis.

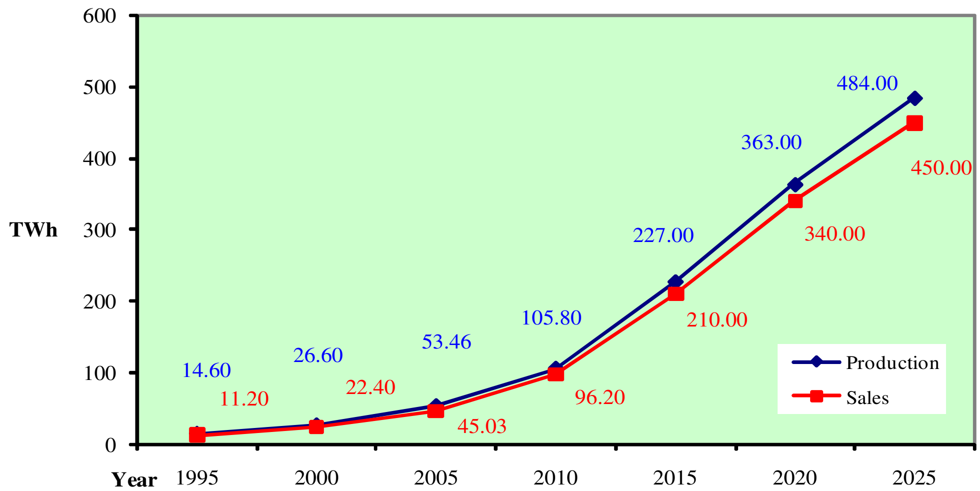

Chart 1 – Electricity Production and Sales Forecast by 2025

(Source: Master Plan VI, EVN
http://www.evn.com.vn)

Electricity Supply: As of the end of 2008, Vietnam's total generation capacity (peak) was 65,890 MW, of which EVN's facilities accounted for 78 percent. The remainder was under the control of local and foreign Independent Power Producers (including 27 IPPs). The power generation system mainly relies on thermal gas power (39 percent) and hydropower (37 percent) while thermal coal power, currently accounting for 13 percent, will play an increasingly important role in the medium and long term. Oil fired power plants and other sources including imports from China took up about 5 and 7 percent respectively. In order to meet increased market demand, Vietnam is planning on building two nuclear power plants with a capacity of 2,000 MW each, and a total estimated of approximately $6 billion. GVN's current plan is to build the plants in the southern province of Ninh Thuận, with the first becoming operable by 2020. When complete, these plants would account for 20 about percent of Vietnam's national power generation output.

According to the Sixth Master Plan, it is estimated that an additional capacity of 2,700 MW will be required per year on the average during the 2006 – 2010 time period to meet rapidly growing demand. Chart 2 and 3 provide additional details about the projected expansion of the power generation system in Vietnam.

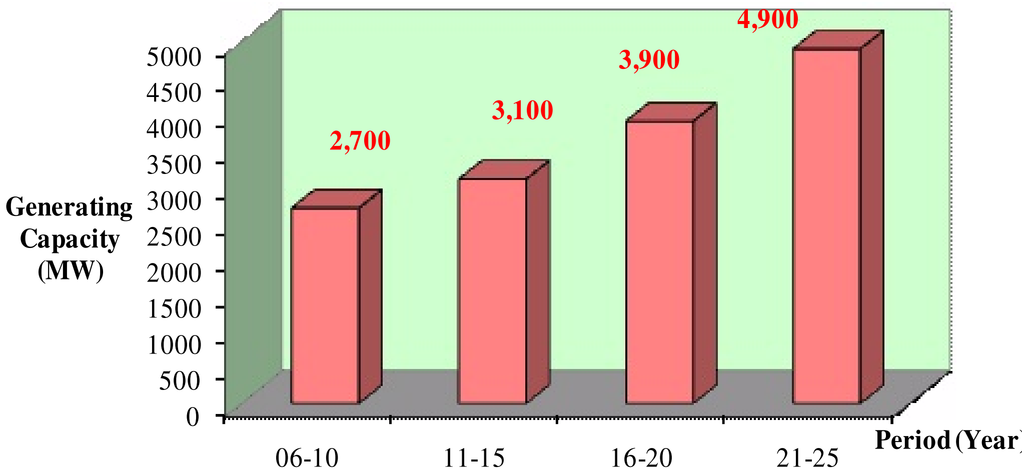

Chart 2 – Additional Average Generating Capacity Required Per Year Forecast by Five-Year Period to 2025

(Source: Master Plan VI, EVN http://www.evn.com.vn)

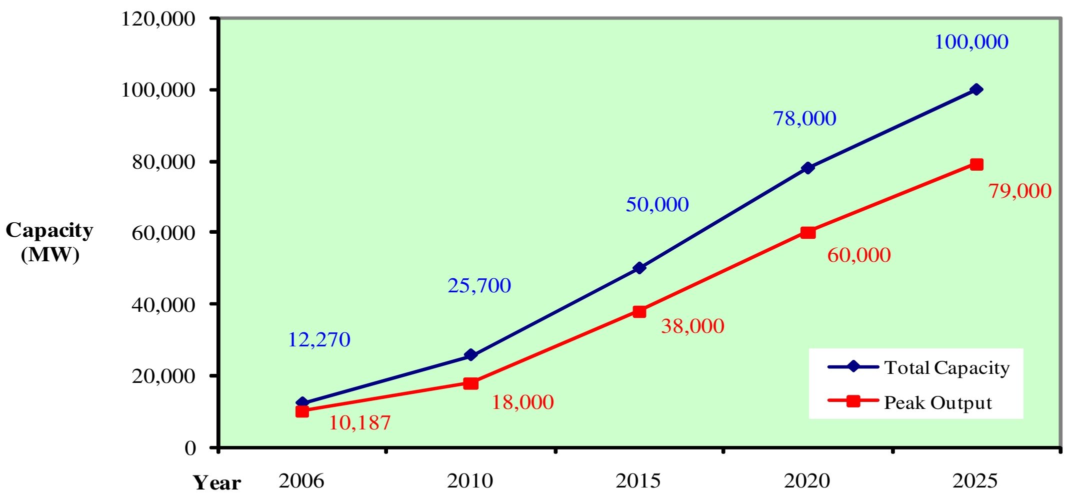

Chart 3 – Electricity Production and Sales Forecast to 2025

(Source: EVN, http://www.evn.com.vn)

Transmission and Distribution Systems:

As of the end of 2008, the rural electrification rate in Vietnam was 95 percent and is expected to reach nearly 100 percent by 2020. The following chart shows the current transmission system as well as its projected development to 2025.

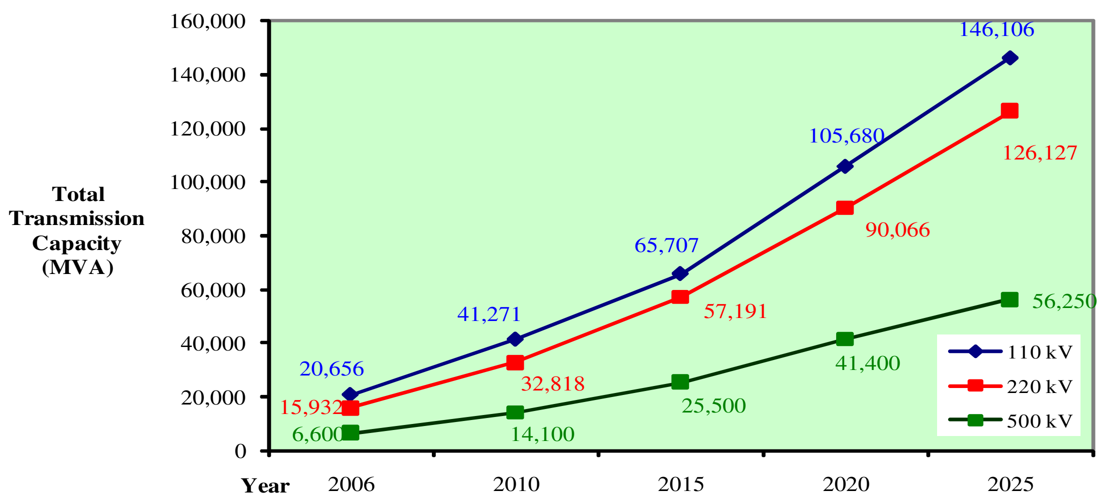

Chart 4 – Projected Expansion of the Power Transmission System to 2025

(Source: Master Plan VI, EVN
http://www.evn.com.vn)

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

Investment Requirements: According to state-run EVN, $2.87 billion will be invested in 2009 alone for a number of projects, specified as follows: (i) to build 9 power plants with a total capacity of 2,696 MW; (ii) to start building 185 transmission grids from 110-220-500 kV; and (iii) to complete an additional189 projects that include five 500kV grids and 49 220kV grids. Over the period 2006 – 2010, investment of over $16 billion (including investment in IPP projects) will be needed for the development of new transmission and distribution systems as well as about 44 new power generation projects. Sources of finance for this development are expected to come from EVN funds (self-financing), Official Development Assistance (ODA) loans, Vietnam's Development Assistance Funds (DAF), commercial loans and foreign export credit, as well as IPP developers (private sector). The following chart shows EVN's projected investment in the power sector over period 2006 – 2010

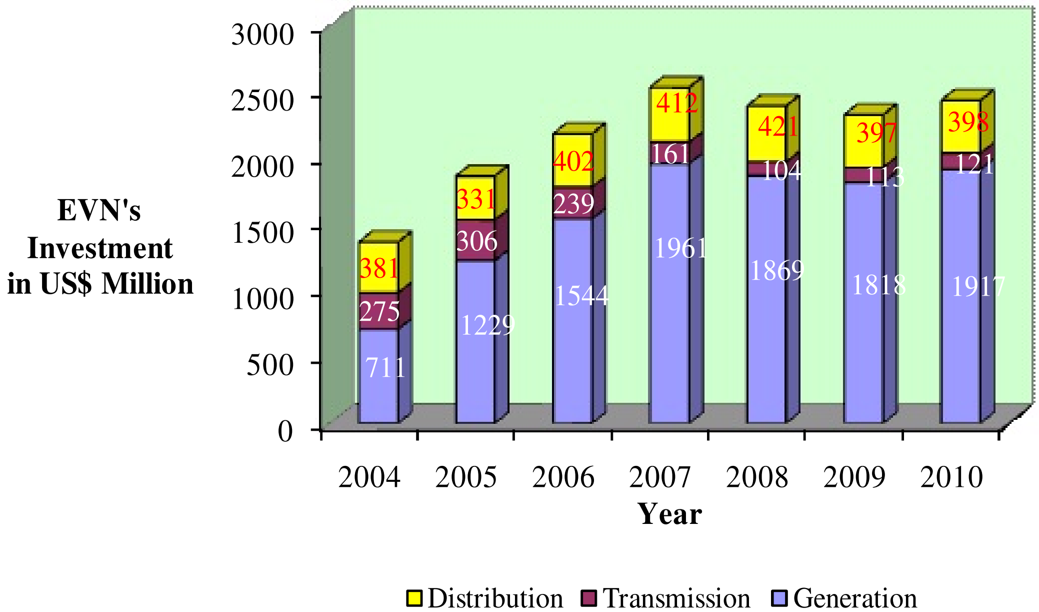

Chart 5 – EVN's Investment Requirements over Period of 2006 – 2010

(Source: EVN, http://www.evn.com.vn)

In the longer term, EVN estimates that the electric power industry will require over $40 billion to achieve its goals set for the year 2015. Of this estimated investment, about $30 billion will be allocated to power generation and the remaining $10 billion will be needed for the development of the transmission and distribution network. Also, according to EVN, in the next 8-9 years, in the base-case scenario (i.e. the demand for electricity will grow by 17 percent per year), Vietnam plans to build 95 power plants with a total capacity of up to 49,044 MW, of which 44 power plants with total capacity of 24.045 MW, will be invested by EVN itself. In the high-case scenario (i.e. the demand for electricity will grow by 20 percent per year), Vietnam plans to invest up to 98 power plants with total capacity of 59,444 MW, of which EVN would build 48 power plants with 33,245 MW, with an estimated total investment of $39.58 billion (including $26.77 billion for power generation.)

In 2008 EVN came under scrutiny from the government for its slowness in initiating key power generation projects in a timely manner. Lacking investment capital and institutional capacity to undertake all of the power plants allocated to it by the GVN, EVN thus returned 13 power plant projects for issuance to other investors. MOIT subsequently regrouped the 13 projects into nine, allocating two 2,000MW power plants back to EVN, two 2,400MW projects to PetroVietnam, two 2,400MW projects to Vinacomin, and three additional projects (consisting of a 1,200MW and two 2,400MW power plants) to outside investors. According to MOIT, the final three power plants will be awarded under international competitive investment tenders.

Independent Power Producers (IPPs): As EVN's self-financing and other sources of debt financing can meet only about 66 percent of the total investment requirement, IPPs are expected to carry a large portion of the investment in the power generation sector, including those to be developed by foreign investors. In 2006, MoIT, the government agency responsible for planning, executing bidding, and contracting procedures for large

IPPs, issued Decision 30/2006/QD-BCN to regulate the investment, construction and operation of IPPs. To date, a considerable number of foreign investors have shown interest in developing IPP projects in Vietnam, yet few projects have been realized due to obstacles including legal and regulatory issues, low electricity purchase prices by EVN, lack of a transparent and competitive market, and poor coordination among related government agencies. In recognition of these hindrances, MoIT has taken radical measures in an effort to facilitate IPP development including signing a financial advisory agreement in 2006 with the International Finance Corporation (IFC), a financial arm of the World Bank (WB). The major goal of this agreement is to increase private participation in the power sector through open competitive bidding. In particular, MoIT and IFC expect that by 2010 the total electricity output of the electricity purchased from IPPs would be increased to 33 percent.

Electricity Retail Price: The government strictly regulates electricity retail prices, with adjustments recommended by MoIT and requiring approval by the Prime Minister. A unified tariff is applicable across the country and is low in comparison with other regional countries. Both average urban and rural residential rates are cross subsidized by higher rates for industry, commerce, and foreign consumers. To attract more investment from the private sector in developing IPP projects, MoIT and EVN have been working on a three-phase roadmap over the period 2006 –2010 for price increases and gradual elimination of government's control. According to this roadmap, the first increase in the retail price of electricity, bringing the average price to 5.5 US cents, was implemented from the beginning of 2007, and further increases are expected over 2009- 2010.

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

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

Best Prospects/Services

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

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

Opportunities

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

- Sales opportunities in ongoing and upcoming power generation projects (to be provided upon request).

- Investment opportunities in IPP projects as approved by the Prime Minister (to be provided upon request).

- $327.8 million Second Transmission and Distribution Project II funded by the World Bank ($ 200 million) and the Vietnamese government (approved in July 2005 and to be completed in December 2010). (For more information, please visit: www.worldbank.org.am/external/default/main?pagePK=64027221&piPK=64027220&theSitePK=301579&menuPK=301612&Projectid=P084871)

- $380 million Northern Rural Power Project funded by the ADB ($120 million), the AFD (EUR 40 million) and the Vietnamese government ($103 million). This project was approved in August 2005 and is to be completed in June 2009. (For more information, please visit: www.adb.org/Documents/Profiles/LOAN/32273013.ASP)

- Other EVN funded power transmission and distribution projects.

Resources

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

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

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

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

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

Telecommunications Equipment and Services

Overview

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Telecommunications Equipment	2006	2007	2008 (estimated)
Total Market Size	1650	2,060	2,575
Total Local Production	529	735	920
Total Exports	24	30	38
Total Imports	1085	1,350	1,688
Imports from the U.S.	135	170	212

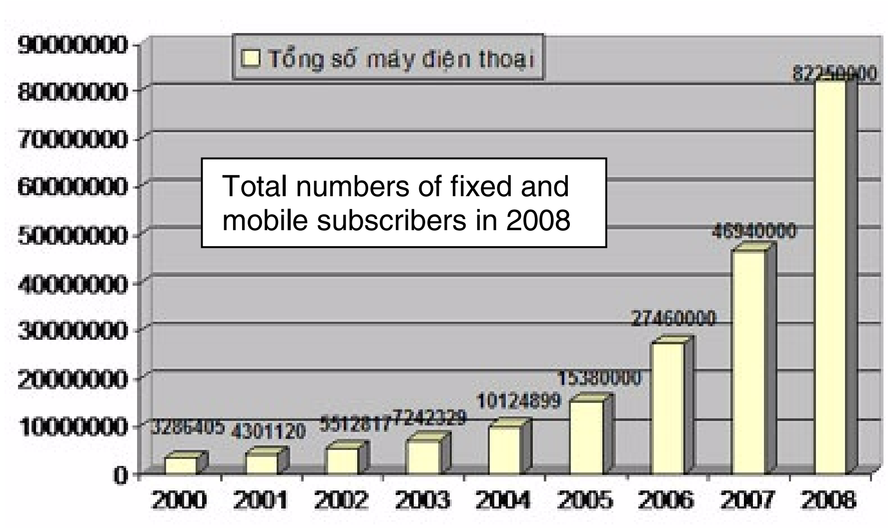
Telecommunications Services	2006	2007	2008 (estimated)
Total Market Size	2,571	3,200	4,000
Total Local Production	2,669	3,300	4,125
Total Exports	285	355	443
Total Imports	187	230	287
Imports from the U.S.	73	90	113

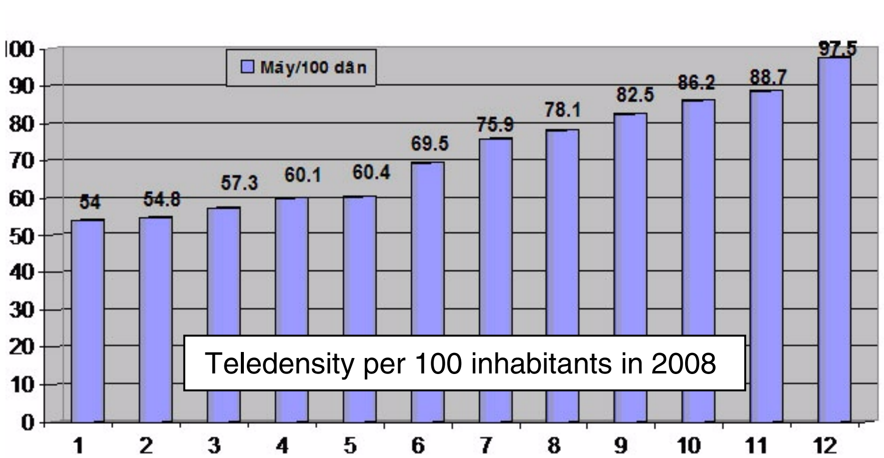
The above statistics are in $ million and are unofficial industry estimates)

Vietnam's telecommunications industry is among the world's fastest growing markets. The Government of Vietnam (GVN) has articulated its commitment to boosting the development of the Information and Communications Technology (ICT) industry, particularly in telecommunications and Internet infrastructure development, software production, Information Technology (IT) education promotion, and other forms of human capital development.

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

In 1988, just after the "doi moi" (renovation/opened door) policies carried out by the GVN, Vietnam had less than 200,000 phone subscribers with a teledensity of 0.18 lines/100 inhabitants. In 2000, Vietnam grew to approximately 2.6 million fixed-line subscribers and 640,000 mobile subscribers. In 2006, new phone subscribers in Vietnam more than doubled the total number of subscribers added in the 25-year period of 1975-2000, and the number of 18.5 million new telephone subscribers added in 2007 tripled that of the period of the previous 3 years. According to Vietnam's Ministry of Information and Communications (MIC), as of December 2008, Vietnam has approximately 82.25 million telephone subscribers (mobile and fixed line), with a teledensity of 97.5 lines/100 inhabitants. See figures below for more details.





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

The major technologies used in Vietnam include cable, satellite, and wireless cable. Major broadband networks are deployed via ADSL (asymmetric digital subscriber line), VDSL (very high rate digital subscriber line), and leased lines. WiFi is deployed in the major cities, and local ISPs are seriously contemplating WiMax (Worldwide Interoperability for Microwave Access) as a platform to popularize the Internet nationwide. Four Vietnamese telcos- VNPT (Vietnam Posts and Telecommunications Group), FPT, VTC (Vietnam Multimedia and Communications Corporation) and Viettel- are licensed to provide WiMax services and all have WiMax projects in the pilot stage. In terms of network convergence, voice/data networks are available nation-wide, while “triple play” networks (voice/data/video) and broadband services have been growing in the big cities. VoIP (Voice over Internet Protocol) services are also expanding. Telecommunications companies own the Internet infrastructure and provide VoIP services. There are also several privately owned VoIP providers, all of which lease lines from major telecom carriers. Such new technologies as 3G (third generation wireless technology) and mobile TV have begun to be promoted in Vietnam and will become major trends in the development of Vietnam's telecommunications industry. Seven telcos, namely: Mobifone, Vinaphone, Viettel, EVN Telecom, SPT (Saigon Postel Telecommunication Company), Hanoi Telecom and GTel, are currently competing in a "beauty contest", out of which 4 providers are expected to be licensed to provide 3G service by April 2009.

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

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

The majority of imported telecommunications equipment is sold directly to local telecommunications service providers, to their subsidiaries or to broadcasters. Local distributors must have an import license for telecommunications equipment or should have an existing relationship with licensed trading companies.

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

As the hi-tech industry continues to develop in Vietnam, prices will continue to go down, investment capital will increase and the business environment will become more competitive. By entering the market via the road of equitization/privatization, foreign telecommunications companies will best approach this emerging market in a step-by-step fashion. At the December 2008 Vietnam Business Forum, MIC indicated that the tentative goal for completion of the Mobifone equitization process would be year-end 2009 (with target dates of the end of March 2009 for submitting MIC's report to the Prime Minister, and mid-year 2009 for launching the process).

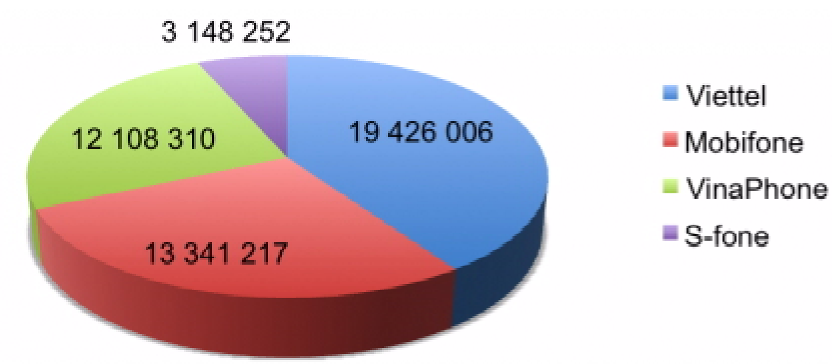
Best Prospects/Services Return to top

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

Fixed Telephone Networks: As of December 2008, Vietnam has 82.25 million subscribers, of which fixed telephone subscribers account for 19 percent, equivalent to 15.63 million. Telephone access is currently available to all communities nationwide. State owned VNPT is the major landline telephone carrier in this market with market share of 55.4 percent. Ministry of Defense owned Viettel is second with 34 percent market share. As the traditional PSTN (public switched telephone network) fixed telephone service is no longer a "cash cow" subsector, Vietnam's telcos are instead developing wireless fixed telephone service solutions.

Mobile Phone Networks: Mobile phone market share in Vietnam is currently divided between 4 major network operators: Viettel Mobile, MobiFone and Vinaphone (by VNPT), and S-Fone (a Saigon Postel's Business Cooperation Contract with the South Korean consortium SLD Telecom). According to a market survey conducted by MIC in June 2008, the total number of mobile phone subscribers in Vietnam was over 48 million, of which more than 90 percent were pre-paid subscribers. Viettel leads the mobile sector with 19 million subscribers or 41 percent market share, MobiFone is the second with 13 million subscribers and 28 percent market share, VinaPhone was ranked the third with 12 million subscribers or 25 percent market share, while S-Fone accounted only for 3 million subscribers or 6 percent market share.

Mobile phone network operator market share (as of June 2008)



In terms of the technologies used in Vietnam's mobile phone networks, seven licensed mobile network operators run five global system for mobile communications (GSM) networks (VinaPhone, MobiFone, Viettel, Hanoi Telecom, and G-Tel Mobile) and two run code division multiple access (CDMA) networks (S-Fone, and EVN Telecom). Hanoi Telecom operates its GSM network pursuant to a business cooperation contract with partner Hutchison Telecommunications, LTD. Hanoi Telecom/Hutchison began as a CDMA operator and converted the network to GSM in May 2008.

GSM mobile networks presently account for more than 95 percent of the mobile phone market share. The major mobile phone network operators' investments are: VinaPhone ($130 million), MobiFone ($456 million), S-Phone ($230 million), EVN Telecom ($630 million), and Hanoi Telecom ($656 million).

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

(ISPs) into the market. So far, Vietnamese authorities have licensed 7 IXPs (Internet infrastructure service providers), 18 ISPs, and 25 online service providers.

Statistics on Internet Development as of December 2008	
Users	20,834,401
Users per capita	24.04%
Total International connection bandwidth of Vietnam	50,064 Mbps
Total domestic connection bandwidth	69,840 Mbps
Total broad bandwidth subscribers	2,048,953

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

As of December 2008, the number of Internet subscribers in Vietnam stood at 20.8 million, with 24 percent of the population using the Internet regularly and usage is expected to reach 35 percent in 2010. Presently, the country's total international and domestic connection bandwidth are 50,064 Mbps and 69,840 Mbps respectively. However, Internet density is not equally spread throughout the country; that is, 72.76 percent of Internet subscribers are in the two big cities of Hanoi and HCMC. Broadband market demand has increased so rapidly that the current market supply is not sufficient to meet demand. The number of ADSL subscribers in 2008 doubled that of one year before. The broadband market is shared among 3 major ISP's: VNPT, Viettel and FPT Telecom. Among more than 2 million broadband subscribers as of December 2008, VNPT, Viettel and FPT Telecom reached 1.6 million, 400,000 and 380,000 broadband subscribers respectively.

Below is the list of the Top 5 ISPs and their market shares.

Service Providers	**Market share** (percent)
VNPT	**75.78**
Viettel	**10.05**
FPT Telecom	**8.39**
SPT	**2.99**
EVN Telecom	**1.27**

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

Satellites: Vietnam's first communications satellite called Vinasat-1 (http://www.vinasat.com.vn) was launched on April 18, 2008, providing roughly 15 years of service. This satellite was manufactured by the United States' Lockheed Martin. Vinasat is a geostationary satellite, employing 8 extended C-band channels and 12 Ku-band channels to provide broadcast and telecommunications service (video, data, voice) to countries in the Asia-Pacific region such as Vietnam, Laos, Cambodia, India, Australia, Japan, Korea, part of China, and other East Asia countries.

Vinasat-1's principal ground station is in Northern Vietnam (Que Duong, Ha Tay), and back-up ground station in Southern Vietnam (Binh Duong Province). The satellite has a transmission site in Hanoi and terrestrial networks in Hanoi, Ho Chi Minh City and Danang. Vinasat-1 is connected with Intelsat, Thaicom and others.

In late May 2008, Vietnam Telecom International (VTI) began launching Vinasat-1 services, and in October/November 2008 the first clients started to come on board, including Vietnam Television (VTV), Voice of Vietnam (VOV), Ho Chi Minh City TV, and a number of foreign entities from Singapore who make use of VTI services in the Malaysian market.

Vinasat-1's specific services/applications include:

- Transponder Leasing - customers including TV stations, service providers and companies with ground station activities;

- Very Small Aperture Terminal (VSAT) services - telephone for remote areas, broadband Internet access, GSM trunking, PSTN, Private Leased Circuits, virtual private network (VPN) etc;

- Teleport Services - transmission of high quality TV signals to customers' branches using DVB-S2 format and private leased circuits

- Satellite News Gathering - news gathering, showing events, occasional TV broadcasting;

- Contribution Links - providing TV contribution links and cable TV feeds to multiple station operators for relaying TV content and programs; and

- Direct to Home – direct broadcasting of high quality digital channels to more than 200,000 subscribers, through service provider VTV.

Vietnam has entered into negotiations for a position in orbit for its second satellite which is slated to be launched in the next seven to eight years. Any contractor that meets the requisite conditions for technology and capital will be allowed to participate in Vietnam's second satellite project. The second satellite is a natural resources, environment and disaster monitoring small satellite (referred to as VNREADSat-1). VNREDSat-1 would be a small-sized earth observation satellite, 150 kilograms in weight with a five-year life expectancy. The satellite is scheduled to be operational in 2012 and will be used to help Vietnam map its natural resources and provide information about the environment and disasters. The project would cost an estimated $60-100 million and help free Vietnam from reliance on satellite images provided by other countries.

Broadcasting: Vietnam's broadcasting industry has developed rapidly in recent years. At present, Vietnam has one national television station (VTV), one national radio station (VOV) and four inter-provincial broadcasting stations. Additionally, each of the country's 63 provinces and cities has its own local broadcasting station. Apart from these broadcasters, other new entrants include cable television, satellite (DTH/Direct-to-Home) and on-line television providers. In terms of network convergence, as noted above, voice/data networks are available nation-wide and "triple play" networks (voice/data/video) and broadband services have been developing in the large cities. Moreover, 40 percent of the country's broadcasting facilities have been digitalized. The digitization is planned to cover up to 100 percent of country's technical facilities by 2010. Market growth in 2008 was estimated to reach approximately 28 percent and is expected to reach 30 percent in the next 2-3 years. Market size in 2008 was estimated to be valued at $250 million. Vietnam has developed and maintained a large national transmission network including parallel digital Ku-Band and C-Band satellite carriages and hundreds of relay stations in order to ensure 90 percent of coverage of Vietnamese territory.

Opportunities Return to top

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

Below are listed major buyers for telecommunications equipment and services:

Telecommunications service providers:
- VNPT (Vietnam Posts and Telecommunications Group)
- VMS (Vietnam Mobile Telecommunications Services Company), a subsidiary of VNPT
- EVN Telecom (Electricity of Vietnam's Telecommunications Company)
- Saigon Postel/SPT (Saigon Posts and Telecommunications Service Corporation)
- G-Tel (Global Telecommunications Corporation)
- G-Tel Mobile (G-Tel Mobile Company, a subsidiary of G-Tel)
- FPT Telecom Company
- Hanoi Telecom (Hanoi Telecommunications Company)
- Vishipel (Vietnam Maritime Communications and Electronics Company)
- Viettel (Military Electronics Telecommunications Corporation)
- VTC (Vietnam Multimedia and Communications Corporation)
- Đông Dương/Indochina Telecommunications Company
- Piacom (Petrolimex Information Technology and Telecommunications Company)

Vietnam Airlines

Internet Services Providers:
Below are the Top 5 among 64 licensed ISPs:
- VNPT (Vietnam Posts and Telecommunications Group)
- Viettel (Military Electronics Telecommunications Corporation)
- FPT (FPT Group)
- SPT or Saigon Postel (Saigon Posts and Telecommunications Service Corporation)
- EVN Telecom (Electricity of Vietnam's Telecommunications Company)

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

Below are major shows that Vietnamese buyers of telecommunications equipment frequently attend:

CommunicAsia 2009 (http://www.communicasia.com)
The 20th International Information and Communications Technology Exhibition and Conference, to be held from June 16-19, 2009, in Singapore.

VietnamTelecomm 2009 (http://www.vietnam-comm.com)
Vietnam International Telecommunications and Information Technology Summit & Expo 2009, to be held from Date: November 18-21, 2009, in Hanoi, Vietnam.

A new telecommunications law is expected to be passed by the National Assembly in 2009, opening up new opportunities for trade and investment by foreign firms in this rapidly expanding market segment. The law is expected to pave the way for increased foreign investment and ownership in the telecommunications services sector.

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

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

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

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

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

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

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

Oil and Gas Machinery and Services

Overview Return to top

	2006	2007	2008 (estimated)
Total Market Size	1,160	1,350	1,460
Total Local Production	555	650	745
Total Exports	0	0	0
Total Imports	605	700	715
Imports from the U.S.	175	200	215

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

Industry Organization

Vietnam's oil and gas industry is currently the country's biggest foreign currency earner and a major procurer of imported technology, services and equipment. In 2008, Vietnam produced 22.5 million tons of oil equivalent, exported 14 million tons of crude oil and earned $16 billion in revenue, accounting for about 20 percent of GDP and 18 percent of total national exports. Oil and gas is one of the top priority sectors for development by the Government of Vietnam since it is viewed as central to national economic growth and energy security. The oil and gas industry in Vietnam is under the principal jurisdiction and management of the Ministry of Industry and Trade (MOIT). PetroVietnam, the national oil and gas group reports directly to the Prime Minister and holds a monopoly in the upstream, mid-stream and virtually all key downstream areas of the industry. In 2008, PetroVietnam was rated No. 1 among Vietnam's Top 500 biggest companies (see http://vnr500.com.vn/vn/danhmucan/345/index.aspx). In 2008 alone, the taxes paid by PetroVietnam accounted for 31% of Vietnam's state budget.

Oil and Gas Industry Profile

Vietnam is currently ranked fourth in Southeast Asia after Indonesia, Malaysia, and Brunei for oil and gas production and oil reserves. Vietnam is a coastal country in South East Asia with a mainland area of around 330,000 km2 and a continental shelf of about one million km2, comprising seven major tertiary basins and groups of basins: Song Hong, Phu Khanh, Cuu Long, Nam Con Son, Malay-Tho Chu, Hoang Sa (the Paracel Islands) and Truong Sa Group (the Spratly Islands). (See Map 1 for further detail.) Of these, the Cuu Long and Nam Con Son basins have shown the most hydrocarbon potential.

To date, about 100 hydrocarbon-bearing prospects have been found in almost 50 fields, with estimated reserves of approximately 600 million tons of crude oil and 644 billion cubic meters (bcum) of natural gas (23 trillion cubic feet -Tcf). Among the 50 structures with oil and gas discoveries, there are 20 commercial fields.

From 1988 to 2007, PetroVietnam signed 58 oil and gas exploration and production contracts with foreign companies in the form of Product Share Contracts (PSC), Business Cooperation Contracts (BCC), Joint Ventures (JV) and Joint Operation Companies (JOC). Of these, 34 contracts are currently in effect. In 2008, PetroVietnam entered into agreements for 16 projects, consisting of 6 projects in Southeast Asia, 6 projects in the Middle East and Africa, and 4 projects in South America. The firm further plans to exploit oil fields in Venezuela where it expects to reach an output of 10 million tons per year.

In 2008, the country produced 22.5 million tons of oil equivalent, comprising 15 million tons of crude oil and condensate and 7.5 billion cubic meters of gas, though this represented only 94 percent of the company's 2007 production. In the medium term, oil production is expected to decline gradually due to the deteriorating performance of the White Tiger field while other new discoveries will not offset this loss in production. Gas production, however, will rise significantly since several gas fields will be put in production in the near future. At present, about 85 percent of the natural gas produced in Vietnam is used for power generation, 10 percent for fertilizer and the remaining 5 percent for industries and households. Gas is transported via a network of gas pipelines from offshore gas fields to onshore processing facilities and power complexes (see Map 2).

In light of the current global economic downturn, Vietnam's oil and gas sector goals for 2009 closely mirror its 2008 performance. Specifically, PetroVietnam plans to add 35-40 million tons of oil equivalent to the national reserve, reach total oil and gas production of 24 million tons of oil equivalent, export 11.7 million tons of crude oil, and provide 3.5 million tons of crude oil to the Dung Quat Refinery. The firm will also focus on speeding the completion of major projects including refineries under construction, the Cà Mau fertilizer project and power plants and bio-fuel projects. Since Vietnam's strategic oil reserve is relatively small, the Polit Bureau has challenged the firm to invest in the oil and gas sector in foreign markets and increase the firm's oil and gas service revenue from current levels of 20 percent of total revenue to 40-50 percent in the coming years.

Map 1 - Major Tertiary Basins in Vietnam

Source: PetroVietnam, http://www.petrovietnam.com.vn

Field	Basin	Operator	Average Production (bopd)
White Tiger (Bach Ho)	Cuu Long	Vietsovpetro	165,000
Dragon (Rong)	Cuu Long	Vietsovpetro	18,000
Big Bear (Dai Hung)	Nam Con Son	PVEP	7,000
Aurora (Rang Dong)	Cuu Long	JVPC	38,000
Ruby (Hong Ngoc)	Cuu Long	Petronas	14,000
Bunga Kekwa (Cai Nuoc & CA3-CAA)	Malay – Tho Chu	Talisman	25,000
Black Lion	Cuu Long	Cuu Long JOC	68,000
		Total	**335,000**

Table 1: Crude Oil Production in Vietnam as of Nov. 2007

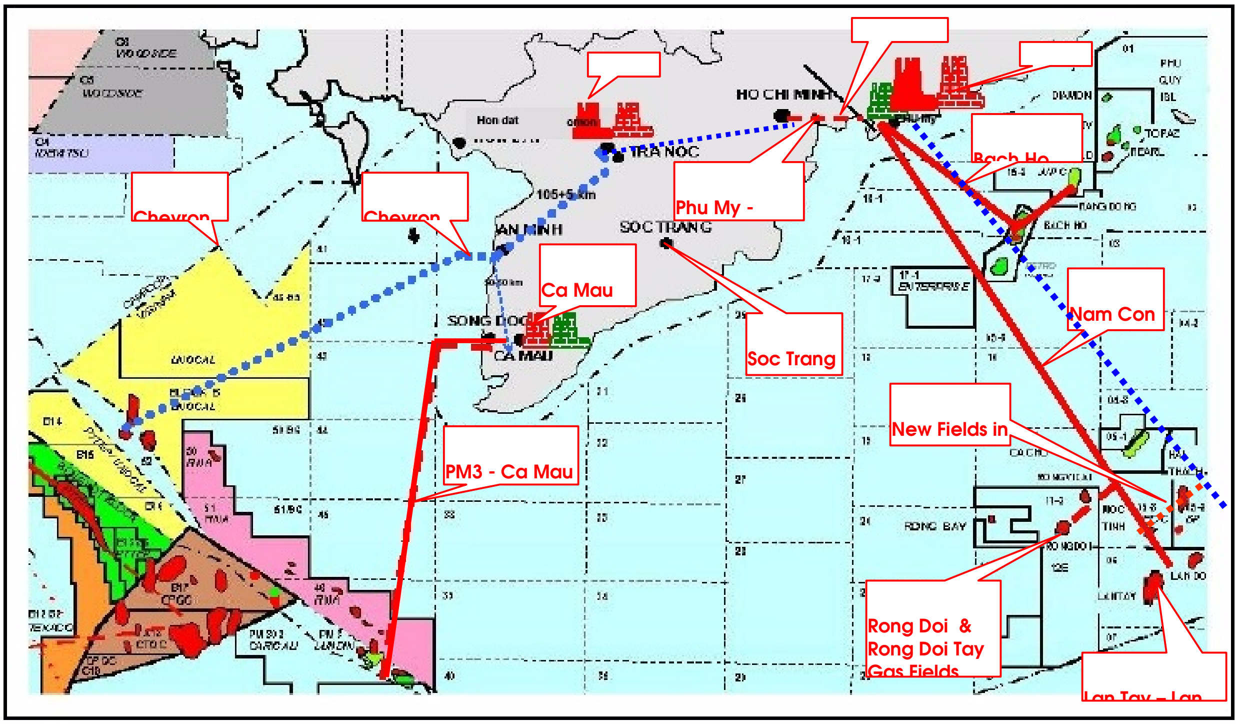
(Source: Petrovietnam)

Field	Basin	Operator	Average Production (mmscfd)
White Tiger & Rong	Cuu Long	Vietsovpetro	106
Dragon	Cuu Long	Vietsovpetro	
Aurora (Rang Dong)	Cuu Long	JVPC	36
Lan Tay	Nam Con Son	BP	349
Rong Doi – Rong Doi Tay	Nam Con Son	KNOC	107
Bunga Kekwa (Cai Nuoc & CA3-CAA)	Malay – Tho Chu	Talisman	37
Tien Hai C	Song Hong	PIDC	2
		Total	**637**

Table 2: Gas Production in Vietnam as of Nov. 2007

(Source: Petrovietnam)

Since refining facilities in Vietnam are under construction, Vietnam exports most of its crude oil and imports refined products, mainly from Singapore. The country is currently a net exporter of oil but is expected to become a net importer in the near future given the rapidly rising demand for refined products and the declining production of crude oil. To reduce the country's reliance on refined imports, and after an eight-year delay, PetroVietnam, supported by the government, started construction of its first oil refinery at a cost of $2.5 billion with a capacity of 6.5 million tons per year in Dung Quat, Quang Ngai Province (central Vietnam). Operational as of February 22, 2009, the Dung Quat refinery uses local feedstocks from the Bach Ho field and imports from the Middle East. In 2008, Vietnam also began construction of refineries in Nghi Sơn, Thanh Hóa Province in the North and in Long Sơn, Vũng Tàu Ba Ria Province in the South. These refineries will require investment capital of $6 billion and $4 billion respectively.



Map 2 – Gas Pipelines (in red lines) and Projects (in blue lines) in Vietnam in 2005

Source: PetroVietnam, http://www.petrovietnam.com.vn

According to Dr. Đinh La Thăng, PetroVietnam Chairman, and Dr. Trần Ngọc Cảnh, PetroVietnam President & CEO, oil and gas revenue in 2008 reached $14.3 billion. $11 billion of this revenue came from exports, representing a 27 percent increase over 2007. These critical exports accounted for 18 percent of Vietnam's total exports.

In 2008, PetroVietnam also put five new fields into production and completed one field expansion. These included Cá Ngừ Vàng (July 25, 2008), Phương Đông (August 24, 2008), Sư Tử Vàng (October 14, 2008), Sông Đốc (November 24, 2008), Rạng Đông Phase 2 expansion, and a gas field- Bunga Orkid (July 29, 2008). These fields have a total reserve of 110-150 million tons.

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Under its WTO commitments, the Vietnamese government is to open the oil and gas sector to foreign companies, which it hopes will bring in capital, expertise and technology to help achieve the country's major industry goals. Over the last few years, the government has made visible efforts to make the sector more attractive to foreign companies, by enacting the amended Petroleum Law in 2000, instituting management reforms at Petrovietnam, and cracking-down on business corruption. Foreign oil and gas companies active in Vietnam include ConocoPhillips, British Petroleum (BP), Chevron, Talisman, KNOC (Korea), ONGC Vadesh (India), Idemitsu (Japan), Zarubezneft (Russia), and Petronas Carigalli (Malaysia).

These policies, as well as the recent positive developments in the oil and gas sector, have generated a steadily increasing demand for equipment and services that will continue in the years to come. It is estimated that the oil and gas industry will require an investment of $28-31 billion to achieve the goals set forth by the government for the 2006-2025 period. The table below details the estimated investment in the various sub-sectors of the industry.

Significant business opportunities for U.S. companies exist in the upstream, midstream and downstream segments of the oil and gas industry. A list of specific upcoming projects in the oil and gas sector will be provided to U.S. companies upon request.

Potential buyers include Petrovietnam and its subsidiaries, joint ventures and affiliates, as well as foreign oil and gas companies operating in Vietnam, which normally prefer sourcing from the U.S., Europe and Japan.

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Estimated Investment in The VN Oil and Gas Industry For the 2006 – 2025 Period

Investment Projects	Total Investment $ million	Total Funding ($ million)			
		Total Value (PV's Share)	2006-2010	2011-2015	2016-2025
Exploration, field development and production	8,790 – 10,730	2,070 – 2,620	2,430 – 3,010	2,310 – 2,920	4,050 – 4,800
Gas Collection & Transport	1,983 – 2,483	1,233 – 1,483	760	723 – 973	500 – 750
Total Investment in Offshore Operations	**10,773 – 13,213**	**3,303 – 4,103**	**3,190 – 3,770**	**3,033 – 3,893**	**4,550 – 5,550**
Overseas oil exploration & production	3,070 – 4,000	2,660 – 3,475	470 – 600	900 – 1,300	1,700 – 2,100
Petroleum processing	10,510	6,305	3,040	3,370	4,100
Petroleum products distribution & sales	1,970 – 2,070	1,970 – 2,071	1,260	260 – 310	450 - 500
Petroleum services & trading	1,680	1,680	1,125	500	55
Total Investment	**28,003- 31,473**	**15,918 -**	**9,085 – 9,795**	**8,063 – 9,373**	**10,855 –**

		17,633			**12,305**

Source: PetroVietnam, http://www.petrovietnam.com.vn

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U.S. companies are highly respected in Vietnam as the world's leading equipment manufacturers and service providers in terms of advanced technologies, quality, and professionalism. U.S. companies are normally most competitive in supplying sophisticated equipment, advanced technologies and professional services to both new and existing projects.

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

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

Computer Hardware and Software Services

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Total IT Hardware and Software Market	2006	2007	2008
Total Market Size	1,015	1,947	2,200
Total Local Production	1,740	2,123	2,590
Total Exports	1,338	1,579	1,863
Total Imports	1,412	1,610	1,835
Imports from the U.S.	54	98	224

Total IT Hardware Market	2006	2007	2008
Total Market Size	730	1,558	1,760
Total Local Production	1,380	1,698	2,072
Total Exports	N/A	N/A	N/A
Total Imports	N/A	N/A	N/A
Imports from the U.S.	43	78	179

Total IT Software/Service Market	2006	2007	2008
Total Market Size	285	389	440
Total Local Production	360	425	518
Total Exports	N/A	N/A	N/A
Total Imports	N/A	N/A	N/A
Imports from the U.S.	11	20	45

The above statistics are in $million and are unofficial estimates by industry analysts.

Information Technology (IT) is one of the fastest growing industries in Vietnam. The country's IT industry in 2008, which is comprised of local production for domestic market and exports, was valued at $2,590 million, a year-on-year 22 percent increase – $2,070 million for hardware and $518 million for software. Meanwhile, the IT market in Vietnam, which consists of local production and imports for the domestic market, reached $2,200 million in 2008, up by 13 percent against 2007 – $ 1,760 million for hardware and $440 million for software. This IT market growth rate of 13 percent is double the world IT market growth or the country's GDP growth in 2008.

In 2008, the hardware industry reached $2,072 million, representing about 80 percent of total IT industry turnover. A few major hardware manufacturers in Vietnam are 100 percent foreign-owned companies like Canon, Fujitsu, LG, and Samsung, which mainly produce hardware for exporting. Most domestic hardware firms are rather small with annual turnover of below US$ 5 million. Among domestic hardware firms, only FPT-Elead and CMS had turnover of more than $10 million, with turnover of $18.2 million and $13.9 million in 2006 respectively.

The turnover of software and services in Vietnam reached $518 million in 2008, up by 22 percent from 2007 and accounting for about 20 percent of total IT industry turnover. The Government of Vietnam has planned for the software industry to reach an average growth rate of 35-40 percent/year by 2010, with total software/service turnover to reach more than $800 million/year, and to reduce the software piracy rate to the region's average rate of 50 percent. A recent report conducted by the Business Software Association shows, thanks to increased awareness and protection of intellectual property rights, that Vietnam's software piracy rate has fallen to 85 percent in 2007 from 92 percent in 2004. Vietnam's imported software rose from US$18 million in 2006 to $30 million in 2007 thanks to strict copyright compliance by large, financially-strong companies.

The Internet represents another fast-growing industry sector for IT hardware, software and service suppliers as the market in Vietnam has been developing rapidly since first being introduced in 1997. The Internet penetration rate as of December 2008 is estimated at 24.04 percent, with 20 million Internet users and 2 million broadband subscribers. The Internet's robust development in Vietnam is evidenced by the strong growth in Internet users and subscribers as well as Internet service suppliers. In Vietnam's Internet market, there are 19 Internet Service Providers (ISP), 7 Internet Exchange Providers (IXP) and 25 Online Service Providers (OSP) as of December 2008.

From the middle of 2008, although it has been adversely affected by the ongoing global financial crisis and economic turmoil, Vietnam is still expected to increase IT spending as it integrates more deeply into the global economy. This integration requires the Vietnamese government and enterprises to increase spending on IT hardware, software and services to improve their competitiveness capacity at home and abroad. A report by an international market research firm estimated the IT spending in Vietnam in 2008 to be $2, 200 million, up by 13 percent against 2007. This report also forecasts that Vietnam's IT spending will reach $2,900 million in 2011 with an annual growth rate of about 15 percent. Of the total IT spending, hardware accounts for 80 percent and software/services 20 percent. Hanoi and Ho Chi Minh City remain the two major IT markets in Vietnam and account for about 80 percent of total national IT market value.

In the field of IT import/export, Vietnam's IT import turnover totaled $1,835 million in 2008, up by 14.0 percent over 2007 whereas export turnover reached $1,863 million, a year-on-year 18.0 percent increase. The United States was among the top five IT exporters to Vietnam in 2008, which include Singapore, Japan, Hong Kong and China. The U.S. IT exports to Vietnam have risen sharply to $98 million in 2007 and $224 million 2008. This represents a year-on-year growth of 81.5 percent and 128.6 percent, respectively. American IT products are very popular and well-received for their quality in Vietnam. Both hardware (HP, Dell, Cisco, etc) and software products (Microsoft, Oracle, IBM, Symantec, etc.) are widely sold in the Vietnam market.

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As a developing country, Vietnam needs substantial technology transfer in the IT industry to increase its competitiveness capacity at home and abroad as it integrates more deeply into the global economy. This need promises good sales opportunities for American IT hardware, software and service suppliers in particular and foreign suppliers as a whole.

For hardware, given the forecasted increased spending on the subsectors of personal computers, network equipment as well storage and security equipment, American and foreign suppliers as well as local manufacturers of these products will find a great number of sales opportunities in Vietnam. A few American hardware manufacturers like Intel, HP, Dell, Cisco, etc. continue to be key players in Vietnam's hardware market.

Software presents ample sales opportunities for American, foreign and local suppliers and manufacturers, thanks to the increased awareness and protection of software copyright as well as the Government's and enterprises' high demand for improving competitiveness, system infrastructure, application, security and storage software. In particular, there are growing sales opportunities for enterprise application software like Customer Relationship Management (CRM) and Enterprise Resource Planning (ERP). Key players in Vietnam's software market include a few large American firms like Microsoft, IBM, and Oracle.

For Internet service, there are growing sales opportunities for American, foreign, and local suppliers of Internet-related hardware, software and services.

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The Government of Vietnam aims for the IT industry to grow at annual growth rate of 25-30 percent by 2010 and achieve a turnover of $7-8 billion/year, accounting for 7-10 percent GDP. To achieve this ambitious target, Vietnam must invest to upgrade its IT hardware, software and services. This investment will come from several sources such as Government, enterprises, financial investment firms (Dragon Capital, International Finance Corporation, Mekong Enterprise Fund, IDG Ventures Vietnam) and the stock market. This availability of capital coupled with a huge demand for upgrading and modernizing IT are driving IT spending in Vietnam. This trend offers significant export opportunities for American suppliers of IT hardware, software and services. The primary customers for imported IT hardware and software are multi-national corporations, large state-owned enterprises and the Government. In addition, American firms are highly respected in Vietnam as the world's leading manufacturers of IT hardware, software and services in terms of advanced technology, quality and professionalism. This reputation gives American firms of IT hardware, software and services some advantages in the competition with Asian firms. Those American firms who have enjoyed these advantages include Intel, HP, Dell, Cisco, Microsoft, IBM, and Oracle.

Vietnamese buyers of IT hardware and software frequently attend **CommunicAsia,** the most prestigious ICT trade show in Asia. CommunicAsia 2009 will be held in Singapore from June 16-19, 2009. For more information on the show, please visit: http://www.communicasia.com.

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For more information, please contact the following Commercial Specialists or visit the websites below:

Vietnam Ministry of Information and Communication (MIC)

Website: http://www.mic.gov.vn

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

Vietnam Ministry of Science and Technology
Website: http://www.most.gov.vn

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

Vietnam Internet Network Information Center
Website: http://www.vnnic.net.vn

HCMC Computer Association
Website: http://www.hca.org.vn

Nguyen Dzung, Commercial Specialist
U.S. Embassy in Hanoi
Email: nguyen.dzung@mail.doc.gov

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

Environmental and Pollution Control Equipment and Services

Overview

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	2006	2007	2008 (estimated)
Total Market Size	590	625	670
Total Local Production	340	350	370
Total Exports	0	0	0
Total Imports	250	275	300
Imports from the U.S.	19.5	22.0	25

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

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

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Water Supply

The lack of clean water is one of Vietnam's most pressing environmental concerns. At present, it is estimated that only about 60 percent of the Vietnamese population has access to potable water. A high rate of water loss, averaging 32 percent, further aggravates the problem. In order to improve upon this situation, the government has devised a water supply development plan with the objective of providing clean water for 80 percent of the population by the year of 2010. The government's top priority in water supply management is to control and reduce water loss (the water loss rate is expected to be 20 percent by 2025) and to effectively manage water distribution networks and water fee collections.

To this end, the Government uses Official Development Assistance (ODA) funding to develop water distribution networks. The ODA funds are used for three major water supply programs: (i) World Bank water supply projects for small and medium cities, (ii) Finland water supply projects for the northern mountainous areas, and (iii) AFD (Agence Francaise de Developpement) water supply projects for Mekong Delta provinces. However, it is estimated that ODA will be gradually reduced, since GDP per capita surpassed $1,000 in 2010. In that context and in view of the enormous required demand, the Government strongly encourages private participation in the development of water supply facilities and has created favorable policies to entice business.

Currently there are about 240 water treatment plants in Vietnam, producing over 4.2 million cubic meters per day for urban consumption.

Waste Water

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

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

Municipal Waste Water

According to the Hanoi Drainage Company, the city discharges 450,000 to 510,000 cubic meters of wastewater per day into lakes and rivers. Over 90 percent of the city's wastewater is discharged directly into lakes and rivers without treatment, making these watercourses seriously polluted. Currently, Hanoi has only one wastewater treatment plant (Bac Thang Long - Van Tri) and two small wastewater treatment units (Kim Lien and Truc Bach).

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

Industrial Waste Water

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

Industrial parks (IPs) represent an attractive market for wastewater treatment plants since the government is pushing harder on environmental compliance by industry. There are many centralized wastewater treatment facilities projects under design or construction in industrial parks including the Vinh Loc, Tan Binh, High-Tech, Tan Phu Trung IPs in the south, and Pho Noi IP in the north. For instance, a wastewater treatment plant with a capacity of 4,000 cubic meters per day in Tan Phu Trung Industrial Park is expected to start its operation by the end of 2008; another wastewater treatment plant with a capacity of 5,000 cubic meters per day is also in the pipeline for construction in a new industrial park in the southern Long An province.

Solid Waste

Vietnam's waste amounts to over 15 million metric tons each year, with municipal waste from households, restaurants, markets, and business sources accounting for over 80 percent of the total. For the most part, municipal waste is concentrated in urban areas, while industrial waste- concentrated in economic zones, industrial parks, and urban areas- accounts for much of the remainder. Hazardous waste from industries and hazardous healthcare waste from hospitals, while much smaller in terms of quantity, are also burning issues because they pose high health and environmental risks if not properly handled and disposed.

Given a growing population, rapid urbanization and increased consumption, municipal waste generation is expanding considerably. With this growth, it is anticipated that waste generation will increase to over 23 million metric tons by 2010, and that the types of waste produced will continue to undergo a change from more degradable to less degradable and more hazardous.

Industries are the second significant source of solid waste. Growth in hazardous-waste-intensive industries such as chemical products and electronic products is expected to increase the proportion of hazardous waste generated in Vietnam. There is an urgent need to establish industrial hazardous waste management systems, including both factory-based handling, treatment, and disposal systems, and centralized hazardous waste treatment facilities.

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

Waste handling in Vietnam, including collection, treatment and disposal is mainly carried out by Public Urban Environment Companies (URENCOs), which are responsible for the collection and disposal of municipal waste, including domestic, institutional, and in most cases also industrial and healthcare waste. Although there have been significant improvements by URENCOs in handling waste, most of the municipal waste in Vietnam is not safely disposed of. The dominant form of disposal of municipal waste remains open dumping. In many areas, self-disposal methods – such as burning or burying waste, or dumping in rivers, canals, and open fields – is common. Out of the 91 disposal sites in the country, only 17 are sanitary landfills. New landfill facilities are needed across the country. The development of waste treatment and disposal systems, including landfills, has become a priority of the government. Due to the lack of financial resources the government is constructing most sanitary landfills with ODA funding.

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Funding for water supply and wastewater projects comes from various sources within the state budget, as well as ODA (Official Development Assistance) loans and grants. ODA financing plays a key role, with major donors being the World Bank, the Asia Development Bank and bilateral contributors such as Japan, France, Denmark, the Netherlands, Finland, Germany, and Australia. The Asian Development Bank (ADB) leads the group of multilateral donors with a commitment of US$1.35 billion for Vietnam in 2008. The ADB is followed by the World Bank (WB) which has committed US$1.1 billion in 2008. Whether funded multilaterally or bilaterally, projects funded by ODA offer numerous opportunities for foreign equipment suppliers, engineering and consulting firms.

Local production of environmental equipment does not meet market demand, especially the requirements of ODA-funded projects. Technical conditions/requirements governing many ODA projects dictate that many materials must be imported. For instance, equipment for water supply (water meters, valves, pumps, motors, water treatment chemicals, water filtration systems, water control and monitoring equipment, etc.) and most wastewater treatment equipment must be imported. Vietnam also has to import several waste treatment equipment and technologies including landfill equipment, incinerators, and composting technologies. Among imports, U.S. products and technologies are highly regarded for their high quality.

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

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

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

World Bank
www.worldbank.org

Asian Development Bank
www.adb.org

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

Vietnam Environment Administration
www.nea.gov.vn

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

Ms. Ngo Anh, Commercial Specialist
U.S. Commercial Service, U.S. Embassy in Hanoi
Email: ngo.anh@mail.doc.gov

Mr. Tran My, Commercial Specialist
U.S. Commercial Service, U.S. Consulate General
Email: my.tran@mail.doc.gov

Education and Training

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	2006 (actual)	2007 (actual)	2008 (estimated)
Total Market Size	82.1	96.5	110
Total Local Production	39.4	45.3	49.8
Total Exports	0	0	0
Total Imports	42.8	51.4	61.7
Imports from the U.S.	17.4	21.8	27.3

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

With a population of 85 million and the second highest GDP growth in Asia, Vietnam is a promising market for U.S. education providers. Strong industrial growth and expanding foreign investment is generating the need for a variety of workplace skills that are currently in short supply. Education and training are top priorities for the Vietnamese government, which has plans to equip the labor force with technology and management knowledge and skills.

The system is currently facing a number of challenges, including outdated curricula, lack of training facilities, and a shortage of qualified lecturers and trainers at all levels. Raising the quality of education is one of the priority tasks encompassed in the government of Vietnam's Educational *Development Strategy and Vision through 2020*. Over the last few years the Vietnamese government has increased budget allocations, liberalized private sector involvement, and encouraged foreign participation in developing education and training services in Vietnam. The Education Development Strategy for 2001-10 estimates that the share of education expenditure could increase to 6.9 percent of GDP and 20 percent of total government expenditures by 2010.

More than ever before, education has become a key feature in bilateral cooperation between Vietnam and the U.S. Surveys consistently show that the Vietnamese recognize U.S. schools as high quality education providers. Although a number of countries have increased their interest and presence in Vietnam to attract students, the U.S. remains the favorite destination for students seeking an education abroad. The U.S. Embassy in Hanoi has made the development of education in Vietnam a top priority, both through dramatically increasing the number of Vietnamese students studying at U.S. institutions of higher learning and through the establishment of U.S. based programs in Vietnam.

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A steady increase in per capita income in the past ten years, a booming private sector, and the traditional value Vietnamese place on education are creating significant opportunities for education and training services. The ongoing opening of the service sector will continue to drive the demand for U.S. education in Vietnam. The best prospects for U.S. providers are English language training, corporate training, vocational and technical training (including information technology and basic manufacturing skills), higher education (including overseas study programs), and distance learning.

English is the language of choice for Vietnamese seeking to enhance their educational and career opportunities. Schools and centers specializing in English language training, including TOEFL, IELST, and TOEIC, are booming in Vietnam's major cities. The authorities are however unable to monitor and control the teaching quality of these schools. State-owned institutions, public schools, and English learning centers are seeking help to upgrade both standard and specialized English courses.

For 4-year university study, the best prospects include recruiting Vietnamese students to study in the U.S. and to joint-programs with local universities. Local foreign education programs continue to steadily increase their student base, while study abroad remains an important and ever popular form of higher education in Vietnam.

As the personal income of the local population rises, more students are able to self-finance their higher education locally and abroad. Vietnam presently has over 20,000 students studying abroad, paying about $200 million in international fees every year. This is in spite of the fact that the state has a scholarship program that is slated to give out $62 million to students studying in Vietnam over the next five years. Most graduates study in the United States, United Kingdom, Australia, Canada, France, Germany, and other Asian countries that have strong higher education programs, such as Singapore and Hong Kong. The U.S. leads the list of the most popular English speaking countries receiving Vietnamese students, followed by Australia and the UK. Surveys consistently show that Vietnamese recognize U.S. schools as high quality education providers. The facts are as follows:

- In 2008, Vietnam was the fastest growing major foreign student market for the U.S., increasing by 45 percent (to 8,769 total students) over the previous year.
- Vietnam moved from the 20th largest provider market to 13th among all countries sending students to the U.S.
- By a large margin, Vietnam had the highest percentage increase of U.S.-bound students in East Asia last year.

Studying in-country with 2 + 2 programs or 3 +1 programs is considered the best alternative to study abroad and to significantly reduce the time and cost of obtaining an internationally recognized degree. By cooperating with foreign universities, local institutions can offer joint-programs that consist of two or three years studying in Vietnam and the remaining one or two years at partnering universities abroad. Both state-run and private local universities are interested in this kind of cooperation and consider it a priority to partner with American institutions. Key fields of study include business management and administration, information technology, marketing, banking and finance, tourism, and engineering.

There is also a big demand for corporate training. In the process of Vietnam's integration into the world economy, management at all levels desperately needs business and related soft skills training. Vietnamese business entities prefer short-term training courses and practical methodologies that can be quickly applied in the daily work environment.

The Vietnamese Government has also identified vocational education as a major area for future investment and improvement. Vietnam has a serious shortage of highly skilled workers, particularly in the areas of information technology, engineering, banking, finance and other service sectors. Vocational education issues have naturally taken on increased significance as the majority of jobs needed in Vietnam's transitioning economy relate to technical skills. The demand for skilled workers and production technicians is already acute and will become ever more intense as the industrial sector becomes a larger and larger provider of employment. In recognition of the importance of a skilled labor force, the Government encourages the development of vocational education. Under Government targets, 40 percent of the country's workforce would ideally receive vocational training by 2010. Priority will be given to training workers for high-tech fields such as information technology, biology, materials engineering and automation, as well as economic and social management.

Last but not least, distance learning, in particular e-learning, is becoming more important as Vietnam relies more heavily on specialists to meet future development challenges and as the shortage of both teacher and university facilities worsens.

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U.S. entities may participate in the market either through cooperation with local educational partners or through 100 percent foreign-invested enterprises (FIEs). Obtaining a foreign investment license in this field is time consuming with considerable paperwork requirements. Partnering with a local school is the quickest way to enter Vietnam's education training market since State-owned institutions and public schools are seeking assistance to upgrade their training programs. To recruit Vietnamese students to the U.S., U.S. schools should work with credible recruitment agencies since Vietnamese students often rely on these agencies' advice when applying to schools and obtaining a visa.

The Ministry of Education and Training (MOET) has encouraged foreign educational institutions to become involved in the education and training sector. MOET Decree No. 06/2000/ND-CP provides incentives for foreign investment in education and training. Foreign entities are encouraged to develop training programs for scientists, technicians, managers, and experts in economics, technology, natural sciences, the environment and culture.

A number of education and training consulting opportunities arise from Official Development Assistance (ODA)-financed projects including World Bank and Asian Development Bank projects to upgrade training, curriculum development, and equipment within the country's upper secondary and higher education systems.

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U.S. education and training providers are encouraged to participate in the annual Education Fair organized by the Institute of International Education, the premier education recruiting event in Hanoi and Ho Chi Minh City. Information can be found at: www.iie.org

Information on Vietnam's education and training projects are also available on the following websites:

The World Bank: www.worldbank.org/vn

The Asian Development Bank: www.adb.org/Vietnam

Information regarding visas, student fairs, and financial aid can be found on www.DuHocHoaKy.Vn, a web portal listing participating schools with links to their websites

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

Ms. Ngo Thuc Anh, Commercial Specialist
U.S. Commercial Service Hanoi - American Embassy
E-mail: Ngo.Anh@mail.doc.gov

Mr. Le Anh, Commercial Specialist
U.S. Commercial Service Ho Chi Minh City – U.S. Consulate General
E-mail: Le.Anh@mail.doc.gov

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

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Airport and Ground Support Equipment	2006	2007	2008 (estimated)
Total Market Size	10	20	22
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	10	20	22
Imports from the U.S.	4	6	8

Air Traffic Management Equipment	2006	2007	2008 (estimated)
Total Market Size	7	12	15
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	7	12	15
Imports from the U.S.	3	6	7

Engines, Engine Parts and Aircraft Parts	2006	2007	2008 (estimated)
Total Market Size	120	20	150
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	120	20	150
Imports from the U.S.	77	10	100

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

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

Demand and Supply for Air Transport

In 2008, total airport through-put of passengers reached 17.6 million, a 10.6 percent increase compared with 2007, and this figure is expected to rise to over 20 million by 2010. The total throughput of air cargo was more than 300,000 tons in 2008 and is estimated to grow 10-14 percent each year on the average, reaching approximately 576,000 tons in 2010.

As of 2008, VNA accounted for about a 40 percent share of international passenger traffic and 80 percent of domestic passengers, while Pacific Airlines holds roughly a 30 percent share of passengers carried on its main routes between Ho Chi Minh City, Danang and Hanoi, and makes up approximately 14 percent of the total domestic air travel market.

As of 2008, there are 44 foreign passenger and cargo airlines with regularly scheduled flights to and from Vietnam. The country currently operates a network of 21 major civil airports including three international: the Noi Bai Airport in the north (Hanoi), Danang in the center and Tan Son Nhat in the south (Ho Chi Minh City). The Tan Son Nhat airport, with a new capacity of about 17 million passengers per year including a new terminal which became operational in September 2007, is the largest airport in the country, handling about 70 percent of the country's international passenger traffic.

Many industry senior officials believe that the growth of the country’s aviation market is still very modest in comparison to other growing Asia markets like China and India. To achieve higher growth, Vietnam will need to expedite reforms and liberalization of the aviation sector.

Major Airlines in Vietnam

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

Vietnam Airlines (VNA) and VASCO

VNA, the national flag carrier of Vietnam, was established as a state enterprise in April 1993 under CAAV. Vietnam Airlines Corporation was subsequently formed in 1996, after bringing together 20 service companies in the aviation sector. The company was then separated from CAAV and is now overseen by a seven-seat management board, members of which are directly appointed by the Prime Minister. As of August 2008, VNA and VASCO, a subsidiary of VNA operating short haul domestic flights, operate a fleet of 48 airplanes with an additional fourteen on order. The average age of the VNA fleet is 8 years as of August 2008.

The airline ordered four Boeing 787-8 aircraft in 2005 to be delivered beginning in 2009 and ten Airbus A321-200s in 2004 for delivery between 2006 and 2009. Subsequently, it ordered 12 additional Boeing 787-8 aircraft in late 2007, as well as 10 A-350s and 10 A-321s. It plans to use the new aircraft to expand its route network and replace some of the aircraft currently on lease in the fleet.

Today Vietnam Airlines’ network extends to 19 cities throughout the country and 42 international destinations in the USA, Europe, Australia and Asia (including code-share services). In 2006, after being awarded the IATA Operational Safety Audit (IOSA) certificate, a safety standard set by Aviation Quality Services (AQS), Vietnam Airlines joined the International Air Transport Association (IATA) as an official member.

Vietnam Airlines, together with the Vietnam Aircraft Leasing Company of which Vietnam Airlines was an initiator and founder, signed a purchase order of 12 Boeing B787s, 10 Airbus A350-900, 20 Airbus A321 and 5 ATR72-500 aircraft in 2007. The airline is expected to reach 104 and 150 modern aircraft in 2015 and 2020, respectively.

Jetstar Pacific Airlines (PA)

Jetstar Pacific Airlines (formerly known as Pacific Airlines) is the second largest air carrier in Vietnam, having started operations in 1992 with VNA as the major shareholder (86.49 percent). It is the first joint stock airline formed in Vietnam following changes in the law to allow foreign investment in the country's airlines. In 2005, it narrowly escaped closure due to inability to pay its debts and continuous loss-making operations. By a decision of the Prime Minister of Vietnam, all of VNA's shares in the company were then transferred to the Ministry of Finance (MoF) and thereafter to the State Capital Investment Corporation (SCIC), a state owned company under MoF, for business and ownership restructuring.

On April 26, 2007, Australian airline Qantas acquired a 30 percent stake in PA for $50 million and became PA's strategic partner. After this restructuring, SCIC continues to hold a 62 percent stake, Qantas 30 percent, Saigon Tourist Holding Corporation 7.53 percent, while the remainder is held by Tradevico (a company under the Ministry of Transport). Jetstar Pacific currently operates 5 Boeing 737 - 400 aircraft and is moving to Airbus A320-200 aircraft in order to expand its network with more domestic and international flights into South East Asia. In the coming years, it is expected to add up to 30 Airbus aircraft. By 2014 Jetstar Pacific's network will cover most countries in Asia.

Vietjet Aviation Joint Stock Company

In November 2007, the Vietnamese Prime Minister approved the establishment of the first wholly private airline in the country, Vietjet Aviation Joint Stock Company (Vietjet) with initial chartered capital of about $37.5 million. The founders and major shareholders of this company include T&C Holding, Sovico Group, HD Bank, and a number of aviation professionals. A former Technical Deputy General Director of VNA leads the company. Vietjet plans to initially lease three Boeing 737s or Airbus A320s to start its first commercial flights sometime in 2009. The airline will first operate domestic flights from/to Hanoi, HCMC, Danang and several other tourist destinations and will expand into international routes in Asia.

Vietnam Aircraft Leasing Company

In December 2007, Vietnam Aircraft Leasing Company (VALC) was established with initial charter capital of $40 million by a group of major state owned enterprises including the Bank for Investment and Development of Vietnam (BIDV – 20 percent), Vietnam Airlines Corporation (23 percent), Petrovietnam (17 percent), Vinashin (11 percent), and Phong Phu Corporation (8 percent). VALC's main business lines will include aircraft leasing, air taxi services, airport operation, and other aviation services. In particular, the company plans to participate in the development of the Cam Ranh, Phu Quoc and Long Thanh Airport projects. One of the main reasons for the establishment of VALC is that VNA is facing funding problems in expanding its fleet and VALC is expected to help VNA overcome these challenges. VALC started operations in December 2007 by signing a $1.48-billion contract with Boeing to purchase eight B787-8 Airliners for delivery beginning 2016. The company will lease these aircraft to Vietnam Airlines upon receipt of the delivery. VALC plans to raise its charter capital to $200 million by 2014 and $1 billion by 2025.

Indochina Airlines Company

Indochina Airlines is the 5th airline in Vietnam, the second private airline operational in Vietnam. Indochina Airline sold its first tickets on November 12, 2008 and launched its first commercial flight from Tan Son Nhat Int'l Airport in Hochiminh city to Noi Bai Int'l Airport in Hanoi and Danang Int'l Airport on November 25, 2008.

As of November 2008, the airline has 2 leased Boeing 737-800 aircraft.

Other Foreign Airlines

As of 2008, approximately 44 passenger and cargo airlines from 20 countries are operating scheduled international flights to Vietnam. Industry experts expect that about another 30 air carriers will enter the Vietnam market over the next ten years.

VNA Aircraft Maintenance Facilities

VNA owns and operates two major commercial maintenance subsidiaries, namely A75 in HCMC and A76 in Hanoi, which independently perform both daily and periodic maintenance checks according to JAR/VAR-145 standards. A75 mainly focuses on Boeing aircraft while the facility in Hanoi specializes in Airbus airliners. At present, A75 and A76 can carry out maintenance services at the following levels: F70 and ATR72 (Dcheck), A320 (8C-10Ycheck), B767 (Acheck), and B777 (2Ccheck).

To improve the efficiency of the A75 and A76 centers and allow them to operate as an independent business unit after a merger, on September 28, 2006, Deputy Prime Minister Nguyen Sinh Hung issued Decision 1276/QD-TTg to establish Vietnam Airlines Engineering Company Ltd. (VAECO Ltd.) with chartered capital of about $26 million, (This was essentially a merger of A75, A76 and other technical departments of VNA.) In addition, VNA also seeks to establish a joint venture with a foreign company to provide aircraft maintenance, repair, and overhaul services to VNA's fleet and other international carriers.

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

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

Air Traffic Management

Vietnam's flight information region (FIR) is divided into two areas, namely Hanoi and Ho Chi Minh City. Vietnam Air Traffic Management (VATM) with over 1,900 employees, is the state owned monopoly providing air traffic services to all flights in Vietnam's FIR. Northern Region Air Traffic Services (NORATS), VATM's subsidiary, covers FIR Hanoi and Southern Region Air Traffic Services, (SORATS), is in charge of HCMC. In total, VATM has two area control centers (located in Hanoi and HCMC), three approach control centers (in Hanoi, Danang and HCMC), 17 airport air traffic control towers, six radar stations, 16 satellite stations, 40 beacons, 20 VHF stations, and several digital microwave links. In addition, VATM has three other subsidiaries including Middle Region Air Traffic Services (MORATS), Air Traffic Command and Coordination (ATC&C), and Air Traffic Technical Services Center (ATTECH).

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

Airport Development

At present, the government budget can only meet about 20 percent of the total investment required for airport development. Raising sufficient funds for this development is an immense challenge for Vietnam now and in the future. The plan for the period 2005 – 2010 calls for investment of more than $1.3 billion in airport modernization, expansion and rehabilitation in order to accomplish an efficient network of 21 airports in operation including projects such as Noi Bai (second terminal), Na San, Dong Hoi, Cam Ranh, Chu Lai, Lien Khuong, Con Dao, Phu Quoc (International), Can Tho, Ca Mau, and Rach Gia. During the period 2010 – 2020, several other airports will be constructed or upgraded including Long Thanh (International), Chu Lai (Cargo), Cat Bi (Hai Phong), Quang Ninh (International), Lao Cai, and Cao Bang. The lion's share of the investment in airport projects is expected to come from Official Development Assistance (ODA) loans from foreign governments such as Japan as well as the private sector.

Long Thanh, Phu Quoc and Quang Ninh International Airports are three key projects that are expected to be developed with investment from the Vietnamese government as well as the private sector. To develop these projects, the Vietnamese Ministry of Planning and Investment (MPI) has submitted proposals to the Prime Minister to seek foreign direct investment. If approved, foreign investors will be allowed to develop these projects under the form of Build-Operate-Transfer (BOT), BT (Build-Transfer), or Build-Operate-Own (BOO).

Air Traffic Management

Vietnam Air Traffic Management (VATM) will spend over $67 million on its 46 new and ongoing air traffic management projects. Funding for these projects comes mainly from VATM's own budget accumulated from its business activities. Key upcoming projects to be undertaken by VATM include: ACC/Hanoi Project, Domestic Airport Air Traffic Management (ATM) Towers (for the following airports: Dien Bien Phu, Vinh, Phu Bai, Phu Cat, Dong Hoi, Chu Lai, Pleiku, Can Tho, Phu Quoc, Con Dao, Buon Ma Thuot), Noi Bai and Tan Son Nhat Air Traffic Management (ATM) Tower, and VATM Headquarters Building.

Air Fleet Development

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

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

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American companies are highly respected in Vietnam as the world's leading equipment manufacturers and service providers in the aviation sector in terms of advanced technologies, quality, and professionalism. In the above projects, American companies will find significant opportunities for providing architectural, engineering and construction services, and construction management services for airports and terminals. In addition, over the last few years American firms have sold a considerable amount of airport ground support equipment (GSE), equipment for passenger terminals, air traffic management systems, telecommunication systems, software, aircraft parts, training services, as well as aircraft maintenance and engine overhaul services.

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For more information, please contact:

Ha Anh, Commercial Specialist
U.S. Commercial Service – U.S. Embassy in Hanoi
E-mail: Ha.Anh@mail.doc.gov

Medical Equipment

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	2006 (actual)	2007 (actual)	2008 (estimated)
Total Market Size	194	205	216
Total Local Production	4	5	6
Total Exports	0	0	0
Total Imports	190	200	210
Imports from the U.S.	50	60	70

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

With a population of over 85 million and steady annual GDP growth topping 8 percent in recent years, Vietnam represents a good opportunity for U.S. exporters of medical equipment. According to the Vietnam Ministry of Health (MOH), the health care system consists of some 13,051 state-owned facilities with approximately 185,900 beds. Hospitals are generally overcrowded with a bed utilization rate of 15 per 10,000 inhabitants. At present, the system is over capacity and lacks the facilities to serve a population growing in both number and in ability to pay. Many hospitals are lacking in both general and specialized medical equipment, presenting difficulties for patients and physicians alike.

On the one hand, MOH points to the considerable progress that Vietnam has made in developing preventive medicine and treatment over the last ten years. On the other hand, MOH also points out that state-owned hospitals generally face the following challenges:

1. Many hospitals in large cities were constructed long ago and face chronic overcrowding. They do not have the capacity to serve both local patients and those from other provinces.
2. Half of the existing medical equipment in Vietnam is obsolete and badly needing replacement. Many hospitals lack sufficient equipment for surgery and intensive care units. More than 70 percent of hospitals lack a CT scanner. 35 percent of the equipment has been used for more than 20 years, and nearly 40 percent of the equipment been used from 10 to 20 years;
3. A shortage of qualified medical staff is common in many hospitals. Doctors and nurses work under stressful conditions. In addition, the low income of health care staff has led to ethical issues; and
4. Outdated management systems hinder operations in many hospitals. Medical experts note an urgent need for the application of information technology in hospital management if Vietnam is to undertake comprehensive modernization and development of its health care system;

The government encourages participation of the private sector in the health care system so as to ease the situation. These current weaknesses in Vietnam's health care sector pave the way for the development of private projects as well as the entry of foreign invested facilities to the market. Foreign investors are looking at the health care sector in Vietnam as presenting potential business opportunities. To date, there are 40 private hospitals, and 15 foreign invested hospitals have come into operation.

According to industry estimates, the market for medical equipment will be worth $220 million in 2009 and is growing by 10 percent each year. Since local production is small, the market relies almost entirely on imports. So far, Vietnam has 56 medical equipment manufacturers including 27 private and joint stock companies, 10 state-owned enterprises and 12 joint venture companies. They produce some 600 kinds of medical equipment, instruments and electronic devices for use in hospital interiors and surgery rooms. However, modern pieces of equipment stand at only roughly 5 percent of the total. This includes physiotherapy machines, functional rehabilitation machines and electrical surgical knives.

MOH has set out to implement a project called “Research and Development of Medical Equipment in Vietnam by 2010” during the period between 2007 and 2010. This project aims to expand manufacturing capacity for common equipment to meet 60 percent of the country’s demand for medical instruments by 2010.

Top foreign suppliers of medical equipment to Vietnam include Germany, Japan and the United States, each accounting for about 30 percent of the market. Vietnam also imports medical equipment from France, Italy, Korea, Taiwan, and China.

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Since the U.S. – Vietnam Bilateral Trade Agreement (BTA) was implemented in 2001, economic links between the two countries have strengthened, creating opportunities for U.S. suppliers of a wide range of medical equipment from the U.S. that enjoy a strong reputation for high quality and reliability. In 2009, imports from the U.S. are expected to reach $ 80 million. The best sales prospects for U.S. manufacturers of medical equipment are imaging diagnostic equipment (i.e., X-ray machines, CT Scanners, Color Ultrasound machines, Magnetic Resonance Imaging machines), laboratory equipment, operating theaters and sterilizing equipment, patient monitoring equipment and emergency equipment.

Buyers of medical equipment can be grouped into four categories:

1. Government-funded hospitals, clinics, and health care centers that purchase the largest quantity of medical equipment. With financial allocations from the Government, they tend to look for advanced and brand name equipment.
2. Wholly foreign-owned and joint-venture hospitals, clinics, and health care centers are significant buyers, although they often procure directly from their sponsoring or affiliated country.
3. 40 local private hospitals nationwide that are keen to upgrade to advanced equipment.
4. A number of medical education and research institutions that are open to experimenting with new, innovative methods and systems. These end-users present an excellent strategic opportunity to market U.S. equipment in Vietnam, given their desire to explore new technologies.

Imports of medical equipment face low import duties and no quota restrictions. By regulation, only Vietnamese companies are eligible to distribute medical equipment in Vietnam. Foreign suppliers sell their products through local distributors or agents. The agents provide immediate access to an established marketing network and in-depth knowledge of pertinent regulations. Buyers and end-users expect a local representative to handle after-sales service and stock spare parts. It is essential that U.S. companies seeking to import and market medical equipment in Vietnam have a local partner with strong technical skills and good connections with MOH, hospitals and other health care facilities.

Most imports of used and refurbished medical equipment are strictly controlled by the MOH. Decision 2019/1997/QD-BKHCNMT dated December 1, 1997, stipulates that the Ministry of Science, Technology, and Environment (MOSTE) must inspect and certify all imports of used medical equipment. Such used medical equipment must retain at least 80 percent of its life expectancy and must have fuel or electricity consumption ratings that do not exceed 110 percent of the consumption of newer versions of the equipment.

The Government is encouraging foreign investment in the health care sector. Incentives are being offered for construction of hospitals and production of pharmaceuticals and medical equipment.

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The Government of Vietnam has approved a national master plan to develop the health care network through 2010 and a conceptual plan for the years up to 2020. These cover public health/preventative medicine and primary care systems as well as medicine manufacture and supply. These plans aim for 20.5 hospital beds, seven physicians and one pharmacist for every 10,000 people by 2010. By 2020, 25 hospital beds and at least eight physicians and two pharmacists should be available for every 10,000 people. Almost all communes and wards nationwide are to have built their own medical stations by 2020 with 80 percent of them meeting national standards. All economic sectors will be encouraged to provide health care services with state-run establishments playing the key role.

For medical equipment, Vietnam is projected to spend $1.8 billion to build 57 new hospitals from 2006 to 2010. Medical equipment will account for $1 billion of this total amount. In addition, the MOH has launched an ambitious plan to develop three hi-tech medical centers nationwide and increase the number of skilled medical personnel.

Foreign aid and loans will be used to upgrade provincial hospitals, district clinics and communal health centers, as well as fund epidemic prevention drives and medical check-ups for the poor. These projects address safe blood transfusion, HIV/AIDS prevention and care, and the need to upgrade central hospitals in the city of Hue, health care for people in the Central Highlands and poor people in the mountainous Northern provinces.

Ho Chi Minh City, the economic hub of Vietnam, alone will spend $900 million to develop the municipal medical sector, mainly for building new clinics between now and 2020. The HCMC Health Service has submitted to the city government a master plan to build and upgrade 41 public hospitals and 28 private hospitals.

The above projects offer export opportunities to U.S. medical equipment suppliers, architects, and consultancy and training services providers.

U.S. suppliers of medical equipment may be interested in the Vietnam Medical and Pharmaceutical Exhibition scheduled for September 2009 in Ho Chi Minh City.

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Vietnam's healthcare information and projects are available at the following websites:

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

For more information, please contact:

Ms. Ha Anh, Commercial Specialist
U.S. Commercial Service – U.S. Embassy in Hanoi
Email: Ha.Anh@mail.doc.gov
Website: www.buyusa.gov/vietnam

Mr. Le Anh, Commercial Specialist
U.S. Commercial Service, U.S. Consulate General
Email: Le.Anh@mail.doc.gov

Franchising

Overview

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	2007	2008	2009 (estimated)
Total Market Size	N/A	N/A	N/A
Total Local Production	N/A	N/A	N/A
Total Exports	N/A	N/A	N/A
Total Imports	N/A	N/A	N/A
Imports from the U.S.	N/A	N/A	N/A

Note: Reliable market data is not available for the franchising sector.

The franchising model, which allows people with access to limited capital to enter an established business, is well suited to a developing economy like Vietnam. In recent years, the Vietnam franchising market has experienced a strong surge with average annual growth at 30 percent and more than 600 new franchising shops being opened. Although the market is still small and competition is limited, it is expected to grow quickly. Several popular foreign franchisors have recently expanded their operations with some success and enterprising local businesses are now becoming more aware of the franchising model than ever before. Many are looking for opportunities to work with well known foreign brands to start a franchise business in Vietnam.

Franchising was legally recognized in Vietnam with the passing of the Commercial Law, which took effect on January 1, 2006 and includes eight articles dealing with franchising activities. The new law provides for a legal and regulatory climate conducive to the development of the sector. Since franchises provide opportunities in a various sectors, it is anticipated that there will be a strong surge of interest in U.S. franchises as well as a growing number of U.S. franchisors wanting to explore the market's opportunities over the next several years. The issuance of the new Commercial Law, together with the Office of Government Decree No. 35/2006/ND-CP, dated 31 March 2006 (Decree 35) specifically legitimized franchising services, and therefore marked an important change of the Government's perspective towards the development of the franchise sector in Vietnam.

In the context of the spreading global financial crisis, franchises are considered a business model that is both effective and suitable to Vietnam's current economic situation. Many local entrepreneurs are seeking business opportunities from overseas. Awareness of franchise businesses in the United States is strong, with many Vietnamese businesses interested in acquiring the rights to operate American franchises. There appears to be a strong potential market for franchises in many sectors, with particular interest in services, including education and training, as well as the fast food industry. Other potential fields are business services, fashion, cosmetics, beauty care and retail.

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Franchising first took hold in Vietnam in the 1990's with the appearance of famous foreign fast food and beverage chains like Kentucky Fried Chicken, Dilmah, Lotteria, and

Jollibee. Franchising activities have become more widespread in Vietnam in recent years, with a number of well-known products and services offered by local and foreign entities being franchised in the local market. Prior to the adoption of the 2006 Commercial Law the Vietnamese Government viewed franchising with skepticism and did not recognize it as a legitimate vehicle for promoting commercial activity and investment. This perspective has been changing as Vietnam witnesses the development of strong franchise sectors among its neighbors and begins to recognize the role this sector can play in creating jobs, as well as attracting investment, improved management practices and new technology.

Franchises in Vietnam are increasing at a rate of about 30 percent annually, with 70 systems operating under both foreign and Vietnamese brand names. Vietnam already has a number of successful franchises, with current franchise operations focused on fast food outlets. Other business opportunities in the franchising sector remain largely unexplored. Many Vietnamese companies will opt for franchising to expand their market share at home and abroad. However, many still have a limited understanding of brand value and legal regulations relating to franchising.

There are several factors that will contribute to the growth of foreign franchises in Vietnam and that will attract foreign franchisors to participate in this market, not only in the food and beverages sector, but also other sectors such as fashion, health care services, children services, cleaning and sanitation, employment services, tourism, hotels and motels, home furnishing, education products and services, convenience stores, cosmetics, beauty care and many others. Key factors to consider include:

- The demand for high quality food and beverages in Vietnam is huge and growing rapidly. The 82-million people who are enjoying a steadily climbing per capita GDP tend to spend a large portion of their disposable income on food and beverages. The food and beverages sector has thus far attracted the most franchising businesses. Even a few local food and beverages companies have successfully franchised their winning formulas not only throughout the country, but in overseas markets as well.
- High-end popular brands are in demand. Vietnamese consumers look for highly recognized Western brands. Desired products include watches, fashion clothing, footwear, and sporting goods.
- Franchisors can also find opportunities in services such as children services, education products and services, employment services, tourism, health care, cosmetics, beauty care, convenience stores, and retail businesses.

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The market is open for foreign franchisors in various sectors. According to the Vietnam's National Office of Intellectual Property (NOIP), there are presently some 70 franchising businesses operating in the Vietnamese market. Most franchising businesses are concentrated in the food and beverages sector with such popular brands as KFC, Jollibee, Lotteria, BBQ Chicken, Dilmah, and Qualitea. Other franchising-involved businesses include the French supermarket chain Bourbon Group, the Malaysian shopping mall Parkson, the German retailer Metro Cash & Carry, the Swiss watchmaker Swatch, and the English Medicare chain.

U.S. brands are well perceived by local consumers, who reasonably associate them with superior quality, excellent customer service, and generally, a Western lifestyle. Currently, U.S. franchise brands represented in Vietnam include KFC, Pizza Hut, Dale Carnegie, New Horizons, ShoeBox New York. According to KFC, the first U.S. franchisor to enter the market (in 1997), business in Vietnam has "never been better" over the past two years. KFC now operates 55 outlets nationwide. Pizza Hut started operations in 2004 with a long-term and ambitious plan. New Horizons IT Center has run smoothly since 2002. Another U.S. franchise, ShoeBox New York, recently opened its first franchise shop in Hanoi in December 2008 and is planning to expand to Ho Chi Minh City early next year, while Coldwell Banker Real Estate Company is opening its second franchise in Hanoi (the first being in HCMC) in February 2009. Other well known U.S. franchise companies are reportedly considering entering the market.

As the legal and regulatory environment has improved, franchises may take advantage of the recent explosion in retail space development in Ho Chi Minh City and Hanoi, which has significantly increased the number of high-traffic sites that would be suitable for retail franchise outlets.

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

- U.S. franchisors should register their intellectual property rights and be prepared to take legal action against IP violations. Franchisors should exercise care in preparing franchising contracts to avoid problems down the line.

- Understand cultural differences and adjust market access strategy accordingly. U.S. franchisors must consider adapting to local culture, habits, and tastes to guarantee success in the market.

- Minimize the price of the product and the franchising fee to achieve rapid expansion. Keep in mind that incomes are substantially lower than in the U.S. or even other countries in the region and Vietnamese are very price-conscious. Local investors are only now becoming familiar with the franchising concept and may be reluctant to make too large an initial investment.

- U.S. franchisors may work with the U.S. Commercial Service in Vietnam on identifying potential partners and checking their credibility.

The U.S. Commercial Service organizes regularly Vietnamese delegations to visit the International Franchise Expo in the United States.

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For more information, please contact:

Ms. Ha Anh, Commercial Specialist
U.S. Commercial Service Hanoi - American Embassy
E-mail: Ha.Anh@mail.doc.gov

Mr. Le Anh, Commercial Specialist
U.S. Commercial Service Ho Chi Minh City – U.S. Consulate General
E-mail: Le.Anh@mail.doc.gov

Safety and Security

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	2006	2007	2008 (estimated)
Total Market Size	80	83.5	121.3
Total Local Production	5	5.5	6.3
Total Exports	0	0	0
Total Imports	75	78	94.7
Imports from the U.S.	19	20	20.3

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

The demand for safety and security equipment in Vietnam is growing rapidly. The industry is focused on commercial sectors including construction, commercial and residential buildings, banks, municipal fire prevention and fire fighting, maritime facilities and airport facilities. A significant portion of the demand for safety and security equipment in the Vietnamese market is tied to the development of foreign-invested construction and manufacturing projects. Security equipment import taxes range from 0 percent - 40 percent, depending on the components and the manner in which the components and systems are imported into Vietnam. Building-related equipment and systems paid for with foreign investors' capital contributions may be imported duty free.

The security services market is another growing sector in Vietnam. These services include providing security equipment, residential and building guards, bodyguards, and lifeguard monitoring. In Vietnam today there are hundreds of companies registered to provide security services. According to the Decree 14/2001/ND-CP, only local companies with police support are licensed to enter the security services business (i.e. foreign investment is not permitted). Furthermore, private investigator services are not permitted under the law. Importation of certain kinds of security equipment that service police operations must be approved by the Ministry of Public Security.

Best Products/Services

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

Further, there are gradually increasing opportunities for U.S. suppliers to provide sprinkler heads, sensors, hose/reels and break glass alarms. U.S. companies have also been successful in supplying control panels, fire extinguishers, hydrants, and pumps to oil and gas operations, as well as to several power plants and airport projects in Vietnam.

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

Competition in this sector is intense. Major suppliers include Japan, England, South Korea, Malaysia, Singapore, China, and Taiwan. In general, U.S. safety and security equipment is highly regarded in the Vietnamese market. However, brand name and high standard U.S. products are more expensive than those from other countries. Consequently, the high cost actually limits their sales volume in this market. Due to their good reputation and known quality, many agents and distributors in Vietnam are still eager to represent U.S. companies and products. They are especially interested in U.S. suppliers of automated security systems, such as advanced CCTV systems, integrated security systems, electronic card access control systems, smart card technology and intruder detection equipment.

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For further information, please contact the following persons:

Ms. Ngo Minh Phuong, Commercial Assistant
US Commercial Service Hanoi - US Embassy
E-mail: Ngo.Phuong@mail.doc.gov

Ms. Nguyen Kieu Huong, Commercial Assistant
US Commercial Service Ho Chi Minh City - US Consulate
E-mail: Nguyen.Huong@mail.doc.gov

Agricultural Sectors Return to top

Overview Return to Agricultural Sectors

While agricultural trade between the United States and Vietnam continues to be largely in Vietnam's favor, the United States experienced a record increase in agricultural exports to Vietnam in 2008. Exports of U. S. agricultural, fish, and forestry products to Vietnam for 2008 reached a record $1.1 billion, an increase of over 76 percent over 2007. Estimated U.S. agricultural imports from Vietnam totaled $1.55 billion, plus an additional $1.45 billion in furniture imports; taken together, these data show a year-on-year increase of 25 percent. The sharp increase in U. S. exports no doubt benefited from the tariff and fee reductions associated with Vietnam's accession to WTO in January 2007, as well as subsequent further voluntary tariff reductions by the Vietnamese government.

Key U.S. agricultural exports to Vietnam consist largely of manufacturing inputs such as cotton, hardwood lumber, hides and skins, and food and feed ingredients. There was also continued strong growth in 2008 of consumption-oriented products such as red meat, poultry meat, dairy products, fresh fruits, nuts and dried fruits, which as a category increased 70 percent over the previous year. Other bulk and intermediate agricultural products like soybeans/soybean meal, cotton, and hides and skins also experienced remarkable growth. The actual value of U.S. agricultural products entering Vietnam may be somewhat different than the official figures, owing to transshipments to Vietnam through Singapore and Hong Kong and to transshipments to China through Vietnam. On the other side of the equation, the primary U.S. agricultural imports from Vietnam during 2008 were shrimp, Basa and Tra fish fillets, coffee, cashews, pepper, and rubber.

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

For the most up-to-date information, please contact FAS/Vietnam or visit the FAS website at http://www.fas.usda.gov for agricultural market reports. Two key reports for 2008 are the Exporter Guide VM8069 and the Retail Food Sector Report VM8083.

Soybean Meal and Soybeans Return to Agricultural Sectors

Soybean meal imports continue to grow due to increasing demand from the livestock and aquatic sectors. Expectations are that the demand for soybean meal (SBM) will continue to increase, particularly given that Vietnam has no industrial-scale crushers to produce SBM locally. The United States is not as competitive as India and Argentina in this market segment, due mainly to cost factors.

Vietnam's imports of SBM emphasize the shortage of protein sources in the country. Despite the government's efforts, growth in oilseed production has fallen far short of fulfilling the country's protein needs. In the longer term, this could bode well for U.S. soybean exports. Under the current tariff structure, SBM has zero import duty, unrefined oil has a 3 percent duty, refined oil has a 20 percent duty, and soybeans enjoy a reduced tariff rate of 2 percent for imports from WTO member countries. The reduced tariff rate for soybeans may now make building crushing plants a more attractive investment. In that case, soybean imports could increase considerably, and the United States is more competitive in soybean exports than SBM exports.

Vietnam now has three deep-water ports including Phu My Ba Ria Serere port; Cai Mep Interflour port- both located on Thi Vai River of Ba Ria Vung Tau Province (about 30 miles from Ho Chi Minh City); and Quang Ninh port in Cai Lan, Quang Ninh Province. Unlike the ports in Ho Chi Minh City, these ports can handle Panamax vessels (50,000+ tons), which will lower freight costs for U.S. commodities shipped to Vietnam.

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

Soybean Meal in Vietnam
Unit: 1,000 metric tons

	2003	2004	2005	2006	2007	2008 est.
Total Consumption	990	950	1247	1550	1750	2050
Total Local Production	0	0	0	0	0	0
Total Imports	990	950	1247	1550	1750	2050
Total Exports	0	0	0	0	0	0
Total Imports from the U.S.	44.5	17.5	18.6	29	45	60.5

The above statistics are U.S. Department of Commerce data and unofficial estimates.

Bulk Cotton Return to Agricultural Sectors

Vietnam has a rapidly growing and vibrant textile industry, largely based on imported raw cotton or synthetic fiber. Textiles continue to be one of Vietnam's top foreign exchange earners, with an estimated $9.1 billion in exports in 2008. Local cotton production currently meets less than 10 percent of total demand. Estimated U.S. cotton exports in 2008 were $200 million, a year-on-year increase of 127 percent.

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

Current import duty for cotton lint is 0 percent.

Bulk Cotton in Vietnam
Unit: 1,000 metric tons

	2004	2005	2006	2007	2008 est.
Total Consumption	146	155	200.5	221.3	290
Total Local Production	11	10.4	10.5	11.3	8.0
Total Import	135	155	190	210	290
Total Export	0	0	0	0	0
Total Import from the U.S.	44	38	37	67	123

The above statistics are U.S. Department of Commerce data and unofficial estimates.

Wheat and Wheat Flour Return to Agricultural Sectors

Vietnam is moving swiftly from being a wheat-flour to a wheat-grain market, as a result of increased investments in new mills. Present milling capacity is estimated at 1.8 million metric tons per year. Compared to "wealthier" neighboring countries, per capita wheat consumption in Vietnam is low. However, given the prospects for increasing incomes in this fast-growing economy demand will likely increase, particularly since Vietnam does not produce wheat, but nonetheless has a strong culture of bread, cake, and other wheat product consumption. Wheat from the United States will also benefit from infrastructural improvements such as the expansion of grain handling facilities and the new deep water ports.

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

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

Wheat in Vietnam
Unit: 1,000 metric tons

	2004	2005	2006	2007	2008 est.
Total Consumption	800	1,118	996	900	920
Total Local Production	0	0	0	0	
Total Imports	800	1,118	996	900	920
Total Exports	0	0	0	0	0
Total Imports from the U.S.	40	22	14	141	62

The above statistics are U.S. Department of Commerce data and unofficial estimates from industry sources.

Forest Products, Hardwood Lumber

Return to Agricultural Sectors

Prospects are bright for U.S. exports of hardwoods and other forest products to Vietnam. Vietnam's furniture exports in 2008 reached $2.78 billion, a year-on-year increase of 15 percent, while estimated U.S. exports of forest products to Vietnam in 2008 grew by 11 percent to reach $117 million. Of this total, over 88 percent are hardwoods (lumber, logs and veneers).

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

Current import duty for lumber, logs, and veneer is 0 percent.

Forest products in Vietnam
Unit: $ million

	2004	2005	2006	2007	2008 est.
Total Consumption	NA	NA	NA	NA	NA
Total Local Production	NA	NA	NA	NA	NA
Total Imports	539.0	625.0	716	950	1,090
Total Exports	0.0	0.0	00	00	00
Total Imports from the U.S.	39.0	43.6	65.4	105.6	117

The above statistics are U.S. Department of Commerce data and unofficial estimates.

Hides and Skins

Return to Agricultural Sectors

Market reforms have led to sharp increases in investment in Vietnam's leather industry, as local wage rates and an efficient labor force make it a competitive export industry. This, in turn, has led to sharp increases in Vietnamese hides and skins imports in recent years, which in 2008 were estimated at $1.1 billion.

U.S. exports of hides and skins to Vietnam have grown steadily from $2 million in 2002 to an estimated $73 million in 2008, a 34 percent increase over 2007. The potential for further strong growth is significant.

The current import duty on hides and skins is 0 percent.

Note: Vietnamese trade data are not available.

Dairy Products

Return to Agricultural Sectors

From an admittedly low base, Vietnam's consumption of dairy products has grown rapidly, with current annual growth at about 18 percent. This demand growth has created real opportunities for U.S. dairy products. Vietnamese imports of dairy products in 2008 were estimated at $450 million, of which, U.S. dairy products made up approximately $86 million. Currently, the best-selling U.S. dairy exports to Vietnam are non-fat dry milk, lactose and whey, which are used in the food- and feed-processing industries.

Current import tariffs on most dairy products range from 3 percent to 10 percent.

Dairy products in Vietnam
Unit: $ million

	2004	2005	2006	2007	2008 est.
Total Consumption	NA	NA	NA	NA	NA
Total Local Production	NA	NA	NA	NA	NA
Total Imports	NA	NA	NA	300	450
Total Exports	0.0	0.0	00	00	00
Total Imports from the U.S.	29.1	50.6	53.7	52.8	86.2

The above statistics are Department of Commerce data and unofficial estimates.

Fresh Fruit and Vegetables

Return to Agricultural Sectors

According to unofficial data, Vietnam's 2007 imports of apples and table grapes totaled $17 million and $14 million, respectively. Vietnam also imports many other types of fruits and vegetables; however, official trade data are unavailable. The U.S. market share in Vietnam for apples and table grapes was 32 percent and 37 percent, respectively, with China as the main competitor.

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

Current import duties on apples and table grapes are 18 percent and 19 percent respectively. In keeping with its WTO commitments to reduce import tariffs, Vietnam should gradually lower tariffs on fresh grapes and apples to 10 percent by 2012. Similarly, the import tariff on dried grapes (raisins) should be reduced to 13 percent by 2012.

Note: Vietnamese trade data are not available.

Snack Foods, Packaged Foods, Canned Foods

Return to Agricultural Sectors

Rising incomes in Vietnam have resulted in a higher demand for a variety of imported consumer-ready foods. Dairy products, snack foods and packaged foods are popular among retail consumers and hotel, restaurant, and institutional (HRI) customers. Prospects for growth in this sector are directly linked to increases in the number of new supermarkets, hotels, and resorts in Vietnam as well as reductions in tariffs. Current tariffs for snack foods, packaged foods, and canned foods range from 25 percent to 40 percent.

Note: Vietnamese trade data are not available.

Beef

Return to Agricultural Sectors

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

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

The import duty on beef is now 17 percent.

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

Note: Vietnamese trade data are not available.

Pork Meat

Return to Agricultural Sectors

Meat consumption is rising in Vietnam. Pork has long been the country's major meat product. The recent blue ear disease has reduced the size of the Vietnamese swine herd, which creates more opportunity for U.S. frozen pork sales in Vietnam, where pork meat makes up over 75 percent of total meat consumption. The estimated US exports of pork meat cuts to Vietnam in 2008 reached a record of $12 million, a year-on-year increase of 264 percent.

Note: Vietnamese trade data are not available.

Poultry Meat

Return to Agricultural Sectors

Meat consumption is rising in Vietnam. The current problem of Vietnamese domestic chicken production as a result of Avian Influenza, combined with strong growth in domestic demand and a high inflation rate for food, has led to higher chicken meat prices and opportunities for exporters. U.S. chicken meat exports, mainly quarters and drumsticks, have been able to fill the Vietnamese affinity for dark chicken meat.

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

Poultry and poultry products in Vietnam
Unit: $ million

	2004	2005	2006	2007	2008 est.
Total Consumption	NA	NA	NA	NA	NA

Total Local Production	NA	NA	NA	NA	NA
Total Imports	NA	NA	10	40	100
Total Exports	0.0	0.0	00	00	00
Total Imports from the U.S.	8.5	0.9	5.9	26.7	72

The above statistics are Department of Commerce data and unofficial estimates.

Meat Offal Return to Agricultural Sectors

Vietnam, like China, is a big potential market for meat offal. Edible animal parts, especially bovine tongue, pork heart, pork kidney, pork liver, chicken gizzard, and chicken feet (for all of which there is relatively little demand in the United States) have bright prospects here, since they are a popular part of local diet. Although U.S. edible offal exports to Vietnam show promise, imports have faced difficulties due to onerous and randomly-enforced sanitary inspection requirements.

Marketing efforts are directed by the USMEF and the USA Poultry and Egg Export Council (USAPEEC), both with regional offices in Singapore.

The current import duty for bovine and swine offal is 11 percent, and 20 percent for chicken offal. The WTO bound rate for the bovine and pork offal is scheduled to be reduced to 8 percent by 2011, whereas the bound rate for chicken offal will remain at 20 percent.

Note: Vietnam trade data are not available.

Web Resources Return to Agricultural Sectors

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

Foreign Agricultural Service
U.S. Embassy, Hanoi
170 Ngoc Khanh
Ba Dinh District
Hanoi, Vietnam

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

U.S. Foreign Commercial Service: www.buyusa.gov/vietnam

2008 Agricultural Exporter Guide VM8069

2008 Retail Food Sector Report VM8083

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Chapter 5: Trade Regulations and Standards

Import Tariffs

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The United States negotiated significant reductions in tariff rates for many important U.S. exports in the context of Vietnam's entry into the WTO in January 2007. As a result, the vast majority of U.S. exports now face tariffs of 15 percent or less.

Vietnam agreed to join the WTO Information Technology Agreement upon accession and, as a result, it has eliminated tariffs on information technology products. Vietnam also reduced tariffs on 80 percent of the products covered by the WTO Chemical Harmonization Agreement. In 2008, Vietnam reversed course on tariff reductions on a number of imports, including meat and poultry, and automobile and automobile parts, all of which had been lowered in 2007.

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

The National Assembly sets tariff bands for each product, while the Ministry of Finance, typically with oversight from the Office of Government, adjusts applied tariffs within the bands.

Trade Barriers

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

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

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

Special authority regulation*:* The importation of certain categories of goods is limited to state-trading enterprises (see Trading Rights below), and others are subject to automatic or non-automatic import licensing. Since August 2008, Vietnam has subjected a number of imports to an automatic licensing process that can sometimes cause bureaucratic delays to importation. The list includes the following items: 1) Essential oils and resinoids; perfumery, cosmetic or toilet preparations; 2) Plastics and articles thereof; 3) Ceramic products; 4) Glass and glassware; 5) Articles of iron or steel; 6) Aluminum and articles thereof; 7) Nuclear reactors, boilers, machinery and mechanical appliances, and parts thereof; and 8) Electrical machinery and equipment, sound recorders, television image and sound recorders, and parts and accessories of such articles.

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

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

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

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

Taxes*:* Vietnam applies a value-added tax on goods and services in a number of categories listed in the Law on Value Added Tax, and related implementing regulations. Certain goods in Vietnam are also subject to an excise tax, levied in accordance with the Law on Excise Tax, which was revised in late 2008 to eliminate the discriminatory application of excise taxes. The revisions will harmonize the tax rates on imported and domestic beer and distilled spirits (at 50 percent for over 20 percent alcohol content, and 20 percent for under 20 percent alcohol content), effective 1 January 2010.

Automatic licensing*:* The GVN introduced an automatic import licensing system in August 2008, which was renewed in January 2009. The list includes selective 8-digit items of 8 chapters, mostly aimed at consumer goods. Licenses must be issued within five days and are indefinite.

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

Import Requirements and Documentation Return to top

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

Import Licensing System: Business entities, including foreign invested enterprises with a legally registered business license, may be engaged in direct import and export activities. However, foreign invested enterprises can import materials, equipment and machinery only for the purpose of establishing production lines and producing goods in accordance with their investment licenses. Under Vietnam's WTO commitments, trading rights are now opened to all foreign invested enterprises. Vietnam introduced an automatic import licensing system in August 2008, which requires importers of a wide category of goods to obtain a license from the Ministry of Industry and Trade (MOIT) to get their goods through Customs. Licenses must be issued within five working days and are truly automatic, in that none are turned down. The latest list of goods includes mostly consumer goods like cosmetics, kitchen and house appliances, furniture, cell phones and automobiles. Distribution rights for these entities are opened to joint venture investment with no limit on capital contribution, and since 1/1/2009 have been opened to wholly foreign invested enterprises. (See Trade Barriers for further detail.)

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

U.S. Export Controls

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

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

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

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

Temporary Entry

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

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

Recent regulatory changes stipulate that traders who wish to conduct temporary import via international border gates or international seaports and conduct re-export via border-gate economic zones must first obtain permission of the People's Committees of the provinces, and then apply for permits for temporary import at MOIT.

Traders who have been granted permits by the provincial People's Committee(s) and from MOIT for temporary import for re-export or border-gate transfer of goods via international border gates or international seaports, are required to produce such permits for the People's Committees of the provinces in order to obtain permission for re-export via the border-gate economic zones.

Labeling and Marking Requirements

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

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

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

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

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

- Name of goods;

- Name and address of the organization or individual responsible for the goods;

- Origin of goods;

- Quantity;

- Date of manufacture;

- Expiry date;

- Ingredients or ingredient quantities;

- Hygiene and safety information, warnings;

- Instructions on use and preservation.

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

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

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

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

- Circulation of goods without the required labels;
- Labeling goods with pictures, figures, or writing that do not correspond to the nature of the goods;
- Labeling goods unclearly, or with labels so faint that normal eyes cannot read their contents;
- Labeling goods without including all required compulsory contents;
- -Failing to meet guidelines for the correct size, position, method of presentation, or languages on labels;
- Erasing or amending the contents of labels of goods;
- Replacing labels of goods for the purpose of deceiving consumers;
- -Using trademarks of goods already protected by law without the approval of their owners;
- Labeling goods in the same manner as those of other business entities, which have been protected by law.

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

Prohibited and Restricted Imports

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According to Government of Vietnam Decree No. 12/2006/ND-CP dated 23 January 2006, Vietnam currently prohibits the commercial importation of the following products: arms and ammunition; explosive materials (not including industrial explosives); certain non-dual use military equipment; narcotics; toxic chemicals; “depraved and reactionary” cultural products; firecrackers; certain types of children’s toys; cigarettes; 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; various encryption devices and encryption software. Restricted imports include imports subject to import licenses from the Ministry of Industry and Trade (MOIT), and are subject to special management and oversight by various ministries and agencies such as the Ministry of Health; Ministry of Culture, Sports, and Tourism; Ministry of Information and Communications; The State Bank; Ministry of Agriculture and Rural Development and others. U.S. exporters should confer with their Vietnamese customer, agent or distributor to determine whether an MOIT import license is required for their restricted product.

Customs Regulations and Contact Information

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Certain goods to be exported or imported must be inspected before being cleared at customs stations. The inspection covers quality, specifications, quantity, and volume. The inspection is based on Vietnamese standards, with the exception of pharmaceuticals, and should be carried out by an independent Vietnamese or foreign inspection organization. Imported goods subject to inspection include petroleum products, fertilizers, electronic and electrical products, food and drink, machinery and equipment, steel, and pharmaceuticals. This list may be altered from time to time. Imported pharmaceuticals, for example, must go through random lab tests on sample batches performed by Vietnamese officials. Since January 1998, all imported drugs must have instructions on product use, dosage, and expiration dates printed in Vietnamese and inserted in packages.

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

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

Standards

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Overview

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

The Law on Standards and Technical Regulations was adopted by the National Assembly in June 2006 and took effect on January 1, 2007. This law marked a turning point for standardization activities in Vietnam and comprehensively reformed the system. Under this law, standards and technical regulations are simplified to three levels: national standards (TCVNs) and company standards, national technical regulations (QCVNs) and local technical regulations (TCCs). 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 (STAMEQ) become the inquiry and notification point under the WTO Agreement on Technical Barriers to Trade.

Still, Vietnam's system of standards is complicated and not always transparent. Some items are subject to national standards, some are subject to regulations of the functioning agencies and some are subject to both. Thirty percent of Vietnam's standards are harmonized with international and regional standards, and the country is a member of 18 international organizations that regulate standards. In general, Vietnam does not appear to use technical measures to serve as non-tariff barriers. The exceptions to this are some goods controlled by specific ministries such as chemicals, toxic chemicals and intermediate materials for their production, wild animals, pesticides and materials for their production, pharmaceuticals, substances that may cause addiction, cosmetics that may impacts human health and medical equipment.

Standards Organizations

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

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

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

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

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

About 30 percent of Vietnam's national standards system has been developed by way of adoption of other international and regional standards (e.g. ISO, IEC, Codex), The process of national standards development is supposed to be transparent to the public, from the incipient stages of development up until the standard is issued and published. According to Government Decree No. 127/2007/ND-CP and the Law on Standards and Technical Regulations, existing mandatory standards should be reviewed for appropriate transference to technical regulations or withdrawn by December 2009.

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

The Vietnam Standards and Quality Center (VSQC) is a subsidiary of STAMEQ that is responsible for organizing national technical committee activities; developing and printing national standards, and providing other related services. It has established relationships with relevant domestic ministries/agencies, as well as international and national standardization organizations.

For more information see http://www.vsqc.org.vn/en

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

The National Assembly adopted the Law on Goods and Product Quality in November 2007, taking effect on August 1, 2008. In line with the law, the Government issue Decree 132/2008/ ND-CP on 31 December 2008. As of this writing, the Law on Metrology is in draft form and is scheduled to be adopted by National Assembly in 2009.

On March 25, 2003, Vietnam's TBT Enquiry and Notification point of contact was formally established within the offices of STAMEQ.

For more information see http://www.tbtvn.org.

NIST Notify U.S. Service
Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: http://www.nist.gov/notifyus/

Conformity Assessment

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

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

For more information on conformity assessment in Vietnam, see the following websites:

www.quatest1.com.vn
http://www.quatest3.com.vn/
http://www.quacert.gov.vn/
www.vmi.gov.vn
www.tcvninfo.org.vn

Product Certification

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The Vietnam Certification Centre (QUACERT) is the National Certification Body of Vietnam under the Vietnam Directorate for Standards and Quality (STAMEQ). QUACERT provides certification services for organizations and individuals who have complied with internationally recognized standards or other technical specifications including:

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

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

Accreditation

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

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

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

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

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

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

Publication of Technical Regulations

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

Labeling and Marking

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For standards affecting product labeling, see the Labeling and Marking section presented earlier in Chapter Five.

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For more information about standards in Vietnam, please contact:

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

Trade Agreements

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

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

Vietnam is a member of the Association of South East Asian Nations (ASEAN) and subsequently, a member of ASEAN Free Trade Area (AFTA). As part of AFTA, ASEAN members (including Brunei, Philippines, Indonesia, Laos, Myanmar, Malaysia, Singapore, Thailand, and Cambodia) are committed to making this region a competitive trading area. Together with ASEAN countries, Vietnam also signed trade pacts with China, the Republic of Korea, Australia and New Zealand, India, Japan, is currently negotiating an agreement with the EU, and has stated its intention to enter the Trans-Pacific Partnership free-trade talks.

Web Resources

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

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

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

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

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

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

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

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

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

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

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Chapter 6: Investment Climate

Openness to Foreign Investment

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Vietnam strongly encourages foreign investment as part of its development strategy, and the Government of Vietnam (GVN) is committed to improving the business and investment climate. The GVN is counting on being able to attract overseas capital through foreign direct investment (FDI) in 2009 amidst the challenges of a global economic crisis that was beginning to impact Vietnam in late 2008 and early 2009. FDI and official development assistance (ODA) are integral parts of the GVN's growth target for 2009.

Vietnam became the 150th member of the WTO on January 11, 2007. Vietnam's commitments in the WTO increase market access for exports of U.S. goods and services and establish greater transparency in regulatory trade practices, enhance economic freedoms and establish a more level playing field between Vietnamese and foreign companies. Vietnam undertook commitments on goods (tariffs, quotas and ceilings on agricultural subsidies) and services (provisions of access to foreign service providers and related conditions), and to implement agreements on intellectual property (TRIPS), investment measures (TRIMS), customs valuation, technical barriers to trade, sanitary and phytosanitary measures, import licensing provisions, anti-dumping and countervailing measures, and rules of origin.

In addition to WTO, the United States - Vietnam Bilateral Trade Agreement (BTA) provides a broad range of benefits for U.S. investment in Vietnam. The BTA and WTO commitments will continue to ensure fair access and treatment for U.S. investment, goods and services.

Vietnam's record in implementing its bilateral and international obligations has been good overall. Concerns remain in some areas, such as protection of intellectual property rights (IPR).

In 2008, Vietnam reported a record $64.01 billion in investment commitments, a growth of over 222 percent from 2007 ($21.3 billion). Since the country was opened to foreign investment in 1988, Vietnam has authorized $163.5 billion in foreign investment, of which $56.9 billion is actual investment.

In 2008, U.S. investment grew at a record pace, reaching a total of $1.4 billion in 55 investment projects, a single-year figure equivalent to over a third of all U.S. investment commitments over the previous ten years. Overall, the United States is Vietnam's 12th largest investor. In addition to these numbers, significant additional U.S. investment is credited to other countries. This is the case, for instance, with Intel's $2 billion investment commitment, which is credited to Intel's Hong Kong subsidiary.

The GVN holds regular "business forum" meetings with the private sector, including both domestic and foreign businesses and business associations, to discuss issues of importance to the private sector. Foreign investors use these meetings to draw attention to investment impediments imposed by Vietnamese law and regulation as well as by improper implementation. These forums, together with frequent dialogues between GVN officials and foreign investors have led to improved communication and have sometimes allowed foreign investors to comment on and influence legal and procedural reforms.

In December 2008, Vietnam's credit ratings remained unchanged (BB/B for foreign currency and BB+/B for local currency, Standard and Poor's). However, in 2008 both S&P and Moody's downgraded Vietnam's outlook to negative, with S&P noting "the risks to financial stability as banks face near-term asset quality deterioration with weakened balance sheets." In January 2009, the Economist Intelligence Unit rated Vietnam's sovereign risk at B grade, the currency risk at B, the banking sector risk at CCC, political risk at B, and economic structure risk at CCC.

Conversion and Transfer Policies

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Foreign businesses are permitted to remit their profits in hard currency, 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. Approval by investment authorities is needed to increase or decrease the capital of a foreign-invested business.

In principle, foreign investors are expected to be "self-sufficient" for their foreign exchange requirements, although this sometimes proves impractical. GVN guarantees 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.

In 2008, the State Bank of Vietnam adjusted the official exchange rate (reference rate) and expanded the trading band for dollar and Vietnamese dong exchange transactions several times, effectively devaluing the dong by 7.25 percent. The trading band for dollar and Vietnamese dong is currently set at ± 3 percent. Commercial banks are allowed to determine the differential between currency selling and buying prices within the set trading band. Slowed exports coupled with anticipated declined FDI and portfolio investments in 2009 will put pressure on hard currency availability and on dollars in particular.

Expropriation and Compensation Return to top

The U.S. Mission to Vietnam knows of no recent instances of expropriation of a foreign investment by the GVN.

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

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

Under the investment chapter of the BTA, Vietnam gives U.S. investors the right to choose a variety of third-party dispute settlement mechanisms in the event of an investment dispute with the GVN. Vietnam has not yet acceded to the Convention on the Settlement of Investment Disputes between States and Nationals of other States (ICSID), but has asked the United States to provide advice in this area as part of the U.S. technical assistance program designed to assist Vietnam to fully implement the BTA. The Ministry of Planning and Investment (MPI) has submitted a proposal to the GVN to join to ICSID. As of early 2009, the proposal was still under consideration.

Vietnam's legal system, including its dispute and claims settlement mechanisms, remains underdeveloped and ineffective in settling disputes. Negotiation between the concerned parties is the most common and preferred means of dispute resolution. 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. However, even with such provisions, resolution is not guaranteed.

In the event of an investment dispute, a number of domestic avenues are 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 a bond to the court, half of which is forfeited if the dispute is resolved before the beginning of court proceedings. The court proceedings must begin within six months of the date of the dispute. Many international investors express concerns about the ability of the court system to render impartially and promptly 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.

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.

Another 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). VIAC 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 or whether international standard arbitration rules apply, such as those of the International Chamber of Commerce (ICC) or the United Nations Commission on International Trade Law (UNCITRAL). VIAC decisions 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. For now, most foreign parties choose to stipulate "third party" arbitration in their contracts with Vietnamese parties and the government.

Performance Requirements and Incentives Return to top

Vietnam has removed performance requirements which are inconsistent with the TRIMS agreement. In particular, the Investment Law specifically outlaws the following requirements: giving priority to the purchase or use of domestic goods or services, compulsory purchase of goods or services from a specific domestic manufacturer or services provider, export of goods or services at a fixed percentage, restricting the quantity, value or type of goods or services that may be exported or which may be sourced domestically, fixing import goods at the same quantity and value as goods exported, requiring self-balance compulsory foreign currency, requirements to achieve certain local content ratios in manufacturing goods; stipulated levels or values on R&D activities, to supply goods or provide services in a particular location whether in Vietnam or abroad, or mandating the establishment of head offices in a particular location.

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

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

Provinces provide numerous tax and other incentives to prospective investors.

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

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

Right to Private Ownership and Establishment

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

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

The Land Law of 2003 extended "land-use rights" to foreign investors, allowing title holders to conduct real estate transactions, including mortgages. Foreign investors can lease land for (renewable) periods of 50 years, and up to 70 years in some poor areas of the country.

Starting in 2009 foreigners who meet the following criteria can own apartments in Vietnam:

- Individuals who invest directly in Vietnam or who are hired for management positions by local or foreign-invested companies in the country;
- Foreigners who receive certificates of merit or medals from the president or government for their contributions to the country;
- Foreigners who work in socio-economic fields, hold a bachelor's or higher degree and possess special knowledge and skills that Vietnam needs;
- Foreigners who are married to Vietnamese residents; and
- Foreign-invested enterprises operating in Vietnam that need to buy housing for their employees.

Protection of Property Rights Return to top

The basis of a legal system that protects and facilitates property rights have been established but the Vietnamese legal system remains in a state of transition. Much more work needs to be done to develop the laws and enforcement mechanisms required to adequately protect property rights in Vietnam.

Vietnam has made progress over the past few years in establishing the legal framework for IPR protection but infringement continues to be widespread and enforcement of administrative orders and court decisions finding IPR infringement remains problematic. In addition, IPR administration is complicated and coordination between concerned agencies is loose. In 2006 the GVN enacted a four-year Action Plan to Prevent Intellectual Property Rights Violations (2006-2010), but it does not include the courts, limiting the effectiveness of enforcement efforts. Enforcement actions continue to be sporadic. The Vietnamese Police have investigated and in some cases raided and fined businesses suspected of using pirated software.

Transparency of Regulatory System Return to top

As Vietnam undergoes a transition to a more market-oriented economy, the legal system changes frequently, and at times, significantly. Vietnamese officials have limited experience drafting legislation, and new laws and regulations sometimes are contradictory or unclear. The USAID-funded Support for Trade Acceleration (STAR) project, however, has made a substantial contribution to Vietnam's successful efforts to draft the new laws and regulations required under the BTA and the WTO. Not all officials, especially those at the provincial and local levels, are fully up-to-date on all the new laws and regulations that affect their area of responsibility. Nor are all laws and regulations readily available to business and the public. Different officials, sometimes within the same agency, may interpret laws differently. There is a shortage of practicing lawyers, judges, and law professors. Substantial foreign assistance, including that funded by the United States, is being devoted to assist Vietnam to establish a legal structure compatible with international standards.

Although the GVN 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 even to be aware of what rules apply to an investment. Various bilateral and international donors are providing development assistance to address these issues.

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.

The Law on the Promulgation of Legal Normative Documents requires that all legal documents and agreements to international conventions be published in the Official Gazette. The Gazette has been published on a daily basis since 2003.

Efficient Capital Markets and Portfolio Investment

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Vietnam's financial system is in the early stages of reform, and the financial markets are poorly managed and regulated.

The banking sector is underdeveloped. Only 10 percent of Vietnamese have a bank account and 50 percent of personal savings are held outside the banking system (in gold or cash). Most of the domestic banks are under-capitalized and hold a large number of non-performing loans, mainly to state-owned enterprises (SOEs). (Because of lack of transparent auditing or financial reporting, it is difficult to know the exact proportion of non-performing loans.) State-directed lending under non-commercial criteria remains a concern with state owned commercial banks (SOCBs). The four largest banks (Vietcombank, Vietinbank, the Bank for Agriculture and Rural Development (Agribank), and the Vietnam Investment Bank for Investment and Development in Vietnam (BIDV)) are state-owned or majority state-owned. Vietcombank and Vietinbank conducted their initial public offerings (IPO) in December 2007 and December 2008 respectively. They plan to list on Vietnam’s stock market. However, both banks have yet to attract a strategic investor and the state remains the controlling shareholder.

The GVN has embarked on a comprehensive banking reform program that relies on market-based action that is intended to ensure the stability of the banking system. In the medium-to-long term the reforms should promote better mobilization of domestic resources by improving allocation of those resources to commercially viable activities and should expand banking services throughout Vietnam. Nonetheless, a continued lack of financial transparency and compliance with internationally accepted standards among Vietnamese firms continues to pose problems for GVN’s plan to expand stock and securities markets to raise capital internally.

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.

Foreign investors generally meet their foreign currency credit needs offshore or with foreign bank branches, although availability of foreign currency to convert dong assets to cover dollar liabilities can be, at times, uncertain. In February 2007, the State Bank of Vietnam (SBV) raised the dong deposit ratio for all foreign banks in line with Vietnam's WTO commitments, to be phased in until 2010. By 2011, foreign banks will receive national treatment on dong deposits, i.e., the same requirements as applied to local banks. The SBV and the Ministry of Finance conduct sales of state bonds denominated in local currency, but Vietnam only has an informal secondary market for such instruments.

Over 300 companies are listed in the Ho Chi Minh Stock Exchange and in the Hanoi Securities Trading Center, with a joint capitalization of approximately $16 billion as at beginning of January 2009. The majority of listed firms are former SOEs that have undergone equitization (partial privatization). In 2009, the GVN plans to conduct IPOs for a number of large SOEs, including big (SOCB BIDV mentioned above. The GVN's initial timeline for SOE equitization has slowed since the market has fallen throughout 2008, and strategic investors have become less enthusiastic to buy in given poor market performance. With global financial turmoil and economic downturn Vietnam's stock market may not remain an attractive investment channel for foreign investors.

The GVN caps equity held by foreign investors in listed Vietnamese companies at 49 percent. Net foreign portfolio investment in Vietnam estimates were in the $100 million range by the end of 2008. Under current market regulations, share prices of a company listed on the Ho Chi Minh Stock Exchange cannot increase or decrease by more than five percent per trading session. The rate is seven percent for companies listed on the Hanoi Securities Trading Center.

Political Violence

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Vietnam is undertaking an ambitious course of transition both domestically and internationally, but remains essentially stable under the continued leadership of the Communist Party of Vietnam (CPV). As the country proceeds with its transition from a centrally-directed economy to a more genuinely market-based economy, a process that began in the late 1980's, the GVN and the CPV have, at the same time, reduced official interference in private lives of citizens and have permitted an expansion of personal liberties. But the GVN remains a one-Party state that brooks no overt criticism of the CPV and continues to restrict to varying degrees basic freedoms of speech, assembly, and press, while also regulating religious adherence. The GVN denies democratic choice within its political system of choosing the country's leaders. There is little active opposition to the CPV, however, and most Vietnamese appear satisfied with the economic and social improvements of the past several years. Despite the continued growth of Internet blogs, there has been a general crackdown on press freedom, resulting in the firings of several senior media editors and the arrest and conviction of two reporters. These actions dampened what had previously been a trend toward more aggressive investigative reporting specifically in the area of corruption. There have nonetheless been isolated protests, such as large demonstrations by ethnic minorities in the Central Highlands in 2004 and smaller gatherings at the semi-annual meetings of the National Assembly by a variety of disaffected individuals.

Corruption
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U.S. and other foreign firms, as well as domestic private sector firms, have identified corruption in Vietnam in all phases of business operations as an obstacle to their business activities. Despite pledges to tackle corruption, in 2008 the GVN detained reporters and their sources for exposing public corruption. In December 2008, the Government of Japan made the unprecedented announcement that it was suspending low-interest loans to Vietnam until it takes "meaningful" steps to eliminate corruption in public works programs. The 2008 Transparency International's Corruption Perception Index, listed Vietnam with a low ranking of 2.3, placing it at 121 out of 180 countries surveyed.

These failings are in large part due to a lack of transparency, accountability and media freedom. Competition among GVN agencies for control over business and investments has created a confused overlapping of jurisdictions and bureaucratic procedures and approvals that in turn create opportunities for corruption. Low pay for government officials and inadequate systems for holding officials accountable for their actions compound the problems.

Anti-corruption laws require GVN officials to declare their assets and set severe penalties for those caught red-handed. An anti- corruption steering committee led by the Prime Minister is tasked with coordinating the fight against corruption.

The United States is working with Vietnam on an ambitious administrative reform program that will compel provincial governments to justify licenses and regulations, or have them eliminated.

Bilateral Investment Agreements
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Vietnam has 52 bilateral investment agreements with the following countries and territories: Algeria, Argentina, Armenia, Australia, Austria, Belarus, Belgium and Luxembourg, Bulgaria, Burma, Chile, China, Cuba, Czech Republic, Cambodia, Denmark, Egypt, Finland, France, Germany, Hungary, Iceland, India, Indonesia, Italy, Japan, Kuwait, Laos, Latvia, Lithuania, Malaysia, Mongolia, Mozambique, Netherlands, North Korea, Philippines, Poland, Romania, Russia, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, Tajikistan, Thailand, Ukraine, United Kingdom, and Uzbekistan. Vietnam started negotiating a Bilateral Investment Treaty (BIT) with the United States in December 2008. Pending conclusion of the BIT, the BTA serves as a legal frame work for bilateral investment activities as it contains an investment chapter that closely resembles U.S. BITs and contains most of the principal obligations common to such agreements.

OPIC and Other Investment Insurance Programs
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The Overseas Private Investment Corporation (OPIC) has a standing bilateral agreement with Vietnam that provides the protections and guarantees necessary for OPIC to operate in Vietnam. In 2006 OPIC authorized $19 million in insurance for two projects in Vietnam.

Vietnam joined the Multilateral Investment Guarantee Agency (MIGA) in 1995.

Labor Return to top

One of Vietnam's main investment advantages is its large (over 45 million people), literate (GVN reports a literacy rate of over 90 percent), inexpensive and young (over 75 percent of the population is under 40) labor force. The labor pool continues to increase by over 1.6 million workers annually due to the post-war population explosion.

However, inflation above 20 percent is driving up demand for wages, sometimes resulting in strikes. Slowing exports at the end of 2008 was reportedly forcing some industries to close, a trend that will require special attention throughout 2009.

Minimum wages vary depending on the composition of the ownership and the geographical zone. By 2012 Vietnam will set a single nationwide minimum wage. The GVN suspended the implementation of most minimum wage increases in early 2009, concerned that it may worsen the business climate amidst a worsening economic situation. In foreign-invested enterprises, the current minimum monthly salaries are:

- VND1,200,000 ($70) in Zone 1 (part of Ha Dong of Hanoi and Ho Chi Minh City);
- VND1,080,000 ($64) in Zone 2 (Gia Lam, Dong Anh, Soc Son, Thanh Tri, Tu Liem, Thuong Tin, Hoai Duc, Dan Phuong, Thach That, Quoc Oai and Son Tay of Hanoi, Thuy Nguyen and An Duong of Haiphong, Districts of Danang; Ninh Kieu, Binh Thuy of Can Tho; Halong of Quang Ninh, Bien Hoa and other districts of Dong Nai, Vung Tau and Tan Thanh District of Ba Ria Vung Tau, Thu Dau Mot and Thuan An, Di An, Ben Cat, Tan Uyen of Binh Duong; and the suburbs of Ho Chi Minh City);
- VND950,000 ($56) in Zone 3 (cities belonging to provinces, other districts of Hanoi; Bac Ninh and Tu Son, Que Vo, Yen Phong of Bac Ninh; Bac Giang,Viet Yen, Yen Dung of Bac Giang and some other districts of Hung Yen, Hai Duong, Vinh Phuc, Hai Phong, Tay Ninh, Binh Duong, Dong Nai, Long An, Can Tho, Ba Ria Vung Tau); and
- VND920,000 ($54) in Zone 4, that is, in all other areas.

Minimum wages are lower for domestic enterprises:

- VND620,000 ($47) in Zone 1;
- VND740,000 ($43) in Zone 2;
- VND690,000 ($40) in Zone 3; and
- VND650,000 ($38) in Zone 4.

The government may temporarily exempt certain joint ventures from paying the minimum wage during the first months of an enterprise's operations or if the enterprise is located in a very remote area, but the minimum monthly wage in these cases can be no lower than VND800,000 ($50).

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

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

In 2008, there were a record 762 labor strikes -- most of them in the southern industrial zones and most of them "illegal" under Vietnamese laws (by law, any “legal” strike has to be conducted through the labor union and use the lengthy and complex set of conciliation and arbitration steps). The GVN rarely takes action against "illegal" strikers. The failure of wages to keep pace with high inflation, which was running at over 20 percent through 2008, and poor industrial communications are often cited as the two principal causes of labor disputes.

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

Vietnam has been a member of the International Labor Organization (ILO) since 1992, and has ratified five core labor conventions (Conventions 100 and 111 on discrimination, Conventions 138 and 182 on child labor, and Convention 29 on forced labor). Vietnam has not ratified Convention 105 dealing with labor as a means of political coercion and discrimination, but is considering doing so. The GVN has also not ratified Conventions 87 and 98 on freedom of association and collective bargaining and is not expected to do so in the near future. Under the Declaration on Fundamental Principles and Rights to Work, however, 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. Support from the U.S. Department of Labor for an ILO project to strengthen Vietnam's industrial relations mechanisms ended in 2006, but has continued with funding from another donor.

Foreign-Trade Zones/Free Ports Return to top

Industrial zones (IZs) have been established to offer tax advantages for setting up 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. Vietnam committed to eliminating prohibited export subsidies on its accession to the WTO.

Vietnam has 194 IZs and export processing zones (EPZs). There were 3,325 foreign invested enterprises licensed in the zones with a total registered capital of $39.3 billion. IZs and EPZs employed approximately 1.1 million people.

Many foreign investors note that it is faster and more convenient to implement their projects in industrial zones than outside the zones, as the land use is already planned and they do not have to be involved in site clearance, compensation works and the construction of necessary infrastructure, which are time consuming and sometimes difficult. Foreign investment in the industrial zones is primarily in the light industry sector, such as food processing and textiles and garments. The number of heavy industry projects is still modest.

Customs warehouse keepers can provide transportation services and act as distributors for the goods deposited. Additional services relating to customs declaration, appraisal, insurance, reprocessing or packaging require the approval of the provincial customs office. In practice the level of service needs improvement. The time involved for clearance and delivery can be lengthy and unpredictable.

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

Foreign Direct Investment Statistics

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FOREIGN DIRECT INVESTMENT 2004-08 (all amounts in billion U.S. dollars)

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

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

2006
Number of projects authorized: 833
Authorized investment: $12.00
Implemented investment: $4.1

2005
Number of projects authorized: 970
Authorized investment: $6.8
Implemented investment: $3.300

2004:
Number of projects authorized: 811
Authorized investment: $4.5
Implemented investment: $2.900

Source: GVN's Foreign Investment Agency

Note: GVN authorities routinely revise or revoke investment licenses that have not been utilized, and some investment licenses contain automatic expiration clauses that take effect if a project or 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.

FDI BY SECTOR 1988-2008 (all amounts in billion U.S. dollars)

Sector: Industry and Manufacturing
Number of Projects Authorized: 6,303
Authorized investment: $87.8
Implemented investment: $29.66

Sector: Oil and Gas
Number of Projects Authorized: 48
Authorized investment: $14.47
Implemented investment: $4.65

Sector: Hotels and Tourism
Number of Projects Authorized: 250
Authorized investment: $15.41
Implemented investment: $4.46

Sector: Agriculture and Forestry
Number of Projects Authorized: 976
Authorized investment: $4.79
Implemented investment: $2.29

Sector: Transportation and Communications
Number of Projects Authorized: 235
Authorized investment: $6.25
Implemented investment: $3.47

Sector: Finance and Banking
Number of Projects Authorized: 68
Authorized investment: $1.05
Implemented investment: $0.99

Sector: Fisheries
Number of Projects Authorized: 138
Authorized investment: $0.47
Implemented investment: $0.26

Sector: Service
Number of Projects Authorized: 2,524
Authorized investment: $57.18
Implemented investment: $20.05

Source: GVN

FDI BY COUNTRY 2008 (all amounts in billion U.S. dollars)

Country: Number of projects / Authorized Investment
1. Malaysia: 55 / $14.93
2. Taiwan: 132 / $8.86
3. Japan: 105 / $7.28
4. Singapore: 101 / $4.466
5. Brunei: 19 / $4.40
6. Canada: 9 / $4.23
7. Thailand: 32 / $3.99
8. British Virgin Islands: 49 / $3.94
9. Cyprus: 3 / $2.20
10. South Korea: 292 / $1.80

VIETNAM'S OVERSEAS INVESTMENT

There is little data available on Vietnam's direct investment abroad. Vietnam has over 250 investment projects abroad valued at over $14 billion. Vietnam's largest overseas investment is in Venezuela, a PetroVietnam project in the Orinoco field with a total projected value of $11.4 billion. PetroVietnam also has six investment projects in Asia, four in Africa and six in Latin America. Vietnam is the leading investor in Laos. Vietnam also has investments in Russia, Cuba, Singapore, Japan, Hong Kong, Cambodia, Tajikistan, the Middle East, the United States, Uzbekistan, and Taiwan. In addition to oil and gas, investments are concentrated in mining, transport, communications, construction, food processing, hydro-power production, hotel, restaurant, and agriculture sectors. The Investment Law has a chapter governing Vietnam's 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 are often inconsistent from publication to publication and over time. It is the policy of the Ministry of Planning and Investment to respond only to written requests for statistics or information on how they are compiled and calculated, a process that is cumbersome and very time consuming. Additional statistical data is often released in the local press but is difficult to confirm and update year-to-year, because it is not provided in a database readily available to the public.

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Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment)

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

Local companies with acceptable credit risk (mainly State-Owned (SOEs) and major private enterprises) have been able to obtain credit facilities, including import finance from foreign banks. For these importers, confirmation of L/Cs opened by their foreign bank may not be required and faster payment can be expected.

In the past, most Vietnamese companies have requested deferred payment L/Cs, with extensions of up to 360 and even 540 days. Most lenders have stopped this practice until the banking system's liquidity status improves. At present, sight L/Cs and L/Cs up to 60, 90 or 120 days are most common.

In years past, exporters had to ensure that Vietnamese banks opening L/Cs were located in Hanoi or Ho Chi Minh City, because they found a general lack of expertise in dealing with L/Cs at Vietnamese bank branches situated outside of these principal commercial centers. Most local banks have solved this issue by establishing two to three customer service centers to take care of L/Cs open at all bank branches, in an effort to provide customers with equivalent services. Care should also be taken as to which bank will open the L/C.

Foreign banks have greater capacity, but costs will be lower if the L/C is opened by one of the four state-owned banks or private banks. Costs will be higher if a foreign bank confirms the L/C, but L/C confirmation will shift risk from the Vietnamese bank and account party to a foreign bank, which can be a high quality risk. After establishing a commercial relationship with and the financial credibility of a local importer, U.S. exporters have offered goods against less restrictive forms of payment, including consignment, but this can be risky.

In 2006, the Government changed its regulation that required Vietnamese companies to deposit 80 percent of the L/C value prior to its opening at the bank. The banks now decide to collect the deposits from companies based on their credit worthiness. This deposit can range from 0-100 percent.

How Does the Banking System Operate

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The opening of Vietnam's economy has placed new demands on a financial sector that until the early 1990s operated largely in isolation from international standards and practices. Vietnam is making progress in developing the basic infrastructure to support a modern banking system and financial markets, but neither meets international standards.

The central bank, the State Bank of Vietnam (SBV), is the main financial regulatory agency. The SBV supervises two policy banks (the Social Policy Bank of Vietnam and the Vietnam Development Bank), four state-owned commercial banks (SOCBs) Vietinbank, BIDV, Agribank and the Housing Bank of Mekong Delta), 37 joint-stock (private) banks, five joint-venture banks, 53 representative offices of foreign banks, 37 branches of foreign banks, 15 financial companies and 13 financial leasing companies. The SBV is not an independent body like the U.S. Federal Reserve and it continues to operate under government oversight. In some key areas of operation, such as the provision of liquidity support, monetary policy, the management of foreign currency reserves and foreign exchange rates and issuance of banking licenses, the SBV's actions are subject to prime ministerial approval.

The International Monetary Fund, the World Bank, and other international donors, including the United States, are assisting Vietnam to implement financial reforms to ensure the stability and promote the effectiveness of the banking system and the financial sector. The reform program focuses on three main areas: restructuring of joint-stock banks, restructuring and commercialization of the SOCBs, improving the regulatory framework and enhancing transparency. Other ongoing projects aim to modernize the inter-bank market, create an international accounting system and allow outside audits of major Vietnamese banks. The SBV is also in the process of strengthening its own internal processes and enhancing the level of inspection and supervision of the banks within its jurisdiction. The SBV is also preparing regulations to implement the Basel capital accord in calculating risk-adjusted assets and risk-adjusted capital ratios. Increasingly, more SOCBs are audited by independent auditing firms.

The GVN requires all banks to establish controlling committees and institute internal audit functions. In practice, prudent banking practices are not always adhered to. The SBV reported non-performing loan level of 3.5 percent for Vietnam's banking system as at the end of 2008. However, the true level of non-performing and under-performing loans is difficult to gauge, as there is a very low level of transparency and disclosure in Vietnam's banking sector. Secrecy laws cover much of the banking industry's data and meaningful information on individual financial institutions is not readily available.

In 2007, the SBV introduced rules for classification of non-performing loans, which conform to international standards. It also allowed banks to accelerate loan terms and gave them more discretion in setting penalty interest rates on overdue debts. As of December 2008, all financial institutions have instituted internal credit rating and risk assessment mechanisms.

The GVN says that it intends to partially privatize ("equitize") all SOCBs by 2010. The banking equitization process will allow foreigners to buy shares but will cap foreign equity at 30 percent. These restrictions will be lifted in 2012 (five years after WTO accession). The first pilot initial public offering (IPO), Vietcombank's, took place in December 2007 after years of delays. Vietinbank conducted an IPO in December 2008. Both banks plan to list on Vietnam's stock market. They, however, have not yet identified a strategic investor and the state remains the controlling shareholder.

Joint-stock banks have been more successful at raising private capital, selling part of their equity to foreign investors (mainly investment funds or financial institutions) or issuing convertible bonds or additional shares. The joint stock banks are on average much smaller than the SOCBs, but they are more efficiently operated and professionally managed. The non-performing loans of these banks are widely believed to be lower than those of SOCBs.

Domestic banks can take dollar deposits. Foreign banks can also do so, provided that they are properly licensed. Residents and non-residents can open and maintain foreign exchange accounts with authorized banks in Vietnam.

Although the banking sector remains small), banking networks and services have been expanding rapidly and there is great potential for banks to develop the retail banking business (approximately 75 percent of Vietnam's 86 million people have never accessed banking services while the remaining 25 percent have not taken full advantage of banking services. In 2008, the SBV, for the first time, granted wholly foreign-owned licenses to three foreign banks, HSBC, Standard Chartered Bank and ANZ.

In 2008, the GVN began paying its Hanoi and Ho Chi Minh City employees by direct bank deposit only, and by January 2009 all government employees nationwide (including provincial staff) will be paid that way.

Since 2000, banks have been required to insure all dong deposits. The maximum insured amount is VND50 million (nearly $3,000) per account or individual per bank. The effectiveness of deposit insurance has not been tested. Vietnamese banks do not have Bank for International Settlement (BIS) tier ratings.

Foreign-Exchange Controls

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Conversion of Vietnamese dong into hard currency no longer requires foreign exchange approval and Vietnam has not had a foreign exchange surrender requirement since 2003. The Law on Investment allows foreign investors to purchase foreign currency at authorized banks to finance current and capital transactions and other permitted transactions.

The supply of hard currency was a problem in the middle of 2008 with an outflow of portfolio investments.

Foreign businesses are allowed to remit in hard currency all profits, shared revenues from joint ventures, and income from legally-owned capital, properties, services and technology transfers. Foreigners also are allowed to remit 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.

In principle, most foreign investors are expected to be 'self-sufficient' for their foreign exchange requirements, although this sometimes proves impractical. The GVN guarantees foreign currency for certain types of foreign investors in the event that banks permitted to trade foreign currency are unable to fully satisfy their foreign currency demand.

The State Bank of Vietnam (SBV) is adopting a crawling-peg foreign exchange control mechanism. In 2008, the State Bank of Vietnam adjusted the official exchange rate (reference rate) and expanded the trading band for dollar and Vietnamese dong exchange transactions several times, effectively devaluing the dong by 7.25 percent. The trading band for dollar and Vietnamese dong is currently set at + 3 percent. Commercial banks are allowed to determine the differential between currency selling and buying prices within the set trading band. Slowed exports coupled with anticipated declined FDI and portfolio investments in 2009 will put pressure on hard currency availability and on dollars in particular.

U.S. Banks and Local Correspondent Banks Return to top

At present, six U.S. banks and financial institutions are operating in Vietnam. Citibank and Far East National Bank have branches, Wachovia and Visa International have representative offices, JP Morgan Chase has both a representative office and a branch, and GE Money has a financial company.

Of the state-owned banks, Vietcombank, Vietinbank, the Bank for Agriculture and the Bank for Investment and Development, have the most active correspondent relationships with U.S. banks. Several joint-stock banks also have correspondent relationships, such as the Asian Commercial Bank (ACB), East Asia Bank (EAB), Vietnam Export-Import Bank (EXIM Bank), the Maritime Bank, Saigon Commercial and Industrial Bank, Saigon Thuong Tin Commercial Bank (Sacombank), Vietnam Technological and Commercial Joint Stock Bank (Techcombank), and the Vietnam Commercial Joint-Stock Bank for Private Enterprise (VP Bank).

Project Financing Return to top

United States Government-supported export financing, project financing, loan guarantee and insurance programs are 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, technical assistance, and training for commercial projects being pursued by U.S. firms, has enhanced 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. 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, breach of contract insurance 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. Information on OPIC programs in Vietnam can be accessed at www.opic.gov .

In principle, state-owned banks could provide export financing to U.S. firms operating in Vietnam, but in reality such financing is more likely to come from joint-stock banks or the branches of foreign banks in Hanoi or Ho Chi Minh City. Many foreign firms finance such exports internally.

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

U.S. banks present in Vietnam include Citigroup, Far East National bank, GE Money, JP Morgan Chase and Visa International. Other U.S. banks operate out of operations centers in nearby countries. All of the American banks offer trade financing services to U.S. companies, with Far East National, JP Morgan and Citibank offering on-shore services as licensed branches. Other large foreign banks operating in Vietnam include ABN Amro Bank, ANZ Bank, BFCE, Bank of China, Credit Lyonnais, Deustche Bank, HSBC, ING Bank, May Bank, OCBC, Standard Chartered Bank and UOB. Although almost all foreign banks concentrate on wholesale banking, some offer retail banking services and ATM and electronic on-line services.

Bilateral government tied aid, commonly offered by the governments of our competitors, provide non-U.S. 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 presence of U.S. EXIM and OPIC has somewhat offset this advantage.

Project Financing: 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 projects funded by these agencies.

The World Bank maintains a relatively large funding program for Vietnam. Projects focus on macro-economic policy, financing policies, and infrastructure projects in the power, energy, transportation and environmental sectors. Procurements for World Bank funded projects are conducted using competitive bidding procedures.

The Asian Development Bank (ADB) provides the largest development funding for investment projects concentrating in power, transportation, fishing, agriculture, and the environment. Tenders are also conducted based on international bidding standards. Both the World Bank, through the International Finance Corporation (IFC) and the ADB, through its Private Sector Group, offer both debt and equity for private sector projects in a wide variety of business sectors. Financing through these agencies can have long lead times (12 months or more), so U.S. firms need to apply early should they desire access to 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.

In recent years, 12 domestic and international leasing companies have received licenses to conduct business in Vietnam. While the initial capitalization is small ($5-13 million), these companies could play a significant role as alternative financiers in the future, focused on the leasing of capital equipment. At present, their ability to transact business is limited because credit insurance for leasers is not available in Vietnam. The leaser must therefore carefully scrutinize potential clients. There are also certain legal constraints to the ownership of leased goods.

Medium, and possibly longer-term, financing is available from commercial banks in Vietnam, although loans are provided mostly in Vietnamese currency (Dong.) Foreign investors are encouraged to approach the branches of major foreign banks, as the state banks tend to favor Vietnamese state-owned enterprises.

Another major source of project financing comes from over fifty private equity funds.
These funds have been investing mostly in tourism, power, manufacturing, environment and infrastructure projects. As a result of the 2008 -2009 global financial crisis, availability of money through private equity funds has been difficult to obtain in recent past.

Availability of loan guarantees: A wide variety of bilateral and multilateral loan guarantee programs are available to U.S. companies from such organizations as the Export-Import

Bank of the United States, the Overseas Private Insurance Corporation, the World Bank, and the Asian Development Bank.

Although Vietnamese banks (and their regulators) tend to have a strong preference for collateral, it may be possible for U.S. firms to utilize parent company or third-party guarantees in seeking loans. That said, most foreign companies operating in Vietnam will not rely primarily on the local banking system for financing.

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Export-Import Bank of the United States: http://www.exim.gov

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: http://www.opic.gov

Trade and Development Agency: http://www.tda.gov/

SBA's Office of International Trade: http://www.sba.gov/oit/

USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm

U.S. Agency for International Development: http://www.usaid.gov

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

The World Bank: http://www.worldbank.org/

United Nations Development Program: http://www.undp.org/

Japanese Bank for International Cooperation: http://www.jbic.go.jp/en/

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Chapter 8: Business Travel

Business Customs

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Background: Vietnam is a markedly Confucian society and its business practices are often more similar to those of China, Japan and Korea than to those of its Southeast Asian neighbors. The social dynamics and world-view of Vietnam's society are reflected in the business climate including such matters as: "face," consensus building, and the zero-sum game assumption.

"Face" is extremely important to many Vietnamese. 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 subordinates. 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). Plan on taking more time than is expected and note that the larger the deal the longer and more complicated the process of negotiating.

Relationships are also very important in Vietnam, as they are in general throughout the region. Your counterpart will want to know with whom they are dealing before getting in too deep. American businesses need to understand this aspect and be patient if their Vietnamese counterpart seems reluctant to move on a transaction immediately.

Introductions: When initiating contact with a Vietnamese entity, it is often best to be introduced through a third party as people outside a person's known circle may be regarded with suspicion. An introduction from a mutual friend, acquaintance or known business associate before initial contact can help alleviate some of the problems that arise in initial correspondence or meetings.

If it is not possible to have a third party introduce you, self-introductions should start with an explanation of what led you to contact this particular organization. This will help the Vietnamese side understand how to relate to you.

Names: Vietnamese names begin with the family name, followed by the middle name and finally the given name. To distinguish individuals, Vietnamese address each other by their given names. Therefore, Mr. Nguyen Anh Quang would be addressed Mr. Quang. Pronouns are always used when addressing or speaking about someone. You should always address your contacts as Mr., Mrs., Ms. or Miss followed by the given name. Vietnamese often reciprocate this custom when addressing foreigners. Ms. Jane Doe would typically be addressed as Ms. Jane. If you are unsure how to address someone, ask for advice.

Correspondence: Your first contact with a potential Vietnamese partner should be long on form and fairly short on substance. Effort should be spent on introducing yourself, your company and objectives in the Vietnamese market place. Relatively little emphasis should be placed on the specifics of your objectives. Your correspondence should end with pleasantries and an invitation to continue the dialogue.

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.

Business Meetings: Establishing operations or making sales in Vietnam entails numerous business meetings, as face-to-face discussions are favored over telephone calls or letters. A first meeting tends to be formal and viewed as an introductory session.

If you are unsure of exactly who in the organization you should be meeting with, you should address the request for a meeting to the top official/manager in the organization.

It is helpful to submit a meeting agenda, issues to be discussed, marketing material, and/or technical information prior to the actual meeting. This will allow the Vietnamese side to share and review information within the organization in order to ensure the correct people participate in the meeting. It is also wise to do your homework ahead of time to ascertain the scope of responsibility of the entity with which you wish to meet. Much time can be wasted talking to a department or ministry that does not really have jurisdiction over your project or issue.

A meeting usually begins with the guest being led into a room where there may be a number of Vietnamese waiting. The Vietnamese principal is rarely in the room when the guests arrive and you will be left to make small talk with the other meeting participants until the principal makes his or her entrance. It is common for a third person (from either side) to introduce the two principals of the meeting. Once this is done and all participants have been introduced to each other and have exchanged name cards, participants can take a seat.

Seating for a meeting is generally '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, and an introduction of participants and pleasantries. This will be followed by formal remarks by the Vietnamese host. Once the formalities and pleasantries are dispensed with, substantive discussion can ensue. Even if the principal host is not heavily involved in the details of the conversation, guests should remember to address the principal in the conversation allowing him or her to delegate authority to answer.

A general business call lasts no more than one hour. Usually, the visitor is expected to initiate or signal the closure of the meeting.

Hiring a reliable interpreter is essential, as most business and official meetings are conducted in Vietnamese. Even with the increasing use of English, non-native English speakers will need interpretation to understand the subtleties of the conversation. When working with an interpreter, one should speak slowly and clearly in simple sentences and pause often for interpretation (generally at the end of a paragraph). One should brief the interpreter on each meeting in advance.

<u>Business Attire</u>: Normal business attire consists of a suit and tie for men and suit or dress for women. During the hotter months, formal dress for men is a shirt and tie. Open collar shirts and slacks may be worn to more informal meetings depending on the situation. The trend in the South is to be more casual; suit jackets are worn only on very formal occasions and first meetings.

Travel Advisory

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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.

Visa Requirements

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U.S. passports are valid for travel to Vietnam. Visas are required and relevant information may be obtained from the Embassy of Vietnam or the Vietnamese Consulate General:

Embassy of Vietnam
1233 20th Street, Suite 501, N.W.
Washington, DC 20036
(Telephone: 202-861-0737, fax 202-861-0917)
http://www.vietnamembassy-usa.org/consular_services/

Vietnamese Consulate General
1700 California Ave., Suite 475
San Francisco, CA 94109
(Telephone: 415-922-1577, fax: 415-922-1848)
http://www.vietnamconsulateca.org/consularsection.asp.

Vietnamese embassies in other countries or travel agents that organize travel to Vietnam can also issue or facilitate the issuance of a visa.

U.S. Companies that require travel of foreign businesspersons to the United States should allow sufficient time for visa issuance. Visa applicants should go to the following links.

State Department Visa Website: http://travel.state.gov/visa/index.html

United States Visas.gov: http://www.unitedstatesvisas.gov/

Embassy of the United States Hanoi: http://vietnam.usembassy.gov/visa_services.html

Consulate General of the United States Ho Chi Minh City:
http://hochiminh.usconsulate.gov/consular_section.html

Telecommunications
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International Direct Dial (IDD) and fax services are widely available at most hotels. Communication costs in Vietnam have declined significantly in recent years. Internet services can be accessed through hotel business centers or from a growing number of Internet cafes. More and more hotels offer broadband access in their rooms and many coffee shops offer WiFi access for patrons. Internet services continue to experience cost reductions and quality improvements, although the reliability of the connections can vary depending upon location.

Mobile phones are ubiquitous. International Roaming for mobile telecommunications is available in Vietnam for users from many countries (those that share Vietnam's GSM standard).

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Travel within Vietnam is becoming easier with more domestic flights between major cities. A round trip ticket between HCMC and Hanoi is currently about $190 for economy class and $380 for business class. Vietnam Airlines (www.vietnamairlines.com), Jetstar Pacific Airlines (www.jetstar.com) and Indochina Airlines are the three carriers currently flying domestic routes.

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 for the most seasoned and hardy of travelers, as it is uncomfortable and (due to infrastructure and maintenance problems) potentially dangerous.

In major cities, metered taxis are plentiful and relatively inexpensive, especially in the large cities where numerous taxi companies compete for passengers. A car with a driver is also an option in major cities and can be rented for between $50 and $100 per day. For destinations outside major cities a car and driver is the recommended means of transport. Cars can be booked through most major hotels or tour companies.

Language
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Vietnamese is the official language. Use of English is becoming more common, especially in the larger cities and in the rapidly expanding tourism sector.

Health
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Most local medical facilities do not meet western hygienic standards and may not have the full range of medicines and supplies available in typical U.S. facilities. However, there are several small foreign-owned and operated clinics in Hanoi and HCMC that are exceptions to this rule.

Local Time, Business Hours, and Holidays

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Vietnam is twelve hours ahead of Eastern Standard Time and 11 hours ahead of Eastern Daylight Time. Vietnam consists of a single time zone.

During the weekdays, business hours are typically 8:00 a.m. to 5:00 p.m. with a one hour lunch break. On Saturdays, work hours are from 8:00 a.m. to 11:30 a.m. Vietnamese Government offices have recently moved to a 5-day workweek and are no longer open on Saturdays.

During the Lunar New Year, falling in January or February, business and Government activities in Vietnam come to a virtual standstill for the weeklong Tet holidays. Business travel at this time is not advised.

Temporary Entry of Materials and Personal Belongings

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Articles 30, 31, and 32 of Government Decree 154/2005/ND-CP, dated December 15, 2005, stipulate that the following items are allowed, without any duty, to temporarily enter Vietnam and must be re-exported within 90 days: goods for presentation or use at trade fairs, shows, exhibitions or similar events, professional machinery and equipment, spare parts and components serving the repair of foreign ships or aircraft.

Vietnam began steps to recognize the Admission Temporaire/Temporary Admission Carnet System (ATA Carnet System) when it officially became the WTO's 150th member in January 2007. In reality, Vietnam is still in the implementation process. The Vietnam Chamber of Commerce and Industry (VCCI) has been authorized by the Government of Vietnam to be the ATA Carnet card issuer and the guarantor of foreign exporters. In general, the ATA Carnet System will apply to non-commercial and not-for-local consumption items in Vietnam such as: samples, professional equipment, goods for presentation or use at trade fairs, shows, exhibitions, computer, transportation means, gemstones, antiques, etc. The temporary importation and re-exportation of these items under the ATA Carnet System will work as follows in Vietnam: First, a foreign exporter makes a guaranteed deposit to a VCCI account or to a guaranteeing bank designated by VCCI. VCCI then issues an ATA Carnet card to the exporter. The exporter then proceeds with duty-free customs clearance of the relevant items. Finally, the exporter reclaims the deposit upon re-exporting the items from Vietnam and turning the ATA Carnet card back to VCCI. In case the items are not exported out of Vietnam, VCCI is responsible to Vietnam Customs for any import duties.

By Vietnamese customs regulations, business travelers are typically allowed to bring no more than two laptops into Vietnam. Business travelers are not normally required to show Vietnamese customs officers what software is used on their laptops. There are no known restrictions on business travelers' laptops with encryption software.

Web Resources

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

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

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

Vietnam Consulate General in San Francisco:
http://www.vietnamconsulateca.org/consularsection.asp.

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

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

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

Vietnam Chamber of Commerce and Industry: http://vibforum.vcci.com.vn/

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

Vietnam Investment Review: http://www.vir.com.vn/Client/VIR/Default.asp

Vietnam National Newspaper: http://vietnamnews.vnagency.com.vn

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Chapter 9: Contacts, Market Research, and Trade Events

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- Market Research
- Trade Events

Contacts

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Business travelers to Vietnam seeking appointments with U.S. Embassy Hanoi or U.S. Consulate Ho Chi Minh City officials should contact the commercial section in advance.

The U.S. Commercial Service in Hanoi can be reached by telephone at: (84-4) 3850-5199, by fax at (84-4) 3850-5064/5065 or email at Hanoi.Office.Box@mail.doc.gov.

The U.S. Commercial Service in HCMC can be reached by telephone at: (84-8) 3825-0490, by fax at (84-8) 3824-0491 or email at Ho.Chi.Minh.City.Office.Box@mail.doc.gov.

Market Research

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To view market research reports produced by the U.S. Commercial Service, go to the following website: http://www.export.gov/marketresearch.html and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Trade Events

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Please click on the link below for information on upcoming trade events.

http://www.export.gov/tradeevents.html

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

http://www.buyusa.gov/vietnam/en/

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: http://www.export.gov