Doing Business in Vietnam: 2012 Country Commercial Guide for U.S. Companies

Chapter 1: Doing Business In Vietnam

Market Overview

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- Vietnam is a true emerging market, offering ground floor and growing opportunities for U.S. exporters and investors. Vietnam's economic growth rate has been among the highest in the world in recent years, expanding at an average about 7.0 percent per year during the period 2002-2011, while industrial production grew at an average of about 12 percent per year during the same period.

- Vietnam registered a GDP growth rate of 5.9 percent in 2011 and is targeting a growth rate in the 5 percent range in 2012. Vietnam held its 11th Party Congress in January 2011 and underscored the country's commitment to continued economic reform.

- Inflation rate is a major risk for the economy, having ended 2011 at 19% over the previous year. The Government of Vietnam (GVN) continues to address inflation by tightening macroeconomic policy and balancing growth targets with price stability measures.

- The momentum and direction generated by the entry into force of the U.S.–Vietnam Bilateral Trade Agreement (BTA) in 2001 transformed the bilateral commercial relationship between the United States and Vietnam and accelerated Vietnam's entry into the global economy with Vietnam joining the WTO in January of 2007. Since the BTA, bilateral trade has increased from $2.9 billion in 2002 to $21.8 billion in 2011.

- Despite the continuing global economic recession in 2011, U.S. exports to Vietnam grew by an impressive 17.0 percent to $4.3 billion. During the same period, Vietnam's exports to the U.S. increased 17.6 percent to $17.4 billion resulting in a $13.1 billion bilateral trade deficit with Vietnam.

- In 2011, U.S. exporters saw significant growth in agricultural products sectors, which accounted for roughly 40% of U.S. exports to Vietnam. Industrial inputs also continued to see steady growth as Vietnam continues to import machinery, chemicals, instrumentation and software to support its growing industrial sector.

- New commitments of foreign direct investment (FDI) in Vietnam saw a 38 percent decline in 2011, following an 18 percent decline in 2010. The manufacturing, real estate/tourism and construction sectors continued to attract a major share of new capital flowing into the country, while utilities projects – electricity and gas production and distribution – also continued to be gain interest from investors in 2011.

- The bilateral trade and investment momentum has continued with the United States and Vietnam signing a Trade and Investment Framework Agreement (TIFA) in 2007.

Under the TIFA the United States and Vietnam continue to address trade and investment issues with the aim of advancing the BTA and Vietnam's WTO commitments.

- In November 2010, Vietnam joined the United States, Peru, Chile, Malaysia, Singapore, Brunei, New Zealand, and Australia to participate as a full member in the Trans-Pacific Economic Partnership (TPP) negotiations to conclude a high-standard, 21st century Asia-Pacific free trade agreement. The conclusion of the TPP with Vietnam as a member will provide an increasingly favorable environment for American businesses to enter and expand in the market.

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

- Vietnam's current account deficit, low foreign exchange reserves, and weak banking system fraught with non performing loans are ongoing concerns for those doing business in this country.

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

Market Challenges

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

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

- Many firms operating in Vietnam, both foreign and domestic, find ineffective protection of intellectual property to be a significant challenge. Piracy rates for software are estimated to be 82%.

- "Tied" official development assistance, in addition to corruption, continues to be a significant challenge for U.S. firms bidding on infrastructure projects. Some companies have successfully partnered with Japanese companies in order to be eligible to bid on Japanese ODA funded projects.

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

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

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

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

Market Opportunities Return to top

- Continued strong economic growth, ongoing reform and a large population of 89 million—half of which are under the age of thirty—have combined to create a dynamic and quickly evolving commercial environment in Vietnam.

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

- Per capita GDP surpassed $1,000 in 2009 and was estimated to be at about $1,300 at the end of 2011. With disposable income levels in major urban areas four to five times this level, significant opportunities in the consumer and services sectors are fast emerging.

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

- The GVN plays a significant role in the economy, with state-owned enterprises (SOEs) making up 35 percent of GDP. The GVN strategy to "equitize" (partially privatize) SOEs in all sectors of the economy is slowly moving forward. While the GVN will maintain majority ownership in the largest and most sensitive sectors of the economy, including energy, telecommunications, aviation and banking, the equitization process will nevertheless create opportunities for many U.S. companies.

- Key U.S. agricultural inputs to production such as hardwood lumber, cotton, hides and skins and feed ingredients also continue to play a key role in helping fuel

Vietnam's export led manufacturing strategy. Demand continues to also grow for consumption oriented products such as meat, dairy and fresh and dried fruits.

- In July 2010, the National Assembly implemented a new telecommunications law and a new radio frequency law, potentially opening up new opportunities for trade and investment by foreign firms in this rapidly expanding market segment. Further to those implementations, in April 2011, the GVN issued Decree No.25/2011/ND-CP stipulating guidelines for the execution of several articles of Telecom Law relating to ratio of ownership, foreign investment, commercial right fees and authorized capital.

Market Entry Strategy Return to top

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

- From 2005 to 2011, Vietnam's National Assembly passed a number of laws affecting the commercial environment, including new enterprise, investment and intellectual property legislation, as well as industry specific laws, such as the 2009 telecommunications law and the 2010 minerals law. Effective implementation, including formulation and issuance of follow-on implementing regulations and decrees continue to be important in determining the on-going impact of many of these legislative initiatives.

- Vietnam expects to disburse about $3 billion in untied ODA (Official Development Assistance) funding annually from 2011-2015. Sectors prioritized for ODA funding are primarily in infrastructure construction and modernization and human resource development. U.S. companies doing business in transportation, telecommunications, energy, environmental/water, civil aviation, financial services and other infrastructure sectors are advised to develop core strategies and capabilities for bidding on ODA (World Bank, Asian Development Bank, USAID) projects.

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Chapter 2: Political and Economic Environment

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

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

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

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

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

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

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

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

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

Establishing an Office

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

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

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

Application Procedures: The procedure to establish a representative office is relatively straightforward. An application with stipulated supporting documentation must be submitted to the relevant DoT. The application and profile must be prepared in English and Vietnamese, and the license is usually valid for five years and may be extended.

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

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

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

Primary forms of direct investment include:

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

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

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

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

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

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

d) Other economic organizations in accordance with law.

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

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

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

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

Franchising Return to top

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

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

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

Direct Marketing Return to top

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

The ranks of direct marketing and direct sales agents/distributors are beginning to grow. These include companies in personal care, cosmetics, and nutrition as well as household products – and a few have set up production in Vietnam as well. Foreign life insurance companies have been licensed for some time and have assembled large teams of agents who engage in traditional telemarketing, door-to-door selling, and workplace marketing in urban areas.

Joint Ventures/Licensing

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

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

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

Selling to the Government

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

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

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

It is also advisable that U.S. firms consider U.S. Department of Commerce Advocacy assistance early in the process and prior to bidding. For more information, see www.export.gov/advocacy.

Distribution and Sales Channels

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

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

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

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

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

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

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

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

<u>Wholesaling</u>: 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.

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

A company licensed to engage in retailing has the right to establish a single retail sales outlet. Subsequent outlets are subject to approval from the relevant local Department of Planning and Investment (DPI). Local authorities will take into consideration the "master plan" of the province, including the "economic needs" of the proposed establishment that takes into consideration such factors as available parking and access roads, the number of retail sales outlets already in the locality, and population density. While few cases have been tested, this so-called "Economic Needs Test" (ENT) remains a significant consideration and potential hurdle for foreign multi-outlet retail chains.

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

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

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

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

Current Foreign-investment Caps for Distribution and Related Industries:

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

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Development of Consumerism: Foreign brands have proliferated in Vietnam over the past decade. This is indicative of rising urban incomes and increasing integration with the global economy. Market observers speak of the growth of "consumerism" in Vietnam, but it must be borne in mind that per capita GDP is relatively low, at approximately $1,328. The market for most imported consumer goods is concentrated in a handful of large cities where incomes are considerably higher than the national average, and in some parts of the Mekong Delta.

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

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

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

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

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

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

Electronic Commerce

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E-Commerce in Vietnam, although still in a relatively early stage, has seen significant development over the last several years as the country continues its integration with the global economy and as the domestic economy grows. This growth follows naturally as the Vietnamese government, rapidly expanding business community and increasingly sophisticated citizenry become aware of the benefits and conveniences brought about by the Internet. As Internet infrastructure continues to improve, bandwidth and speed are up and service is increasingly reliable. As of December 2011, Vietnam had a 35 percent Internet penetration rate. In urban areas, even as many homes still lack computers, Internet cafes are ubiquitous and Wi-Fi access increasingly common.

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

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

Trade Promotion and Advertising

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

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

must partner with local advertising companies to implement ad campaigns in newspapers or TV commercials.

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

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

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

Radio: Radio advertising is not yet widely used for product promotion, but radio ad volume is growing. This is largely due to improvements in programming, such as the inclusion of English lessons and international music along with the standard selection of Vietnamese pop music. Today, the audience represents a cross-section of the population with increasing buying power. There are many local and one national broadcaster, Voice of Vietnam (VOV).

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

Calendar of Vietnam Trade Events: www.vietrade.gov.vn/en

Pricing

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

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

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

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

Sales Service/Customer Support Return to top

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

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

Protecting Your Intellectual Property Return to top

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

It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in

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

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

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

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

IPR Resources

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

- For information about patent, trademark, or copyright issues -- including enforcement issues in the U.S. and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at **www.StopFakes.gov**.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the U.S., contact the U.S. Copyright Office at: **1-202-707-5959**.
- For U.S. small and medium-sized companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil,

China, Egypt, India, Russia, and Thailand. For details and to register, visit: **http://apps.americanbar.org/intlaw/intlproj/iprprogram_consultation.html**

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **www.StopFakes.gov** This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
    - For an in-depth examination of IPR requirements in specific markets, toolkits are currently available in the following countries/territories: Brazil, Brunei, China, Egypt, European Union, India, Italy, Malaysia, Mexico, Paraguay, Peru, Russia, Taiwan, Thailand, and Vietnam.
    - For assistance in developing a strategy for evaluating, protecting, and enforcing IPR, use the free **Online IPR Training Module on** www.stopfakes.gov**.**
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Vietnam at: http://export.gov/thailand/intellectualpropertyrights/index.asp

IPR Climate in Vietnam

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

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

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

Foreign firms, which have attempted to work with Vietnamese authorities to enforce IPR regulations at the street level, have reported some success. A number of U.S consumer goods manufacturers audit black market and pirated product in the marketplace and attempt to counter it with consumer education and marketing. We encourage U.S. firms to seek advice from our region IP attaché in Bangkok, Thailand. http://export.gov/thailand/intellectualpropertyrights/index.asp

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: check the bona fides of every business, be it agent or customer or consultant, before entering into a business arrangement.

One straightforward way to check the quality of a business and its management is to request a list of supplier or customer references. Law firms, accounting firms and professional due diligence companies like Dun & Bradstreet are also in the market.

One of the most challenging aspects of developing partnerships in Vietnam is verifying the financial 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 recognizes the importance of transparency. 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.

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

Local Professional Services

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

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

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

Web Resources

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

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

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

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

Vietnam Consulate General in San Francisco: http://vietnamconsulate-sf.org/main/index.php/vi/

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

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

Vietnam Customs: http://www.customs.gov.vn/English/Default.aspx

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

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

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

National Office of Intellectual Property of Vietnam:
http://www.noip.gov.vn/web/noip/home/en

Vietnam Trade Promotion Agency: www.vietrade.gov.vn/en

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

Commercial Sectors

- Power Generation, Transmission and Distribution
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- Computer Hardware and Software Services
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- Environmental and Pollution Control
- Medical Equipment
- Safety and Security
- Education and Training Services
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- Industrial Equipment
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- Corn & Corn By-Products
- Dairy Products
- Red Meats (Beef and Pork)
- Poultry Meat
- Fresh Fruits (Apples and Grapes)
- Wine
- Forest Products

Power Generation, Transmission and Distribution

Overview

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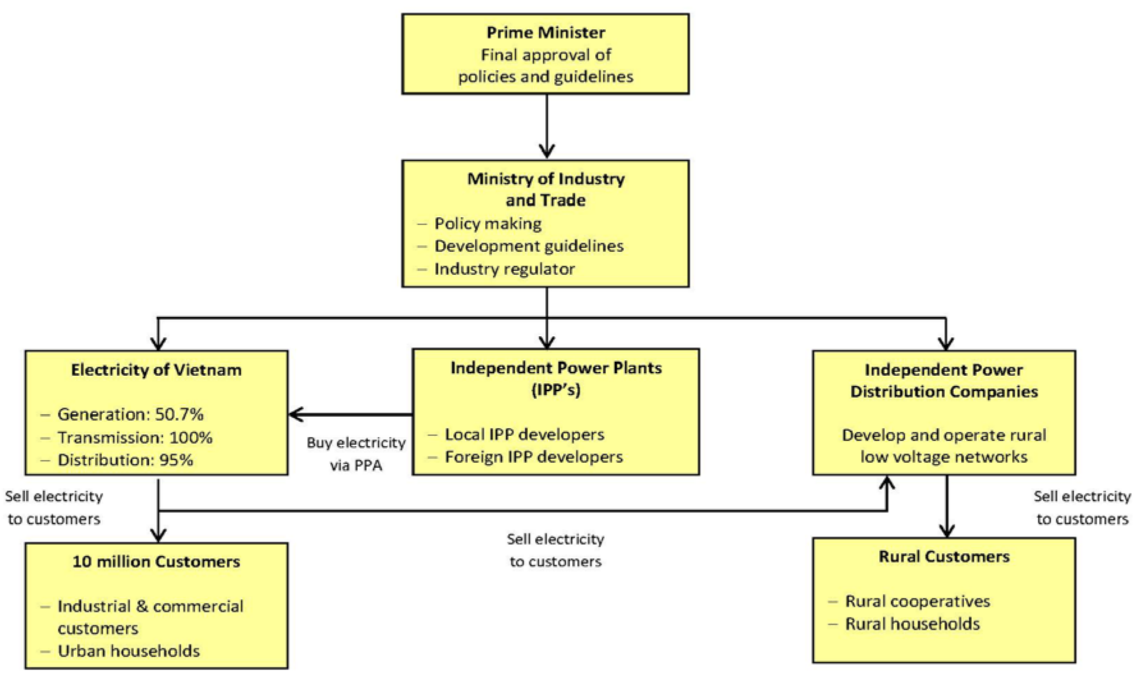
	2009	2010	2011	2012 (estimated)
Total Market Size	2,500	2,750	3,162	3,700
Total Local Production	1,075	1,183	1,360	1,665
Total Exports	N/A	N/A	N/A	N/A
Total Imports	1,425	1,568	1,803	2,035
Imports from the U.S.	92	101	116	203

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

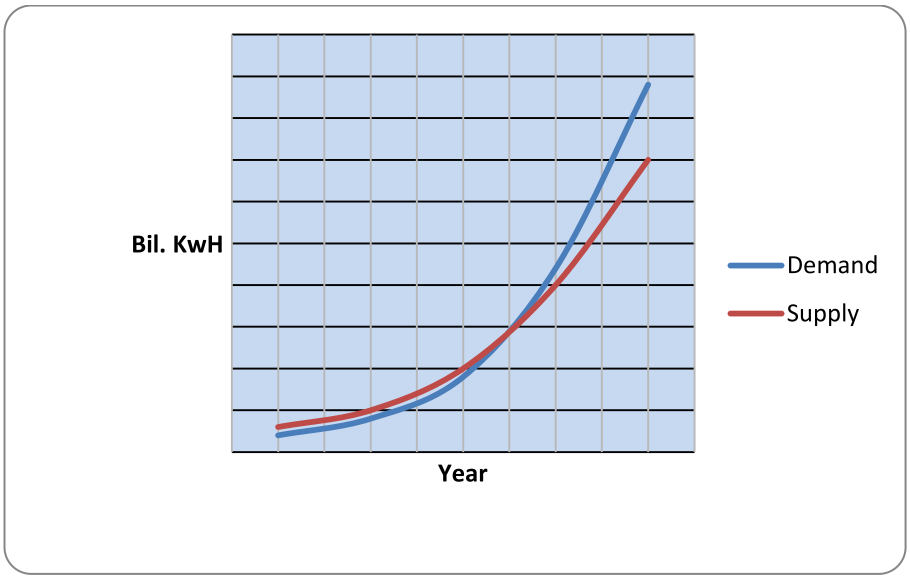
Industry Structure: The electric power sector represents one of the most promising areas for U.S. commercial prospects in the Vietnamese market. At present, Electricity of Vietnam (EVN), a state owned enterprise which reports directly to the Prime Minister, is the singer buyer of electricity from power plants and 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 the national power development plans to advance the development of the electric power sector. These plans forecast growth in demand

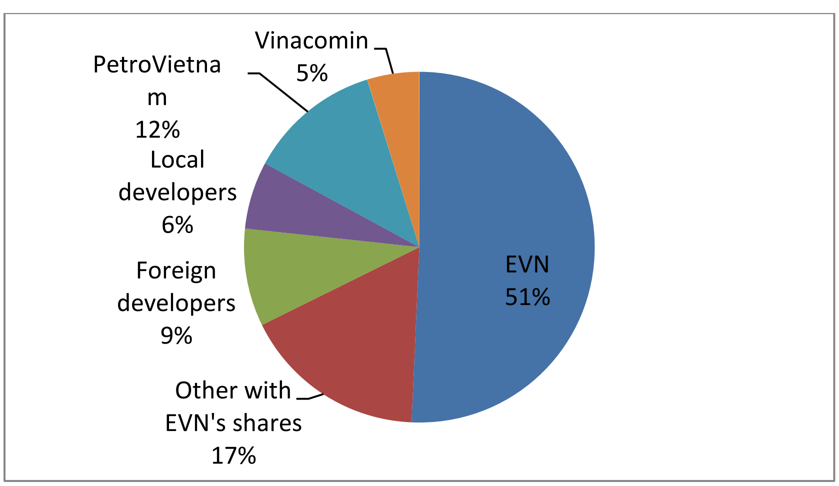
and map out the overall development of the power industry to meet that demand going out ten years, while also providing a twenty-year overview.

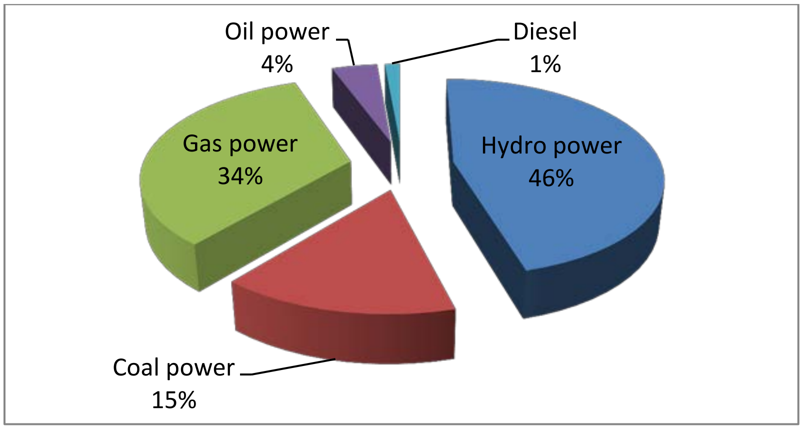
Power Consumption: The country's robust industrialization process has fueled its surging demand for energy in general and electricity in particular. The GVN expects electricity consumption to grow by 12-16 percent annually through 2015. This soaring demand is attributed both to increasing industrial and residential use. Power shortages are expected during this period if adequate measures are not taken to increase the power supply accordingly. It is also estimated that an additional capacity of 4,000 MW will be required per year on average during the 2011 – 2015 time period to meet rapidly growing demand for power.



(Source: Calculation from EVN data)

Power Generation: According to EVN, currently the total installed capacity is approximately 21,000 MW. Below is the installed capacity by ownership and by fuel sources in 2011:





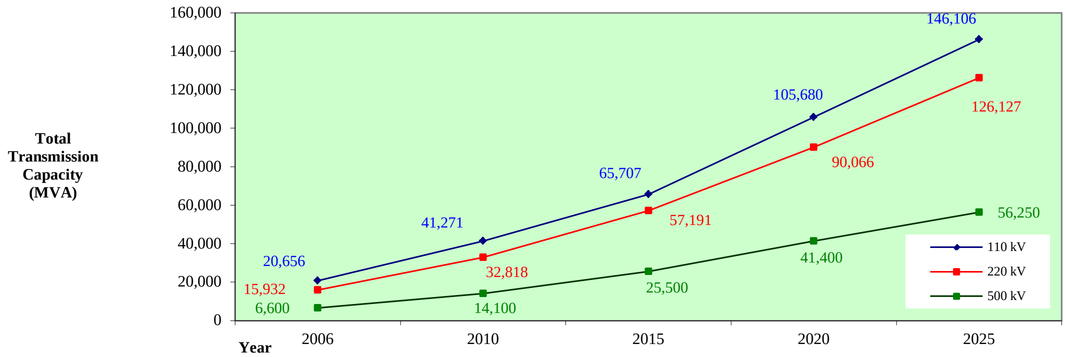
(Source: EVN, Corporate Profile, 2011)

The current number of power plants under construction in Vietnam is 29 with total capacity of 13,766 MW that includes 20 hydropower plants and 9 thermal power plants. The country currently has 21 wind power projects that have been licensed in Binh Thuan, Ninh Thuan, Binh Dinh, Bac Lieu and Lam Dong provinces, of which only one is under operation (Vietnam Renewable Energy of 30MW in Binh Thuan), and two under construction (Cong Ly of 100MW in Bac Lieu, and Thuan Nhien Phong of 50MW in Binh Thuan).

Electricity Pricing: The government strictly regulates electricity retail prices, with adjustments recommended by MoIT and requiring approval by the Prime Minister. A unified tariff is applicable across the country and is low in comparison with other regional countries. Both average urban and rural residential rates are cross subsidized by higher rates for industry, commerce, and foreign consumers. To attract more investment from the private sector in developing IPP projects, MoIT and EVN have been working on a roadmap for price increases and gradual elimination of government's control.

Independent Power Producers (IPPs): As EVN's self-financing and other sources of debt financing can meet only about 66 percent of the total investment requirement, IPPs are expected to carry a large portion of the investment in the power generation sector, including those to be developed by foreign investors. In 2006, MoIT, the government agency responsible for planning, executing bidding, and contracting procedures for large IPPs, issued Decision 30/2006/QD-BCN to regulate the investment, construction and operation of IPPs. To date, a considerable number of foreign investors have shown interest in developing IPP projects in Vietnam, yet few projects have been realized due to obstacles including legal and regulatory issues, low electricity purchase prices by EVN, the lack of a competitive market, and poor coordination among related government agencies. In recognition of these hindrances, MoIT has taken bold 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.

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



Projected Expansion of the Power Transmission System to 2025
(Source: EVN)

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 expansion of the distribution system.

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

Power Master Plan VII

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On July 21, 2011, the Prime Minister approved the seventh power development plan for the period 2011-2020 with a vision towards 2030 (the Power Master Plan VII). The Power Master Plan VII emphasized EVN restructuring, power market liberalization, energy efficiency (smart grid), and renewable energy development. The Power Master Plan VII envisions that with forecasted GDP growth at 7 - 8 percent over the period 2011-2030, the demand for electricity will grow by 12.1 percent per year (low-case scenario), 13.4 percent per year (base-case scenario) or 16.1 percent per year (high-case scenario) during the period 2011- 2015.

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.

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.

Development of Power Sources: The Power Master Plan VII emphasizes a balanced development of power sources in each region of the country to ensure a sustainable power supply. Thermal coal-fired power, currently accounting for 15 percent, will play an increasingly important role in the medium and long term. Power generation capacity will rise from 21,000 MW in 2010 (that produced 100 billion kWh) to 43,000 MW in 2015 (that produces 200 billion kWh); 70,000 MW in 2020 (330 billion kWh), and 137,700 MW in 2030 (695 billion kWh).

	Targeted Capacity by 2020	Targeted Capacity by 2030
Wind Power	1,000 MW	6,200 MW
Biomass Power	500 MW	2,000 MW
Hydropower	17,400 MW	/
Pumped Storage Hydropower	1,800 MW	5,700 MW
Gas-fired Thermal Power	10,400 MW (with electricity production of about 66 billion kWh)	11,300 MW (with electricity production of about 73.1 billion kWh)
Coal-fired Thermal Power	36,000 MW (with electricity production of about 156 billion kWh)	75,000 (with electricity production of about 394 billion kWh)
Nuclear Power	First nuclear power plant to be put into operation.	10,700 MW (with electricity production of about 70.5 billion kWh)
LNG Power	2,000 MW	6,000 MW

(Source: Mayer Brown JSM)

Renewable Energy: Master Plan VII prioritizes developing renewable energy resources such as wind power, solar power and biomass power. Projections are to increase the percentage of renewable energy power to 4.5 percent by 2020 and 6 percent by 2030. Specifically, the plan aims to increase the combined capacity of all wind power plants to about 1,000MW by 2020 and 6,200MW by 2030 so as to raise the percentage of wind power from almost zero percent at present to 0.7 percent by 2020 and 2.4 percent by 2030.

Recently, the Government promulgated Decision 37/2011/QD-TTg regarding incentives for wind power development, to which EVN will pay US$6.8 cents per KWh and the State will contribute US$1 cent per KWh to investors (investors get total US$7.8 cents per KWh) currently. The prices will be adjusted based on the Vietnam-US Dollar exchange rates. Besides, wind projects also enjoy benefits under the current CDM scheme.

Nuclear Power: In June 2008, the National Assembly adopted the Atomic Energy Law to regulate the safe, secure, and peaceful use of atomic energy, including participation in and implementation of international nuclear treaties, as well as strengthen international cooperation. In 2009 the National Assembly approved the construction of two nuclear power plants in Ninh Thuan province. Recently, GVN awarded the construction of Vietnam's first nuclear power plant to Rosatum of Russia; and the second one to a Japanese consortium.

Vietnam's goals for nuclear power generation are as follows:

- First nuclear reactor to be in commercial operation by 2020
- Three more reactors to be in operation by 2021-2024
- By 2030, the country's nuclear power capacity is projected to reach 10,700MW and nuclear power output is about 70.5 billion kWh (10% of the total electricity output in Vietnam)

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

Investment Requirements: According to EVN's estimates, around $123.8 billion will be channeled into national power system development within the next two decades. Spending will average $6.8 billion per year. From 2011-2015, this amount will average nearly $5 billion per year. Of this, 66 percent will be spent on power plants and the remaining 33.4 percent on network development.

According to EVN, in the next 8-9 years, in the base-case scenario, Vietnam plans to build 95 power plants with a total capacity of up to 49,044 MW, of which 44 power plants with total capacity of 24.045 MW will be invested in by EVN itself. In the high-case scenario, Vietnam plans to invest in up to 98 power plants with total capacity of 59,444 MW, of which EVN would build 48 power plants with 33,245 MW, with an estimated total investment of $39.6 billion (including $26.8 billion for power generation.)

Transmission and distribution projects for the period 2010-2015

Names of Projects	**Number of Projects**	**Capacity**	
		S/S (MVA)	**T/L (km)**
500kV S/S	26	23,400	

220kV S/S	108	25,500	
500 kV T/L	21		2,351
220 kV T/L	156		5,686
Total	**311**	**48,900**	**8,219**

(Source: Vietnam National Power Transmission Corporation)

Best Prospects/Services Return to top

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 Return to top

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

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

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

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

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

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

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

Tran My, Commercial Specialist

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

Telecommunications Equipment and Services

Overview

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Telecommunications Equipment	2010	2011	2012 (estimates)
Total Market Size	3,348	3,850	4,620
Total Local Production	1,196	1,375	1,650
Total Exports	49	56	67
Total Imports	2,194	2,523	3,027
Imports from the U.S.	276	317	380

Telecommunications Services	2010	2011	2012 (estimates)
Total Market Size	5,200	5,980	7,176
Total Local Production	5,363	6,167	7,400
Total Exports	576	662	794
Total Imports	373	429	514
Imports from the U.S.	147	169	202

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

Vietnam's telecommunications sector is among the world's fastest growing telecommunications markets. The Government of Vietnam (GVN) has articulated its commitment and ambition to boosting the Information and Communications Technology (ICT) industry to "shift Vietnam to the level of strong countries in the world's ICT industry."

It is estimated that Vietnam's posts and telecommunications sector's net revenue in 2011 reached approximately $9 billion.

To meet tough competition and increasing market demand, Vietnamese telecommunications operators understand they need to enhance their competitiveness by adopting new technologies and by enhancing their human resource capabilities. They are seeking considerable transfer of technologies and know-how via foreign involvement in the telecommunications sector, although they have been opening up the market only at a gradual pace in line with Vietnam's WTO commitments since accession in 2007.

In 1988, just after the "doi moi" (renovation/open door) policies carried out by the GVN, Vietnam had less than 200,000 phone subscribers with a teledensity of 0.18 lines/100 inhabitants. In 2000, Vietnam grew to approximately 2.6 million fixed-line subscribers and 640,000 mobile subscribers. In 2006, new phone subscribers in Vietnam more than doubled the total number of subscribers added in the 25-year period of 1975-2000, and the number of 18.5 million new telephone subscribers added in 2007 tripled that of the period of the previous 3 years. According to Vietnam's Ministry of Information and Communications (MIC), as of December 2011, Vietnam has approximately 160 million telephone subscribers (20 million fixed line subscribers and 120 million cell phone subscribers), with a teledensity of 190 lines/100 inhabitants. Also, the number of Internet subscribers reached 30,552,417 with a teledensity of 35.07%.

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. Wi-Fi is deployed in the major cities. 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 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.

As a recent member of the WTO, Vietnam will continue to implement tax cuts as part of its commitments under the Information Technology Agreement. Specifically, categories formally in a 10 percent bracket have declined to 0 percent in 2012 and those in a 20-30 percent bracket will go down evenly reaching 0 percent in 2014.

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

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

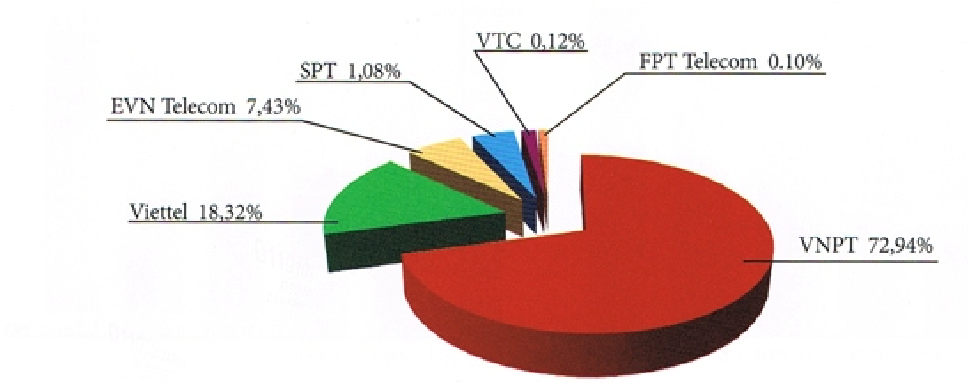
Selection of a local partner is not only essential to maximizing business development opportunities but also for the provision of certain services, as required pursuant to Vietnam’s limitations to its WTO telecommunications market access commitments.

As the hi-tech industry continues to develop in Vietnam, prices will continue to go down, investment capital will increase and the business environment will become more competitive. As local telecommunications companies go through the equitization/privatization process, foreign telecommunications companies can approach this emerging market in a step-by-step fashion by taking up equity shares of local companies.

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.

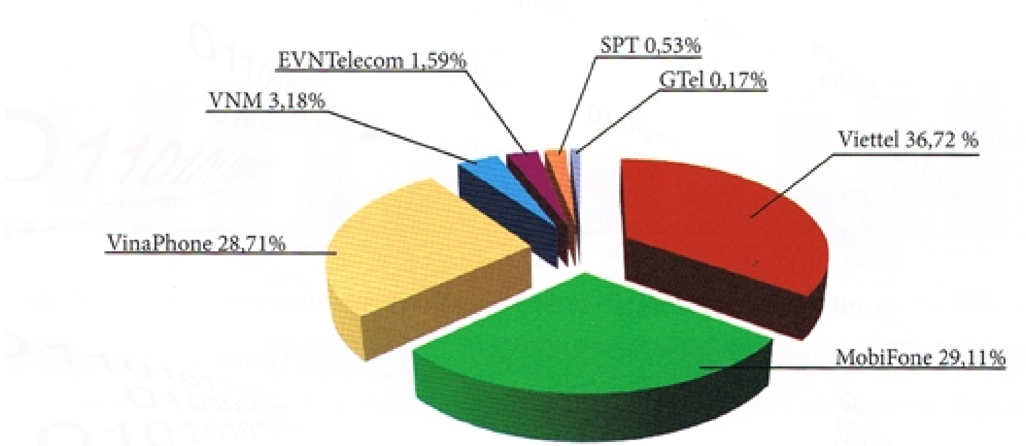
Fixed Telephone Networks:



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

As of December 2011, Vietnam has approximately 20 million fixed telephone lines. 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 73 percent in 2010. Ministry of Defense owned Viettel is second with 18 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:



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

At present, there are 6 licensed cell phone network operators in Vietnam, not to mention the virtual and infrastructure-leased service providers. The nearly 90 percent of the mobile phone market share in Vietnam is currently divided amongst three major network operators: Viettel Mobile, MobiFone, and Vinaphone. According to official figures reported by network operators to Vietnam's Ministry of Information and Communications (MIC), as of 2011, with a 90 million population, the total number of actual mobile phone subscribers in Vietnam was nearly 120 million of which more than 90 percent were pre-paid subscribers. A VNPT senior representative recently announced that Vietnam is listed in the top 10 countries in the world that have highest number of cell phone subscribers, ranked 7th, even before Japan and Germany.

In terms of the technologies used in Vietnam's mobile phone networks, there are six licensed mobile network operators currently running five global systems for mobile communications (GSM) networks (VinaPhone, MobiFone, Viettel, Vietnamobile, and Beeline), and one running code division multiple access (CDMA) networks (S-Fone). At the peak period of CDMA in Vietnam there were four operators using CDMA technology for their networks: VNPT, SPT, Hanoi Telecom, EVN Telecom. However, EVN Telecom was acquired by Viettel from January 1, 2012 and SPT (S-Fone) is applying to the relevant authority to change to 3G technology. That means CDMA technology will no longer exist in Vietnam in the coming years. One or two potential new entrants, including Indochina Telecom and VTC Telecom, plan to run their services based on other operators' existing networks.

At present, Viettel, Mobifone, Vinaphone and VietnamMobile provide 3G (third generation) wireless technology service. According to industry estimates, Vietnam will have approximately 4.5 million 3G subscribers by 2013. In terms of 4G technology, after one-year of pilot tests of 4G LTE (long term evolution) by five service providers namely VNPT, Viettel, FPT Telecom, CMC and VTC, the Ministry of Information and Communications announced that 3.5G and 4G would only be considered for licensing after 2015 and 2018 respectively.

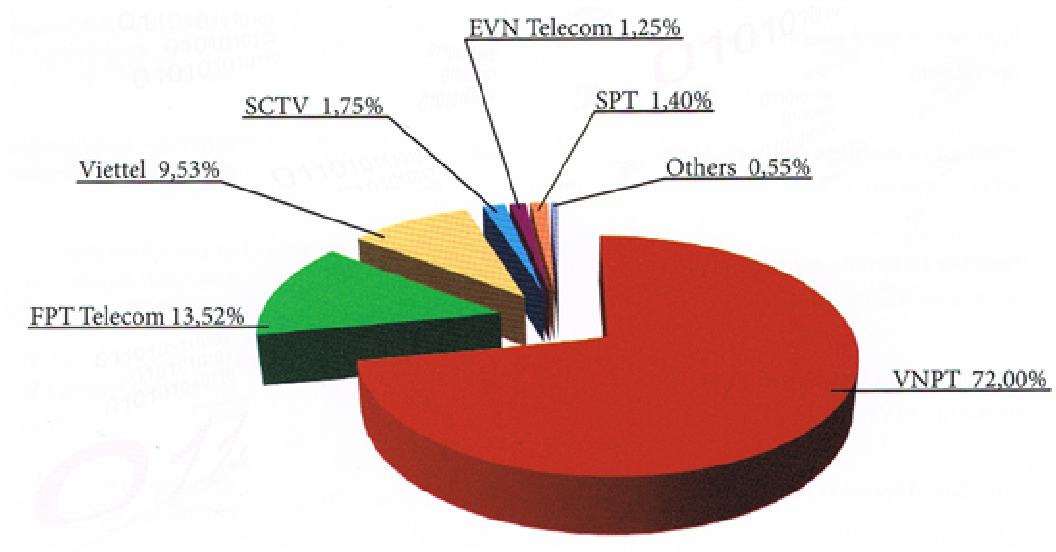
<u>Internet</u>: The Internet market has also developed rapidly in recent years. Internet usage has increased in popularity as evidenced by the entry of many Internet service providers (ISPs) into the market.

Statistics on Internet Development as of December 2011	
Users	30,552,417
Users per capita	37.07%
Total international connection bandwidth of Vietnam	311,331 Mbps
Total domestic connection bandwidth	394,766 Mbps
Total broad bandwidth subscribers	4,084,616

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

As of December 2011, the number of Internet subscribers in Vietnam stood at 30.55 million, with 37.07 percent of the population using the Internet regularly. Presently, the country's total international and domestic connection bandwidth are 311,331 Mbps and 394,766 Mbps, respectively. However, Internet density is not equally spread throughout the country and is concentrated in the urban centers, especially Hanoi and HCMC. Broadband market demand has increased so rapidly that current market supply is not sufficient to meet demand. The broadband market is shared among 3 major ISP's: VNPT, FPT and Viettel. Below are the charts reflecting the market share of broadband subscribers in Vietnam as of December 2011.

Internet Market Share



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

Broadband Market Share

Service Providers	Market share (percent)
VNPT	**67.07**
Viettel	**17.25**
FPT Telecom	**9.08**

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

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

On November 05, 2010, VNPT and Lockheed Martin signed a contract for the package of providing satellite, control station and launch services under the Vinasat-2 project. It is planned that Vianasat-2 will be launched into the Earth's orbit in April 2012. Vinasat 2 is planned to be launched at 107oE position. The total investment capital of the Vinasat 1 (with 20 emitters) was about $200 million, while Vinasat-2 (24 MHz emitters) is about $280-300 million. It is expected VNPT will recover the investment capital for Vinasat 2 in 10 years, while the capital recovery schedule for the Vinasat 1 has been shortened from 11 years to approximately 10 years. The Vinasat-2 satellite is planned to be launched into orbit from Kourou Space Center in Guyana, a French territory in South America. Arianespace, the French company that successfully launched the first satellite of Vietnam, has been selected to launch the Vinasat 2 satellite as well. Vinasat 2 applies state-of-the-art technology that takes advantages of the Vinasat 1 but will have a larger capacity of the 24 MHz Ku-band (36MHz bandwidth). This satellite will cover the Southeast Asia and some neighboring countries. The satellite's lifespan is designed to be in service for 15 years.

Vietnam is expected to launch additional satellites, e.g. Vinasat-3, as Vinasat-2 is expected to reach 70-80 percent of its capacity 2-3 years after launch. However, these future projects will depend on actual market demand.

Apart from telecommunications satellites, Vietnam also has plans for a natural resources, environment and disaster monitoring small satellite (referred to as VNREDSat-1) satellite. 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 2014 and will be used to help Vietnam map its natural resources and provide information about the environment and natural disasters. The project would cost an estimated $60-100 million and help free Vietnam from reliance on satellite images provided by other countries. Any contractor that meets the requisite conditions for technology and capital will be allowed to participate in Vietnam's satellite projects.

Broadcasting: Vietnam's broadcasting industry has developed rapidly in recent years. At present, Vietnam has one national television station (VTV), one national radio station (VOV) and four inter-provincial broadcasting stations. Additionally, each of the country's 63 provinces and cities has its own local broadcasting station. Apart from these broadcasters, other new entrants include cable television, satellite (DTH/Direct-to-Home) and on-line television providers. In terms of network convergence, as noted above, voice/data networks are available nation-wide and "triple play" networks (voice/data/video) and broadband services have been developing in the large cities. Moreover, 40 percent of the country's broadcasting facilities have been digitalized. Vietnam aims to digitalize all of its broadcasting networks by 2020. Market growth in 2011 reached 17 percent and is expected to reach 20 percent in the next three years. Market size in 2011 wasvalued at $3 billion.

Opportunities Return to top

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

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

Telecommunications service providers:

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

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

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

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

- FPT Telecom Company
Address: 48 Vạn Bảo, Ngọc Khánh, Ba Đình, Hanoi
Tel: (84-4) 7300 2222; Fax: (84-4) 7300 8889
Web site: http://www.fpt.net

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

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

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

- Global Data Service Joint Stock Company (GDS)
Address: Room 204 A, Thăng Long Building, 105 Láng Hạ, Đống Đa, Hanoi
Tel: +84-4-3562 6996; Fax: +84-4-3 5626998

Web site: www.gds.vn
e-mail: gdsinfo@gds.vn

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

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

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

Internet Services Providers:
Below are Top 3 among 87 licensed ISPs:
- VNPT (Vietnam Posts and Telecommunications Group)
- Viettel (Military Electronics Telecommunications Corporation)
- FPT (FPT Group)

Below are the major buyers for broadcasting equipment and services:
- VTV (Vietnam Television)
- VTC (Vietnam Multimedia and Communications Corporation or Vietnam Television Group)
- AVG (An Vien Group or Audio Visual Global)
- VOV (Voice of Vietnam)
- 63 local provincial broadcasting stations, and other local cable TV, satellite, and on-line broadcasters.

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

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

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

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

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

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E-mail: triet.huynh@trade.gov

Oil and Gas Machinery and Services

Overview

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	2010	2011	2012 (estimates)
Total Market Size	2,000	2,400	2,880
Total Local Production	1,000	1,200	1,440
Total Exports	N/A	N/A	N/A
Total Imports	1,000	1,200	1440
Imports from the U.S.	295	354	425

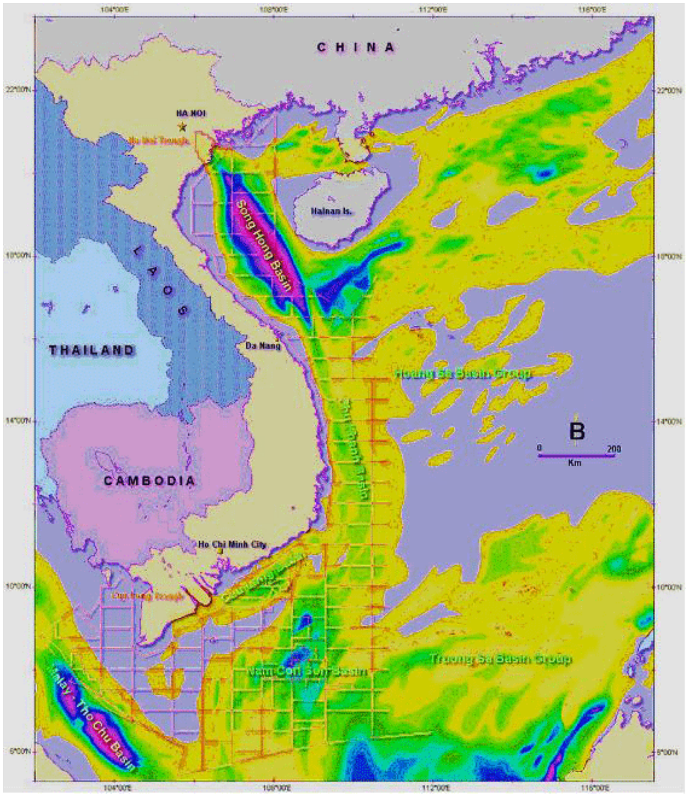
The above statistics are in $ millions including equipment and services for the upstream, midstream and downstream segments of the oil and gas industry and are based on U.S. Census Bureau records and unofficial estimates.

Vietnam's oil and gas industry is one of the country's biggest foreign currency earners and a major procurer of imported technology, services and equipment. 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 (also known as PV or PVN), 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. The taxes paid annually by PVN account for approximately 18-20% of Vietnam's state budget. In 2011, Vietnam earned $32 billion in revenue, produced 23.91 million tons of oil equivalent, exploited 15.21 million tons of oil and 8.7 billion of cubic meters of gas, and increased its oil and gas reserve to 35.3 tons (35 million tons in Vietnam and 0.3 million tons overseas.) This year, the country sold 8.3 million tons of crude oil worth $10 billion, which included the export of 8.7 million tons worth $5.34 billion. The year 2011 marked Vietnam's exploitation of the 280th million ton of oil and the 70th billion of cubic meter of gas. In 2011, PVN maintained the No. 1 rank in Vietnam's Top 500 biggest companies. In 2012, PVN aims to reach the exploitation of 24.81 million tons oil and gas, and revenues of $33 billion.

Map 1: Major Tertiary Basins in Vietnam
Source: PVN (http://www.pvn.vn)

<u>Upstream and Midstream</u>

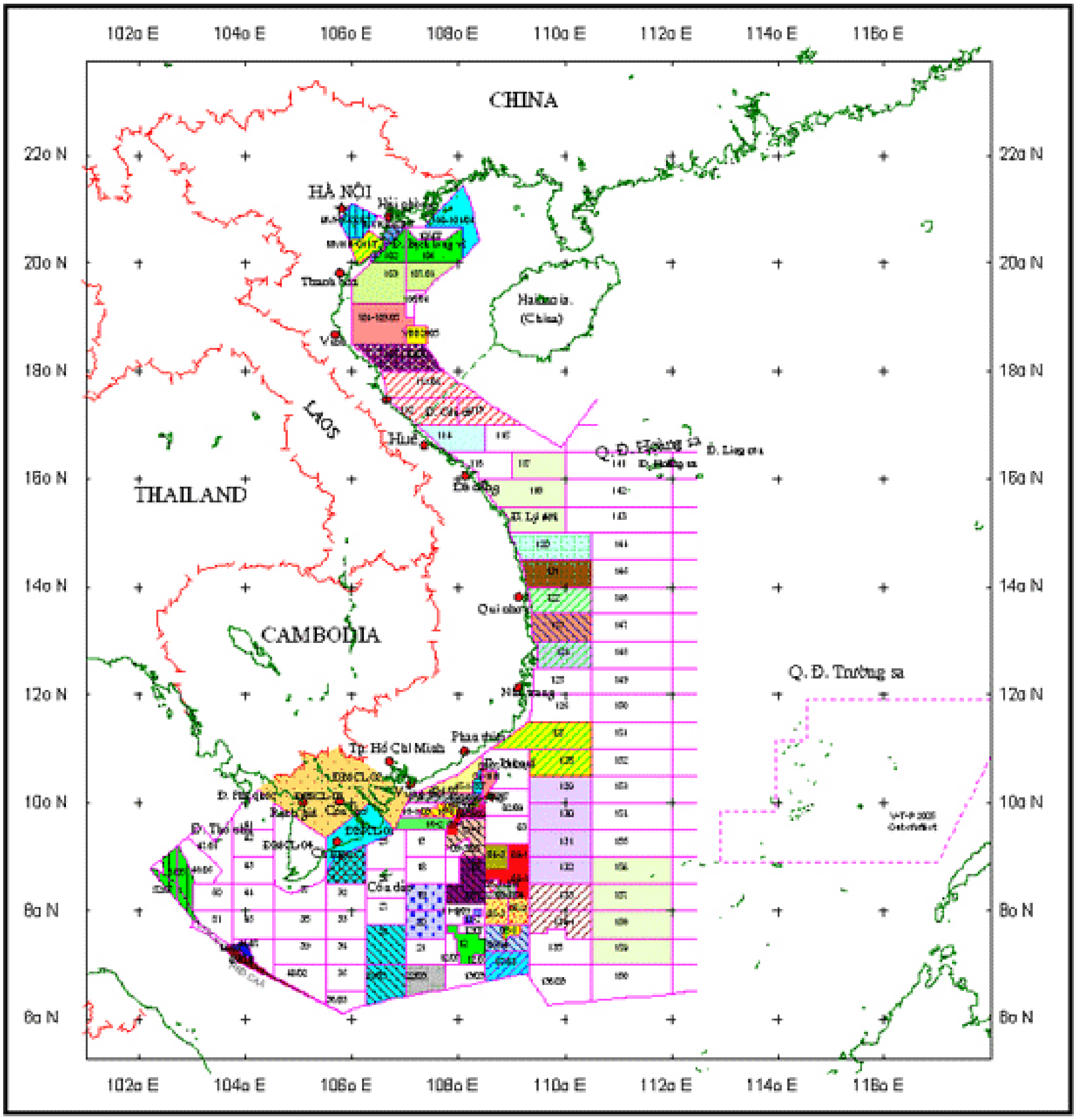
Vietnam is currently ranked fourth in Southeast Asia after Indonesia, Malaysia, and Brunei for oil and gas production and oil reserves. Vietnam's range of activity covers about one million sq km, comprising major tertiary basins and groups of basins: Song Hong, Phu Khanh, Cuu Long, Nam Con Son, Malay-Tho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



Map 2: Oil and Gas Reserve in Vietnam
Source: PVN (http://www.pvn.vn)

To date, about 100 hydrocarbon-bearing prospects have been found in almost 50 fields, with estimated reserves of approximately 643 million tons of crude oil and 644 billion cubic meters (bcum) of natural gas (23 trillion cubic feet -Tcf). Among the 50 fields with oil and gas discoveries, there are 30 commercial fields. (See Map 2.)

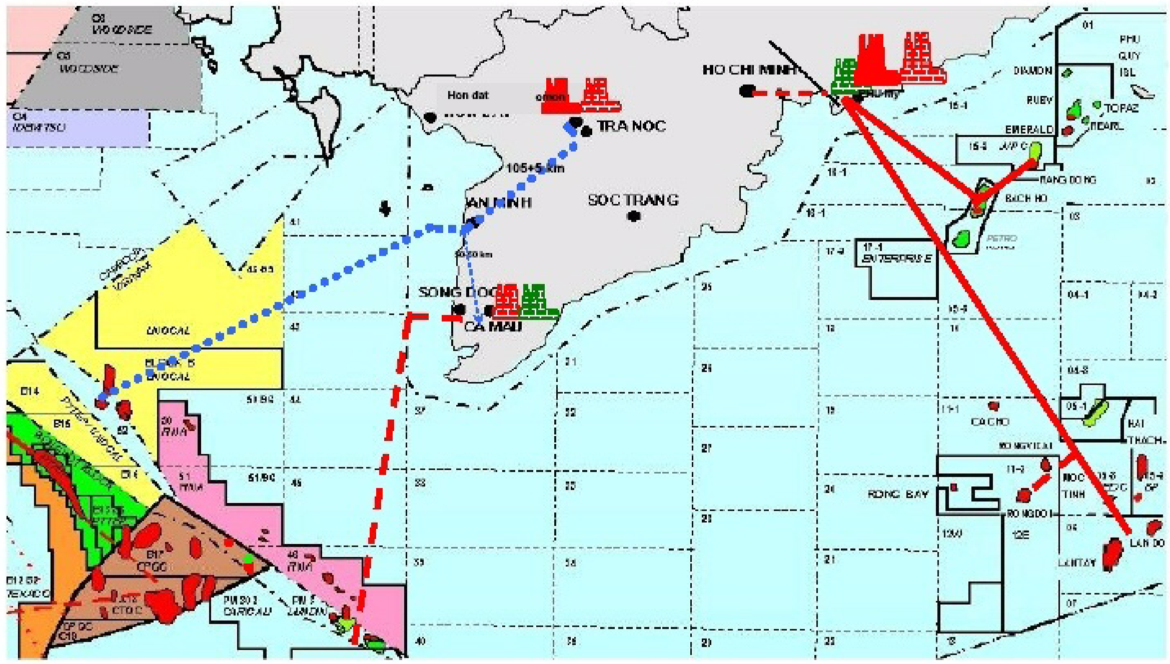
As of December 2011, PVN signed 94 oil and gas exploration and production contracts with foreign companies in the form of Product Share Contracts (PSC), Business Cooperation Contracts (BCC), Joint Ventures (JV) and Joint Operation Companies (JOC). Of these, 53 contracts are currently in effect. (See Map 3.)



Map 3: Oil and Gas Exploration and Exploitation Operations in Vietnam
Source: PVN (http://www.pvn.vn)

In 2011, the country produced 23.91 million tons of oil equivalent, comprising 15.21 million tons of crude oil and condensate, and 8.7 billion cubic meters of gas. In the medium term, oil production is expected to decline gradually due to the deteriorating performance of existing oil fields while other new discoveries will not offset this loss in production. PVN has been expanding exploration to boost reserves, including in foreign countries. In 2011, three new oil fields were discovered and five new oil wells were put into production including three in Vietnam and two overseas.

Gas production, however, is expected to rise significantly since several gas fields will be put in production in the near future. At present, about 85 percent of the natural gas produced in Vietnam is used for power generation, 10 percent for fertilizer and the remaining 5 percent for industries and households. Gas is transported via a network of gas pipelines from offshore gas fields to onshore processing facilities and power complexes (See Map 4.)



Map 4: Gas Pipelines (in red lines) and Projects (in blue lines) in Vietnam
Source: PVN (http://www.pvn.vn)

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

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

Downstream

In 2005, PVN started construction of its first oil refinery at a cost of $3 billion with a capacity of 6.5 million tons per year in Dung Quat, Quang Ngai Province (Central Vietnam). Operational since 2009, the Dung Quat refinery uses local feedstocks from the Bach Ho field and imports from the Middle East. Dung Quat refinery has been operating at full capacity since 2010, and was officially inaugurated in January 2011. In 2011, the country's first refiner produced 5.43 million tons of gasoline, liquefied petroleum gas, kerosene, diesel, jet fuel, fuel oil and polypropylene (PP). PVN plans to raise the capacity of Dung Quat Refinery from 6.5 million tons to 10 million tons by 2016 at a projected cost of $1 billion.

A joint-venture amongst Kuwait Petroleum International (KPI), Japanese refiner Idemitsu Kosan Co. and Mitsui Chemicals, and PVN was established in April 2008 to build the second refinery – the US$7 billion Nghi Son Refinery and Petrochemical complex in Nghi Son, Thanh Hoa Province in northern Vietnam. The complex is under construction and will be able to process 8.4 million tons of crude oil per year when it is completed in 2013.

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

Best Prospects/Services

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

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

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

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

Opportunities

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

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

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

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

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U.S. Consulate General in Ho Chi Minh City
Email: My.tran@trade.gov

Information Technology (IT) Hardware and Software Services

Overview

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IT Hardware Market (in million US$)

	2010	2011	2012 (estimated)
Total Market Size	1150	1350	1540
Total Local Production	60	68	70
Total Exports	0	0	0
Total Imports	1090	1282	1470
Imports from the U.S.	440	510	660

IT Software Market (in million US$)

	2010	2011	2012 (estimated)
Total Market Size	530	580	660
Total Local Production	210	220	230
Total Exports	0	0	0
Total Imports	320	360	430
Imports from the U.S.	130	160	190

(Note: Figures are gathered from industry publications and news articles, and are unofficial estimates)

The IT hardware and software markets of Vietnam, which are driven by continued higher IT demand and outlay from the public sector, private sector and households, have grown at an average rate of 15 percent for the last five years. To meet its dynamic market growth, Vietnam has been importing the lion's share of IT hardware and software as Vietnamese manufacturers are still relatively new and are able to offer the same range of solutions and services as foreign suppliers. This trend is expected to continue to offer good sales opportunities for U.S. suppliers for many years to come.

A recent International Data Corporation (IDC) report shows that the hardware market grew at 17 percent in 2011 and is forecasted to grow at a similar rate in 2012. Key players in the hardware market include suppliers from Taiwan, China, the U.S., and Japan. According to IDC, the software market grew at 14.4 percent in 2011 and is estimated to grow at virtually the same rate in 2012. Major players in the software market include suppliers from the U.S., Germany, China, Russia, and Vietnam. Software market revenues would be markedly greater without the widespread use of counterfeit software. Protection of software copyright is an issue; industry experts estimate that Vietnam had a software piracy rate of 81 percent in 2011, down from 83 percent in 2010.

Adding to the IPR challenge, the Government of Vietnam is currently preparing a draft decree on information technology services (No./2012/ND-CP) which, if adopted, would increase licensing, registration and certification requirements for IT services companies, and would undermine the development of the sector.

Best Prospects

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U.S. IT suppliers have good opportunities for success in penetrating or expanding their business in Vietnam thanks to their reputation for high-quality products, state-of-the-art technology and professionalism. As more domestic enterprises including banks, brokerages, retail and e-commerce firms and other companies invest in their core systems, retail and mobile delivery services, etc., demand for IT hardware and software is expected to continue to grow in the coming years.

Hardware: According to the IDC, the Vietnam's personal computer (PC) market grew at roughly 13 percent in 2011. As the Vietnamese economy is forecasted to grow at about 6 percent over the next few years, this growth trend in the PC market is expected to continue at a strong pace and offers good potential for U.S. suppliers. Major suppliers of PCs in Vietnam include Taiwan (Acer and Asus), the U.S. (Dell, Hewlett-Packard and Apple), China (Lenovo), and Japan (Sony and Toshiba).

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

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

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

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

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

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

Trade Events:

1. CommunicAsia, 19-22 June 2012, Singapore, http://www.communicasia.com/
2. Vietnam Telecomp, 14-17 November 2012, HCMC, Vietnam

Resources:

Vietnam Ministry of Information and Communication**:** http://www.mic.gov.vn
World Bank – Vietnam Projects and Operations
http://www.worldbank.org/projects/search?lang=en&searchTerm=&countryshortname_exact=Vietnam&src=

Asia Development Bank – Vietnam Projects and Operations
http://www.adb.org/countries/viet-nam/main

Contacts:

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U.S. Embassy in Hanoi
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Airport and Ground Support

Overview

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	2010	2011	2012(estimated)
Airport and Ground Support Equipment			
Total Market Size	23	27	32
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	23	27	32
Imports from the U.S.	8	11	14
Air Traffic Management Equipment			
Total Market Size	18	22	26
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	18	22	26
Imports from the U.S.	8	12	15
Engines, Engine Parts and Aircraft Parts			
Total Market Size	200	250	295
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	200	250	295
Imports from the U.S.	180	200	240

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

Aviation is one of the top priority sectors for development by the Government of Vietnam as it plays a critical role in the country's national economic growth. The aviation sector is overseen and managed by the Civil Aviation Administration of Vietnam (CAAV), which reports to Vietnam Ministry of Transport.

According to the CAAV, Vietnam's overall aviation market in 2011 grew by 13% for passenger transportation and 30% for cargo transportation. In 2011, 23.7 million passengers went through the country's airports, a year-on-year increase of about 12.3% percent with 16.6 million carried by Vietnamese carriers, a year-on-year rise of 13.6% against 2010. In the meantime, the total throughput of air cargo was about 600,000 tons in 2011, up by 30% over 2011.

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

Major Airlines in Vietnam

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

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

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

Vietnam Airlines expanded domestic and international networks significantly in 2010, with seven international and four domestic routes launched to push up its daily flights to 320 from 225. The SkyTeam member airline transported 12.3 million passengers for its domestic and international flights compared to just over 9.34 million last year, up 33.7 percent.

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

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

Jetstar Pacific Airlines**:** Jetstar Pacific Airlines (JPA) is the second largest air carrier in Vietnam, having started operations in 1992 with VNA as the major shareholder (86.5 percent). It is the first joint stock airline formed in Vietnam following changes in the law to allow foreign investment in the country's airlines. In 2005, it narrowly escaped closure due to inability to pay its debts and continuous loss-making operations. By a decision of the Prime Minister, 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 27 percent stake in JPA for $50 million and became JPA’s strategic partner. After this restructuring, SCIC continued to hold a 62 percent stake, Qantas 27 percent, Saigon Tourist Holding Corporation 7.53 percent, while the remainder is held by Tradevico (a company under the Ministry of Transport). In February 21, 2012, with approval from the Prime Minister, VNA became the largest shareholder of JPA by acquiring a 69.93 percent stake. VNA is followed by Qantas Group which maintained its 27 percent stake. VNA is expected to sell a further 3% stake to Qantas to bring the ownership of this Australian group at JPA to 30% in line with a deal signed between SCIC and Qantas Group in Hanoi in April 2007.

JPA currently operates five (5) Boeing 737 - 400 aircraft and two Airbus 320 -200 aircraft, and is moving to eight (8) more Airbus A320-200 aircraft in order to expand its network with more domestic and international flights into South East Asia. JPA’s existing Vietnamese domestic network includes Ho Chi Minh City, Hanoi, Da Nang, Hue, Vinh, Hai Phong and Nha Trang. It is expected to add up to 15 Airbus aircraft by 2014 and the JPA’s network will cover most countries in Asia.

<u>Vietjet Air</u>**:** 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 Air) 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. As of its launch in December 2011, Vietjet Air became the second private airline to offer domestic service in Vietnam, as well as the fifth airline overall to offer civil domestic flights, along with VNA, JPA, Air Mekong and Vietnam Air Service Company (VASCO). In its initial plan, Hanoi-based Vietjet Air stated its intention to offer flights to HCMC and Da Nang, gradually expanding its network to include other Asian countries, such as Singapore, China, Thailand, Korea and Japan.

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

VALC started operations in December 2007 by signing a $1.48-billion contract with Boeing to purchase eight B787-8 Airliners for delivery beginning 2016. The order was subsequently changed to B787-9s. The company’s original intention was to lease these aircrafts to Vietnam Airlines upon receipt of the delivery. However, it has subsequently decided to take delivery of the aircrafts, then immediately sell them to a U.S. leasing company which will then lease the aircrafts to VNA, in essence, taking the aircrafts off of VALC’s balance sheet. In December 2007, VALC continued to sign a contract with Airbus to purchase 10 Airbus A321-200 and leased out to Vietnam Airlines for 12 years.

In December 2010, VALC signed a contract with International Aero Engines AG (IAE) to buy 20 V2500 Select One engines for the 10 Airbus A321-200 aircrafts. Prior to the V2500 engines contract, VALC also spent more than $100 million to purchase five ATR72-500, all five aircrafts have been delivered successful by December 31, 2010. VALC plans to raise its charter capital to $1 billion by 2025.

Indochina Airlines: Indochina Airlines is the second private airline established in Vietnam. Indochina Airline sold its first tickets on November 12, 2008 and launched its first commercial flight from Tan Son Nhat Int'l Airport in Ho Chi Minh City to Noi Bai Int'l Airport in Hanoi and Da Nang Int'l Airport on November 25, 2008. As of November 2008, the airline has 2 leased Boeing 737-800 aircraft. In December 2009, this airline closed its business after losing money heavily and could not afford to cover its daily operation costs. Due to the financial problems, the airline's last remaining aircraft has been returned on November 25, 2009. Indochina Airlines officially declared bankruptcy on December 15, 2009, and its license was revoked by the Ministry of Transport in December 2011.

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

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

Other Foreign Airlines: There are approximately 52 passenger and cargo airlines from 22 countries 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.

Air Traffic Management

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

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

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

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

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

Best Products/Services

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

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

Airport Development

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

In particular, Long Thanh International Airport (LTIA), which is planned to be Vietnam's largest international airport, is scheduled to be constructed in 2015 and become operational by 2020. The airport, which will be located around 43km from Ho Chi Minh City, is expected, when it reaches its full capacity by 2035, to serve 90 percent of international and 20 percent of domestic flights, diverting a major chunk of passenger traffic from Tan Son Nhat International Airport in Ho Chi Minh City. With an estimated investment of more than US$10 billion and covering more than 5,000 hectares, LTIA is expected to serve 100 million passengers and 5 million tons of cargo per year at its full capacity. Funding for the airport construction is expected to come from Government bonds, ODA and private sources. Government capital and ODA will be used for airport infrastructure construction and private funding will be sought to build passenger terminals.

In addition, to develop new airport projects, the Vietnamese Ministry of Planning and Investment (MPI) has submitted proposals to the Prime Minister to seek foreign direct investment. If approved, foreign investors will be allowed to develop these projects under the form of Build-Operate-Transfer (BOT), BT (Build-Transfer), Build-Operate-Own (BOO), or Public-Private Partnership (PPP). While promising, these initiatives will take time to develop.

On 9 November 2010 the Government of Vietnam introduced legislation to create a legal framework for the introduction of Public Private Partnerships (PPP) in Vietnam. The "Regulations on Pilot Investment Under the Form of Public Private Partnerships" ("PPP Regulations") became effective on 15 January 2011 and formed the basis upon which investment in a pilot program for PPP projects is introduced in various sectors from infrastructure to the provision of public services.

The recently-established Airports Corporation of Vietnam (ACV) is charged with the operations and developments of airports throughout the country. The ACV, headquartered at Tan Son Nhat International Airport, was officially established on February 18, 2012 from the merging of Northern Airports Corporation, Middle Airports Corporation and Southern Airports Corporation.

U.S. Trade and Development Agency has been active in Vietnam, recently funding feasibility studies for Da Nang International Terminal and Chu Lai cargo airport expansion.

Air Traffic Management

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

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

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

Air Fleet Development

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

Vietnam Airlines currently operates a fleet of 69 airplanes and is planning to expand its fleet to 104 by 2015 and 150 by 2020. Jetstar Pacific, Air Mekong and Viet Jet Air currently operate seven, four, and one aircrafts and are planning to expand their fleets to 15, 12, and three by 2014, respectively.

Maintenance, Repair and Overhaul (MRO) Services

Market demand for MRO services is expected to increase significantly as there are currently limited local MRO capabilities in Vietnam and all five existing air operators, namely Vietnam Airlines, Jetstar Pacific, VASCO, Air Mekong and Viet Jet Air, are planning to expand their fleets considerably in coming years.

Due to its current limited MRO capabilities, Vietnam Airlines 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 whereas Vietnam Airline's maintenance subsidiary, Vietnam Airlines Engineering Company Ltd. (VAECO Ltd.) focuses on performing daily and periodical maintenance checks according to JAR/VAR-145 standards. VAECO's HCMC facility mainly services Boeing aircraft while its Hanoi facility does Airbus airplanes. At present, VAECO can carry out maintenance services at the following levels: F70 and ATR72 (D-Check), A310/A320/321 (C-Check), B676 and Airbus A330 (A-Check), and B777 (2C-Check). Vietnam Airlines also receives technical and maintenance assistance from Region Air of Singapore and Park Aviation of Ireland. As part of its development plan, Vietnam Airlines seeks to establish a joint venture with a foreign firm to provide aircraft MRO services to Vietnam Airlines's fleet and other international air carriers'.

Meanwhile, Jetstar Pacific, Air Mekong and Viet Jet Air do not own any maintenance facilities whereas Jetstar Pacific can conduct A-Checks on their airplanes in house. However, C-checks have to be done abroad and Singapore Technologies is one of their key providers of maintenance services, spare parts and training of Vietnamese engineers.

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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 airport 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, equipment for passenger terminals, air traffic management systems, security equipment, telecommunication systems, software, aircraft parts, training services, as well as aircraft maintenance and engine overhaul services.

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

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

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

Vietnam Airlines
www.vietnamairlines.com.vn

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

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

Huynh Triet, Commercial Specialist
U.S. Commercial Service – U.S. Consulate in Ho Chi Minh City
E-mail: Triet.huynh@trade.gov
Website: www.buyusa.gov/vietnam

Environmental and Pollution Control Equipment and Services

Overview
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	2010	2011	2012 (estimated)
Total Market Size	750	790	830
Total Local Production	415	435	455
Total Exports	0	0	0
Total Imports	335	355	370
Imports from the U.S.	28.5	29.5	31

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

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

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Water Supply

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

To this end, the GVN is using 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) Finnish water supply projects for the northern mountainous areas, and (iii) Agence Francaise de Development (AFD) water supply projects for Mekong Delta provinces. However, it is estimated that ODA will be gradually reduced, since GDP per capita surpassed the $1,000 threshold as of the end 2010. In that context and in view of the enormous demand, the GVN strongly encourages private participation in the development of water supply facilities and has created policies to encourage investments including Decree No. 117 on Water Supply and Environmental Sanitation; Decree No. 88 on Drainage System Management; and Decree No. 59 on Solid Waste Management.

Currently the 240 water treatment plants in Vietnam, produce over 4.7 million cubic meters per day for urban consumption, but only meet about 70% of demand.

Waste Water

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

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

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

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

Municipal Waste Water

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

Ho Chi Minh City discharges 1.2 million cubic meter of wastewater per day. Similar to Hanoi, the City's wastewater is mainly discharged into rivers. Ho Chi Minh City authority is launching the 3 big projects in order to solve the waste water problem of the city under the management of Steering Center of the Urban Flood Control Program of Ho Chi Minh City:

- The interception and Cat Lai Centralized Waste Water Treatment plan. This plant is used to treat the whole city. The estimated investment value is US$450- 500 million. Design and EPC contractor shall be selected via a public bidding process which is planned to start in 2012. The HCMC Steering Center for Urban Flood Control is working on the bidding document for the design of this project. Since this is a World Bank project, the Invitation for Bid (IFB) will be announced publicly sometime within 2012. The construction is to start in 2013.
- The collection system and the waste water treatment plant for Western area of the city and Binh Tan District. The investment value is US$700 – 800 million. This project is looking to start a feasibility study and for financial support.
- The interception and Tan Hoa Lo Gom waste water treatment plant. Total estimated value is US$350 – 400 million.

According to HCMC's 2020 master plan for wastewater drainage, which was approved by the Prime Minister, the City will need an additional eight wastewater treatment plants of similar size with a total investment of up to $4 billion to resolve its wastewater drainage problem. These projects are under the management of the HCMC Steering Center for Urban Flood Control. (http://ttcn.hochiminhcity.gov.vn/web/guest/gioi-thieu1)

In the Prime Minister's Decision No. 1336 on the development of the drainage system and wastewater treatment for economic development zones, total investment requirement for implementation, excluding resettlement cost, was estimated at $3.4 billion. In the decision, the Prime Minister made it mandatory for new urban residential areas and industrial parks to plan and construct separate drainage systems for storm water and wastewater. Municipal and industrial wastewaters are further required to be pre-treated to ensure compliance with environmental standards before being discharged into the city's drainage systems. As a result, 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 the recent past. Public interest groups have begun to highlight the impact of polluting manufacturers on the environment and economy. Violating manufacturers are beginning to feel the negative impacts of boycotts by their associates and customers. Polluting companies have also had some difficulty in accessing bank funds, as more banks are adjusting their policies to avoid lending to clients on the environment black list. Highly visible cases have been discussed at National Assembly meetings since Q4 2008. These recent developments have triggered an intensification of monitoring and inspection of industrial environmental pollution.

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

Solid Waste

According to the Ministry of Construction, Vietnam's waste amounted to over 30 million metric tons in 2011, with municipal waste from households, restaurants, markets, and businesses sources accounting for over 80 percent of the total. Given a growing population, rapid urbanization and increased consumption, municipal waste is expanding considerably. With this growth, it is anticipated that waste generation will increase to 36 million metric tons by 2015, 47 million metric tons by 2020, and 54 million metric tons by 2025, and that the types of waste produced will continue to undergo a change from more degradable to less degradable and more hazardous.

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

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

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

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

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

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

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

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

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Funding for water supply and wastewater projects comes from various sources within the state budget, as well as Official Development Assistance (ODA) loans and grants. ODA financing plays a key role, with major donors being the World Bank, the Asia Development Bank and bilateral contributors such as Japan, France, Denmark, the Netherlands, Finland, Germany, and Australia. The World Bank (WB) leads the group of multilateral donors with a commitment of US$2.6 billion for Vietnam in 2011, and $2.1 billion in 2012. The Asian Development Bank (ADB) has committed US$1.5 billion in 2011 and approx. $1.4 billion in 2012.

In 2011, ADB approved a Multi-tranche Financing Facility (MFF) in the water supply and sanitation sector with a total amount of $1.0 billion within the next ten years. This investment program will help water supply companies in Viet Nam improve their performance. It will support capital investment in water companies and co-finance the National Nonrevenue Water (NRW) Program. The program will utilize an MFF to provide longer-term support for institutional reform in the Viet Nam water sector until 2020. The MFF will be used as seed money to leverage parallel co-financing and, importantly, gain access to commercial finance and increased private sector participation. Four pilot cities—Da Nang, Hai Phong, Ho Chi Minh City (HCMC), and Hue—were identified for project preparation in 2008. The first periodic financing request (PFR) will cover HCMC. Subsequent tranches will finance part of the National NRW Program and investment subprograms consisting of water supply infrastructure for provincial water companies, duplicating the model established with HCMC in PFR1. Several cities have initiated discussions with the government to finance future tranches totaling over $300 million for water production plants, transmission and distribution networks.

The Vietnamese government intends to invest $2.8 billion in the Vietnam water sector by 2020. It has requested an MFF of up to $1.0 billion from ADB's ordinary capital resources to help finance the investment. The MFF will have several tranches, subject to the government's submission of PFRs and execution of loan and project agreements. The indicative investment plan for the MFF is in following table:

Indicative Investment Program (MFF: 2011–2020)
($ million)

Cities	**PFR1 2011**	**PFR2 2011**	**PFR3 2013**	**PFR4 2015**	**Total**
Hochiminh City	138				138
Da Nang		47	30		77
Hue		40	20	20	80
Hai Phong		63	0	0	63
Nonrevenue water		0	100	150	250
Future cities		50	150	192	392
Total	**138**	**200**	**300**	**362**	**1,000**

MFF = multitranche financing facility; PFR = periodic financing request.
Note: The schedule and amounts are indicative, to be confirmed year to year by the country programming mission. PFR1 is using 2010 country ordinary capital resources allocation.

Source: Asian Development Bank

Whether funded multilaterally or bilaterally, projects funded by ODA offer numerous opportunities for foreign equipment suppliers, and engineering and consulting firms.

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

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

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

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

World Bank – Vietnam Projects and Operations
http://www.worldbank.org/projects/search?lang=en&searchTerm=&countryshortname_exact=Vietnam&src=

Asia Development Bank – Vietnam Projects and Operations
http://www.adb.org/countries/viet-nam/main

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

Ms. Doan Van, Commercial Specialist
U.S. Commercial Service, U.S. Consulate General
Email: van.doan@trade.gov

Medical Equipment

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	2009 (actual)	2010 (actual)	2011 (actual)	2012 (estimated)
Total Market Size	179	190	192	195
Total Local Production	5	6	7	7
Total Exports	0	0	0	0
Total Imports	174	184	185	188
Imports from the U.S.	34.7	39.5	39.4	40

Sources: U.S. Census export data and local industry sources
The above statistics are in US$ million and are unofficial estimates.

Vietnam represents a potentially large healthcare, medical equipment and device market. Identified as one of the national development priorities, the Vietnamese public healthcare sector has increasingly received government budget allocations as well as interest from the private sector. Multi-lateral Development Banks such as the World Bank are also providing much-needed financing and technical assistance to expand healthcare capacity in Vietnam. This sector also relies on Official Development Assistance (ODA) and donations by philanthropic organizations.

Vietnam presently has more than 13,400 hospitals and health clinics; in which, more than 1,000 facilities are State owned. However, according to the Vietnamese Ministry of Health (MOH), around 30,000 Vietnamese people go abroad for better check-ups and treatment each year, spending more than US$1 billion every year, an indication that domestic consumers are keen to seek out higher quality services, out of pocket.

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

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

4. A shortage of qualified medical staff is common in many hospitals. Doctors and nurses work under stressful conditions and wages are relatively low. The MOH has started to raise the wages of healthcare professionals in 2012.

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

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

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

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Buyers of medical equipment can be grouped into four categories:

1. Government-funded hospitals, clinics, and healthcare centers that purchase the largest quantity of medical equipment and play a key role in the healthcare system. With financial allocations from the Government, they tend to look for advanced, brand-name equipment.
2. Wholly foreign-owned and joint-venture hospitals, clinics, and healthcare centers are significant buyers, although they often procure directly from their sponsoring or affiliated country.
3. Local private hospitals, including those with foreign partners, have emerged in the last few years as the private sector looks to address local needs. Private hospitals and clinics tend to be small, although a number of larger projects are being developed. A recent study by Deloitte projects the private expenditure on healthcare will account for 70% of total healthcare expenditures by 2014 due to poor state service provision.
4. A number of medical education and research institutions are open to experimenting with new, innovative methods and systems. These end-users present an excellent strategic opportunity to develop partnerships, given their desire to explore new technologies.

Equipment Importation

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

The Vietnamese government encourages medical equipment imports because local production cannot meet demands of the healthcare system. Imported medical equipment faces low import duties and no quota restrictions. However, medical devices are subject to regulation and licensing requirements set by the Ministry of Health. By regulation, only companies with a legal business entity registered in Vietnam and that have an import license are eligible to distribute medical equipment in Vietnam. To fulfill this requirement, foreign suppliers often sell their products through local distributors or agents. Good representatives provide immediate access to an established marketing network and in-depth knowledge of pertinent regulations.

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

New regulation on importing medical equipment

In June 2011, the MOH issued the Circular 24 to provide updated guidance on import of medical equipment in Vietnam. U.S. exporters should be aware of Article 5 that requires a Certificate of Free Sale to be copied and certified by the embassy of Vietnam in producing countries in addition to requiring Vietnam-based importers to produce a letter of authorization from the foreign manufacturer authorizing the product to be sold to Vietnam. Local SME importers generally find the process is time consuming because of unclear and complicated paperwork.

Used equipment

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

National Plan

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

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

Vietnam Medi-Pharm Expo 2012
Date: May 9 – 12, 2012
Venue: Friendship Cultural Palace – 91 Tran Hung Dao St., Hanoi, Vietnam
http://www.medipharmvietnam.com

Medica Vietnam
Date: Dec 24-27, 2012
Venue: Tan Binh Exhibition & Convention Centre, Ho Chi Minh City, Vietnam
http://www.biztradeshows.com/trade-events/medica-vietnam.html

U.S. Eximbank
Medical Technologies Initiative
William Rowland, Export Finance Officer
William.rowland@exim.gov

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

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

For more information, please contact:

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

Mr. Le Anh, Commercial Specialist
U.S. Commercial Service, U.S. Consulate General in HCMC
Email: le.anh@trade.gov

Safety and Security

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Safety and Security Equipment (not including defense)	2009	2010	2011	2012 (estimated)
Total Market Size	117	121	127	133
• Safety equipment (60%)	70.2	75	78.7	82.6
• Security equipment (40%)	46.8	46	48.3	50.7
Total Local Production	6.5	6.9	7.2	7.5
Total Exports	0	0	0	0
Total Imports	110.5	118.2	124	130
Imports from the U.S.	33.0	35.3	37.0	38.8
• Import of security products	17.0	18.2	19.0	20.0
• Import of safety products	16.0	17.1	18.0	18.8

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

After 20 years of implementing the foreign investment law, Vietnam has attracted more than 9,500 foreign investment projects with the registered capital of $98 billion (Foreign Investment Agency/Ministry of Planning & Investment). In addition, local investment projects have spread to all industries leading to a huge demand for safety and security equipment. Therefore, Vietnam is considered a growing market for safety and security equipment with good sales potential for foreigner companies in the medium and long-term future.

Vietnam's safety and security market has two main components: The market for civil engineering and market for key national projects and national defense projects. Government projects have relied on substantial assistance from outside sources, particularly Official Development Assistance (ODA), to improve and upgrade the country's infrastructure systems. ODA-funded projects also help initiate safety and security upgrades in many government dominated sectors such as banking, maritime, power, oil and gas, and transport.

According to experts, safety and security equipment in the Vietnam market will grow rapidly in upcoming years at an annual rate of over 20 percent per annum. This market assessment is on the basis of strong investment for infrastructure construction such as highways, airports, seaports, oil refinery plants, banks, national projects, national defense projects, intelligent buildings, complex buildings that require substantial procurement of safety and security equipment.

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

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

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

U.S. companies have been successful in supplying control panels, fire extinguishers, hydrants, and pumps for oil and gas operations, as well as to several power plants and airport projects in Vietnam.

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

Competition in this sector is intense. Major suppliers include:

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

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

Trade Events

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Secutech Vietnam 2011
www.secutechvietnam.com
August 22 - 24, 2012
Saigon Exhibition & Convention Center (SECC)
799 Nguyen Van Linh Street, District 1
Ho Chi Minh City, Vietnam

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Vietnam Ministry of Construction
http://www.xaydung.gov.vn/web/guest/english

World Bank – Vietnam Projects and Operations
http://www.worldbank.org/projects/search?lang=en&searchTerm=&countryshortname_exact=Vietnam&src=

Asia Development Bank – Vietnam Projects and Operations
http://www.adb.org/countries/viet-nam/main

For further information, please contact the following persons:

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Education and Training Services

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Educational exchange is a cornerstone of the U.S. bilateral relationship with Vietnam and a top prospect opportunity for U.S. universities and educational institutions. The number of students from Vietnam fluctuated moderately throughout the 1980s and 1990s with a steady trend of growth beginning in the late 1990s. The number of Vietnamese students has risen significantly since 1998/99, with double-digit growth in many years. Vietnam has been among the top 20 colleges or universities for origin of international students in the U.S. since 2006/07 and is now ranked 8th. According to the Open Doors 2011, the number of Vietnamese students enrolled in U.S. institutions of higher education in 2010/11 increased from 13,112 to 14,888, a 14 percent increase.

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

However, competition will continue to grow as globalization creates more opportunities for study elsewhere. Competitors in Asia (including Australia and Singapore) promote proximity, affordable costs, and the possibility of post-graduation employment.

Improving domestic education is a top priority for the Vietnamese Government which has various plans and goals, such as a 10 percent annual increase in domestic university enrollment and developing a higher education system more in line with regional and global standards. To this end, the Vietnamese Government has increased budget allocations, liberalized private sector involvement, and encouraged foreign participation in developing education and training services in Vietnam. However, many observers find the reform process to be slow, and domestic higher education falls far short of meeting demand with only 548,000 seats for the more than 1.2 million candidates who take the university entrance exam each year.

Recognizing the value of U.S. community colleges, Vietnam is the 5th largest country of origin for students at U.S. community colleges.

Demand

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With a population of nearly 90 million and robust GDP growth, Vietnam is a promising market for U.S. providers of education.

Vietnam's economy has seen robust economic growth for the last decade, and Vietnam has ambitious plans to attract foreign investment, create new industries and put in the necessary infrastructure to continue economic development. With more than 50 percent of Vietnam's population under the age of 30, developing a well-trained labor force is crucial. Education and training are top priorities for the Vietnamese government, which needs to equip the labor force with scientific, technological, and management skills. As new industries expand, a university degree is increasingly essential for young Vietnamese workers searching for higher paying jobs in newly emerging industries.

The government has acknowledged that the current education system is unable to meet demand. According to a survey conducted by the Vietnamese government, the World Health Organization, and UNICEF, 90 percent of students in Vietnam want to enroll in a university. In practice, however, opportunities for higher education are limited since the system can accommodate only a fraction of those seeking admission. In 2011, Vietnamese universities had seats for only 548,000 for the more than 1.2 million candidates who took university entrance exams, and demand to take the exam continues to rise. Although the number of university students has doubled since 1990, the number of teachers remains virtually unchanged. Furthermore, a large percentage of university graduates cannot find jobs in their field (or at all) without further training, demonstrating a need for a more practical and effective education for students. As a result, many Vietnamese students are looking for education opportunities outside of Vietnam.

Key Trends and Statistics Return to top

With a booming economy, increased global integration and exposure, and a great need for higher education, the Vietnamese are showing an unprecedented level of interest in studying in the United States. According to Open Doors 2011, the annual report on international academic mobility published by the Institute of International Education, the facts are as follows:

- The number of Vietnamese students enrolled in U.S. institutions of higher education 2010/11 increased from 13,112 to 14,888, a 14 percent increase.
- Vietnam now ranks 8th among the leading countries of origin, up from 20th five years ago.
- The majority of Vietnamese students study at the undergraduate level. In 2010/11, their breakdown was as follows: 74.2% undergraduate; 16.3% graduate students; 6.0% other; and 3.5% OPT (Optional Practical Training).
- The U.S. is the world’s second leading English-speaking host of Vietnamese students behind Australia
- Over half of the Vietnamese students studying in the US are located in Texas, Washington, and California

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Top areas of study for Vietnamese students include ***business management, finance, engineering, science and technology, IT, and health care programs*.** In addition, a number of opportunities exist that target the specific needs of the Vietnamese market:

4-year Degree University Study
More Vietnamese students are pursuing 4-year study in universities. Business management, banking and finance, engineering, science and technology, IT, and health care programs are often their top choices.

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

college programs.

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

Community Colleges
Community colleges offer financial and academic accessibility, serve as a bridge for Vietnamese students to acclimate to English, American culture and the U.S. education system, as well as a transition to four-year universities. Vietnam is the 5th largest country of origin for students at U.S. community colleges.

Programs aimed at cultivating 'Soft Skills'
Due to the rote-learning style of the Vietnamese education system, there is a need to cultivate skills such as leadership, public speaking and teamwork.

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American institutions of higher education that would like a copy of our Vietnam Education Marketing Guide Information may request one via email.

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

Institute of International Education
http://iievn.org

Vietnam Education and Training Center
www.vetecusa.com

Vietnam Education Foundation
www.vef.gov

Viet Abroader
www.vietabroader.org

Higher Engineering Education Alliances
www.heeap.org

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

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

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

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

The market is still relatively small and competition is heating up as more brands enter the market. However, growth prospects are bright as local investors become more familiar with franchising and are increasingly exposed to successful franchise concepts. This is especially true in the urban centers of Hanoi and Ho Chi Minh City, where incomes are significantly higher than the national average. In 2010, the average income was US$ 2,500 per year in Hanoi and US$ 3,000 per year in Ho Chi Minh City.

The franchise sector in Vietnam is poised for continued growth not only in traditional sectors of fast food but also in other such sector as retail, education, entertainment, health care, and lifestyle-oriented businesses.

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

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

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

Minh City. A number of local restaurant chains have successfully franchised their winning formulas throughout the country and in overseas markets as well, such as Pho 24 and Trung Nguyen Café.

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With Vietnam's entry into the WTO, it is expected that franchising activity in the country will increase markedly over the next few years. In the past, Vietnamese law did not provide a clear basis for franchising arrangements, but the passage of Decree No. 35 and Circular No. 09 in 2006 laid the groundwork for franchising to develop in Vietnam. The new decree provides for key concepts in franchising, requirements of franchise agreements and State administration of franchises.

Per regulation, a foreign franchisor is not required to have a legal presence in Vietnam and is permitted to franchise in Vietnam without establishing a business entity in Vietnam. However, a foreign franchisor is required to have been in business for one year prior to franchising in Vietnam. A Vietnamese primary franchisee must also have been in business under the foreign franchisor for one year prior to sub-franchising in Vietnam. A foreign franchisor registers its activities with the Ministry of Industry and Trade ("MOIT"), while a local franchisor registers with the local Department of Industry and Trade. The franchise agreement must be in Vietnamese and may be translated into English.

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

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

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

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

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

- One of the biggest challenges is identifying and conducting due diligence on partners to determine suitability and financial viability. Many local companies may not have a full understanding of brand value and/or legal regulations relating to franchising. Establishing good communication, setting clear expectations and achieving mutual understanding should not be taken for granted. U.S. franchisors are advised to work with the U.S. Commercial Service in Vietnam to identify potential partners and to conduct basic due diligence.

- U.S. franchisors should register their intellectual property rights and be prepared to take legal action against IP violators. Also, register your URL's and related websites in Vietnam.
- Franchisors should exercise care in preparing franchising contracts to avoid problems down the road. It is advised that franchisors work with a law firm when developing the contract and to appropriately register the franchise business.
- Understand cultural differences and adjust market access strategies accordingly. U.S. franchisors should consider adapting to local culture, habits, and tastes to guarantee success in the market.
- While retail real estate development in Hanoi and Hochiminh City is growing, finding suitable and affordable space remains a challenge for retail franchise outlets.
- Do your research when setting price of the product and the franchising fees to achieve rapid expansion. Local investors are only now becoming familiar with the franchising concept and may be reluctant to make too large an initial investment. Some franchisors opt to make direct investments in their first store in order to prove the concept and generate future franchise sales.
- Seek qualified legal advice to ensure compliance with Vietnamese franchise laws, properly structure contracts and navigate local licensing requirements.

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International Franchising Association: www.franchise.org
Email: ifa@franchise.org

Franchising Law Website: www.franchising.com

Local Franchising Registration Procedure
http://dvc.moit.gov.vn/g/Service_Providers_Detail.aspx?row_id=1

Trade shows and events:

1. International Franchise Expo in New York. The U.S. Commercial Service will organize a Vietnamese business delegation to visit the International Franchise Expo hosted in New York on June 15-18, 2012.

2. Vietnam International Shop and Franchise Show 2012 To showcase your concepts to potential investors in Vietnam, consider taking part in this fair 2011 on November 1st – 3rd, 2012 at the Saigon Exhibition & Convention Centre in Ho Chi Minh City.

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Industrial Equipment

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U.S. Industrial Equipment Exports	Value 2008	Value 2009	Value 2010	Value 2011	Percentage growth or (decline) over 2010
Other industrial supplies	23,781	31,879	49,770	58,855	18.2
Generators, accessories	12,955	11,055	14,628	55,851	281.8
Electric apparatus	32,454	31,005	40,131	50,066	24.7
Industrial engines	24,989	25,779	24,383	58,182	138.6
Metalworking machine tools	23,506	26,246	38,520	31,284	(18.8)
Measuring, testing, control instruments	28,792	26,652	35,596	41,411	16.3
Materials handling equipment	29,596	45,922	53,382	72,835	36.4
Industrial machines, other	38,642	45,809	45,853	70,188	53.1
Vietnam's Total Import of Machinery, Equipment and Parts (from the World)	-	-	-	15,200,000	n/a

Source: U.S. Census Department Foreign Trade Data; Vietnam Customs; USD Thousands

Vietnam's industrial sectors – and its markets for industrial equipment – have been growing rapidly in the last few years. This is largely driven by increased foreign direct investment in manufacturing, combined with the Vietnam government's desire to move beyond labor intensive/light manufacturing into more value-added/technology-intensive industries, creating demand for higher-end manufacturing technologies. Increased pressure among Vietnam-based suppliers to meet higher quality requirements and tighter product specifications by the country's growing electronics, petrochemical and food processing industries is also fueling the demand for these technologies. While competition can be fierce, American industrial equipment companies enjoy a strong reputation for quality, reliability and technology, and are well positioned to sell into this changing market.

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In the last few years, the Vietnam government has championed a number of high-profile investments in key sectors such as petrochemical refining, power generation, and heavy industry which have bolstered demand for a wide range of industrial products. For example, the government hopes to reduce reliance on the export of commodities, and instead encourage more onshore processing –including downstream manufacturing and packaging of food, chemicals and plastics. The country's three major refinery investments (see Oil and Gas Best Prospect Report) which are at various stages of developments are good examples of this trend.

In recent years, Vietnam has also successfully attracted a number of major multinational investors in electronics, pharmaceuticals and consumer goods sectors, and this is attracting networks of suppliers and services companies that are generating demand for precision manufacturing equipment, testing instrumentation and other sophisticated industrial tools and inputs. Recent investments from major multinationals include Nokia, Kyocera Mita, and an expansion of Samsung's existing facility. While much of this investment is geared toward export-oriented sectors, a number of firms are also eyeing Vietnam's domestic market for both durable and consumer goods production, with companies like Honda, Yamaha, Hyundai and others expanding their Vietnam production.

Opportunities for U.S. supplies to expand into Vietnam are growing, accessed through multiple procurement channels:

First, U.S. equipment suppliers would be well served to track the major investments by multinational manufacturers, identify the major EPC providers, and approach both the project owner and EPC contractor to identify their capital equipment investment needs.

Second, there is a growing network of industrial product distribution companies that are actively looking to represent foreign products. Many have established after-sales service and maintenance capabilities with growing sophistication and integration know-how.

Despite – or perhaps because of – global economic uncertainties, 2011 saw continued movement among Asian regional manufactures toward Vietnam. While selling into these supply chains can be challenging, their increased interest in Vietnam will further support a growing base of support companies, suppliers, materials and service companies. To accommodate these growing investments, Vietnam has also recently announced the expansion of several industrial zones, such as Amata and Long Duc in Dong Nai and the Vietnam-Singapore Investment Parks, and others in Haiphong, Da Nang and Can Tho, with major investments in the pipeline from Thai, Korean and Japanese firms, among others.

Vietnam's large state-owned sector, which dominates major utilities, oil & gas, shipbuilding and strategic heavy industrial sectors is another important customer segment for industrial equipment and materials.

Overview of Industrial Parks in Vietnam
http://www.business-in-asia.com/industrial_zones_vietnam_all.htm

<u>Technical Education:</u>

Recognizing the need for qualified technical expertise in the workforce, several universities and vocational universities have established manufacturing and automation departments – these programs present partnering opportunities for equipment suppliers as well as provide much-needed graduates with technical training to build sales and distribution networks for equipment suppliers.

Hanoi University of Science and Technology
http://en.hustech.edu.vn/

HCMC University of Technical Education
http://www.hcmut.edu.vn/en/

HCMC Vocational College of Technology
http://english.hvct.edu.vn/

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Automation – with increasing labor costs combined with larger production targets, local companies are increasingly looking to automate portions of their production.

Materials Handling/Storage Equipment – From feed grains to coal supplies, companies are putting in the necessary supply chain infrastructure to handle and store raw materials.

Generators and equipment for onsite/back-up power – with unstable power supply in many parts of the country, virtually every factory or commercial facility must invest in on-site back-up power supply.

Energy Efficiency – power shortages combined with increasing prices for power make energy efficient industrial solutions (hvac, boilers, etc) more practical and cost effective. The introduction of Energy Service Companies (ESCO) financing models should spur further investment in energy efficiency.

Trade Shows:

Vietship 2012, February 28 – March 1, 2012, Hanoi

MTA Vietnam Hanoi, March 28-30, Hanoi

Vietnam Expo 2012, April 4 -7, Hanoi

Vietnam Metal Working, June 5 – 8, 2012, Hanoi -- http://www.linkagemtai.com/hanoi/

Vietnam International Industrial Machinery Exhibition (IIME) 2012, HCMC, June 19 – 23 - http://www.machinery-vietnam.com/

Viet Pack and Print, October 24 – 25, 2012, HCMC.
http://www.vietnamprintpack.com/hcm/

Vietnam Machine Tool and Automation Exhibition 2012 – TBD, HCMC
http://www.linkagemtai.com/

Nepcon Vietnam Electronics Testing and Measurement Expo, October 4 – 6, 2012, HCMC, http://www.nepconvietnam.com/

Vietnam Manufacturing Expo, October 2013, HCMC, http://www.intermoldvietnam.com/

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Architecture, Construction and Engineering

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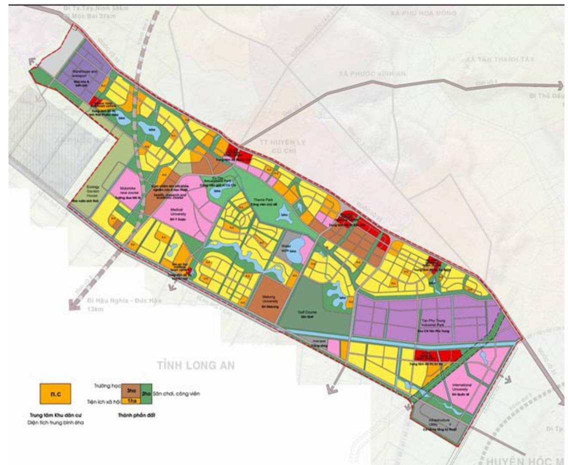

Domestic macro-economic instability, double-digit inflation and extremely tight monetary policy have made the landscape for construction and real estate development challenging in 2011. Developers whose access to credit dried up this year have struggled, and a number of major projects have slowed down. However, in the longer term, Vietnam will continue to present opportunities as private developers and local governments address pent-up demand for infrastructure, housing and industrial facilities throughout the country.

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

Business Monitor International (BMI) notes that infrastructure will make up an average of 48 percent of total construction industry value each year between 2009 and 2014 in Vietnam. This is above the global average of 36.4 percent, an indication that investments in infrastructure in Vietnam will continue to dominate the construction sector. The Ministry of Construction and General Statistics Office report that in 2011 construction value reached $32.2 billion, an increase of 18.4 percent from 2010, in which the value from the FDI sector was $1.30 billion, an increase of 73.3 percent.

In 2011, as Vietnam implemented a tight credit policy with high lending interest rates to curb high inflation, the construction sector faced liquidity difficulties with many infrastructure and property projects suspended. Construction companies and developers were unwilling or unable to take up large-scale projects or carry out construction work that required significant capital. Also, due to the inefficiency in infrastructure investment within the state-budget, GVN cut many public investment projects. Vietnam’s real estate experienced a year of hardship with property prices decreasing and property transactions coming almost to a standstill. Investment in real estate dropped significantly, and foreign direct investment in the sector was estimated at only $852 million in 2011, or just 5.8 percent of total FDI; compared to $6.8 billion and 37 percent last year.

However, the real estate sector is expected to recover in the third quarter of 2012, as the country's macro-economy stabilizes. The long-term outlook for the sector is still positive due to robust economic growth and an improving business environment for investment. BMI forecasts that construction sector growth to average 6.3% per annum between 2011 and 2015. According to the World Bank, Vietnam remains the most attractive place for investment in Southeast Asia, and among the world's top 10 emerging markets.

As Vietnam makes headway in tackling its massive infrastructure development needs, the country is seeking ways to raise funds from other sources for transport, energy and water infrastructure projects. In January 2010, the Government issued Decree 108 to help facilitate infrastructure construction contracts using Build-Operate-Transfer (BOT), Build-Transfer (BT) and Build-Transfer-Operate (BTO) models. The Government has also built a legal framework for the public-private partnership (PPP) model. In November 2010, the Prime Minister issued Decision 71 on "Promulgating the Regulation on Pilot Investment in Public-Private Partnership Form" that came into effect in January 2011. A pilot program was launched with 27 PPP projects in energy, water, transportation, and healthcare sectors.

The country is also positioning itself to attract foreign investors, expand industrial manufacturing, stimulate domestic consumption and foster new industries such as tourism, retail and services. As a result, foreign and domestic real estate developers have responded by making large investments in a wide range of projects throughout the country including commercial/office space, hotels, mixed-use/retail, coastal resorts and housing.

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

An internal credit boom followed by steep inflation in 2010/2011, following the financial crisis in 2008/09 has contributed to a start-stop tendency for a number of development projects in Vietnam. Investment dollars have been slow to return into the country; determining which projects are viable and conducting due diligence on potential projects is both challenging and time-consuming.

Best Prospects/Services

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

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

- Landscape architecture, water features and swimming pools
- Hotel and restaurant interiors
- Town planning/master planning
- Green design/building materials (energy efficient, HVAC, lighting and building controls)
- Airport design
- Healthcare design
- Use of High-end architectural interior products and designs
    - Decorative surfaces & finishes
    - Distortion-free glass
    - Hardwood floors and architectural features
    - Fire safety, Illumination and alarm systems

Opportunities Return to top

Despite the global financial crisis and the ups and downs of Vietnam's real estate market in 2010 and 2011, many new projects, big in scale and investment, were launched in major localities, especially in Ho Chi Minh City, Hanoi and Danang. A number of apartment, office, shopping centre, hospitality and resort projects invested by VinaCapital, Indochina Capital, Bitexco, Vincom JSC, BTA, C.T. Group, and other giants kept the market active and attracted foreign investors.

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

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

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

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

Ministry of Construction (MoC)
www.moc.gov.vn

General Statistics Office (GSO)
http://www.gso.gov.vn/default_en.aspx?tabid=491

Vietnam Green Building Council
www.vgbc.org.vn

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

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

World Bank – Vietnam Projects and Operations
http://www.worldbank.org/projects/search?lang=en&searchTerm=&countryshortname_exact=Vietnam&src=

Asia Development Bank – Vietnam Projects and Operations
http://www.adb.org/countries/viet-nam/main

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

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

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Agricultural Sectors

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

The total bilateral agricultural trade between the United States and Vietnam has grown quickly over the last seven years, but the trade balance remains in Vietnam's favor. U. S. exports of agricultural, fish, and forestry products to Vietnam have grown over 670 percent over the past seven years (from $239 million in 2005 to $1.84 billion in 2011), while Vietnamese agricultural exports to the U.S. have grown at a slightly slower rate over the last seven years (from $1.08 billion in 2005 to $2.4 billion in 2011). In fact, U.S. agricultural exports took a big part (42 percent) of the total U.S. exports to Vietnam in 2011.

Despite difficulties in both the domestic and international business environments, U.S.–Vietnam bilateral agricultural trade in 2011 continued its steady increase, reaching $4.24 billion -- a year-on-year increase of nearly 26 percent.

Growth in U.S. agricultural exports to Vietnam in 2011 occurred in the following product categories – bulk (cotton, soybeans, wheat); intermediate (feed and fodders, hides and skins); consumer-oriented products (dairy products, red meat (mainly beef), poultry, fresh fruits, processed vegetables, snack foods); and fishery and seafood products. Key U.S. agricultural exports to Vietnam consist largely of manufacturing inputs such as cotton, soybeans, wheat, animal feed ingredients like Distiller's Dried Grains with Soluble (DDGS), hides and skins, hardwood logs and lumber, food ingredients; and consumer-oriented agricultural products (mainly red meats, poultry meat, dairy products, fresh fruits, nuts and dried fruits, processed fruits and vegetables, and wine and beer). Consumer-oriented products took the biggest share of U.S. agricultural exports (38 percent). Although the total exports have increased, there were also decreases in some agricultural products, such as coarse grains (83 percent), soybean meal (79 percent), soybean oil (100 percent), fruit juices (52 percent), and soft wood lumber (37 percent). The primary U.S. agricultural imports from Vietnam in 2011 were seafood products (shrimp, Basa and Tra fish fillets, tuna), coffee, tree nuts (cashews), pepper, and rubber.

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

For the most up-to-date information, please contact FAS/Vietnam or visit our website at www.fas.usda.gov for agricultural market reports. A key report for 2011 is the Exporter Guide which includes valuable information for potential exporters.

Cotton

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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 $14.02 billion in exports in 2011, a year-on-year increase of 25 percent. Local cotton production currently meets less than 5 percent of total demand. As such, Vietnam heavily relies on cotton imports.

U.S. cotton is the largest U.S. agricultural export commodity to Vietnam in value terms. In 2011, Vietnam sourced 136,000 tons (about 41 percent) of its total cotton imports (325,000 tons) from the United States. Vietnam is the fifth largest importer of U.S. cotton in term of quantity and the seventh largest importer of U.S. cotton in term of value ($369 million). In 2011, U.S. cotton exports to Vietnam made a year-on-year increase of 48 percent by value and 2 percent by quantity.

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

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

Vietnam Market / Cotton

Unit: 1,000 tons

	2010	2011	2012*	2013*
Total Consumption	355	331	348	366
Total Local Production	5	6	7	8
Total Import	350	325	341	358
Total Export	0	0	0	0
Total Import from the U.S.	132	136	139	143

- (*): 2012 and 2013 data are projected based on an estimated lower growth rate of the textile industry of 5 percent.
- Source: Vietnam Statistic Office, Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, World Trade Atlas, and Traders Estimates.

Wheat

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Vietnam's wheat imports for CY 2010 and 2011 reached record highs due to a remarkable increase in imported wheat for the animal feed industry. Wheat exports from the United States ought to benefit from infrastructural improvements, such as the expansion of grain handling facilities and new deep water ports. The increase also shows that the Vietnam market for wheat products is focusing on higher quality for making better wheat based products.

Vietnamese imports of wheat in 2011 increased sharply due mainly to competitive prices for low quality wheat vs. imported corn, which is used mainly for the feed industry.

The current import duty is 5 percent for wheat and 15 percent for wheat flour.

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

Vietnam Market / Wheat
Unit: 1,000 tons

	2010	2011	2012 *	2013*
Total Consumption	2,298	3,000	2,750	3,000
Total Local Production	0	0	0	0
Total Imports	2,298	3,000	2,750	3,000
Total Exports	0	0	0	0
Total Imports from the U.S.	58.5	200	250	300

- (*): Estimated data.
- Source: Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, World Trade Atlas, and Traders Estimates.

Soybean Meal and Soybeans

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Vietnam's imports of soybeans and soybean meal rose significantly over the last five years in response to lower tariff rates (as a result of WTO commitments) and increased demand from the food processing, livestock, and aquaculture feed sectors. Expectations are that the demand for soybeans will continue to increase due to operation of two industrial-scale crushers to produce soybean meal (SBM) locally. The United States faces strong competition with India and Argentina in this market, due mainly to cost factors.

Vietnam continues to import SBM to offset protein shortages in the country. Despite the government's efforts, growth in oilseed production has fallen far short of fulfilling the country's protein needs. In the longer term, this should bode well for U.S. soybean exports to Vietnam. Under the current tariff structure, SBM has zero import duty, and soybeans enjoy a reduced tariff rate of zero percent for imports from WTO member countries. In that case, soybean imports could increase considerably. With two newly industrial-scale crushing plants operated in middle of 2011, the Vietnamese demand for soybeans will likely be much higher in the coming years. Most of the soybeans are used for food processing (soymilk beverages, tofu, soy flours, soy sauce, vegetable oil production, and is used for full-fat soy meal (for feed industry).

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

Vietnam Market / Soybeans
Unit: 1,000 tons

	2010	2011	2012*	2013*

Total Consumption	476.9	1,279.2	1,400	1,550
Total Local Production	296.9	254.2	300	350
Total Imports	180	1,025	1,100	1,200
Total Exports	0	0	0	0
Total Imports from U.S.A	177.8	227,134	300	400

(*): 2012 and 2013 data are projected based on the operation of two industrial scale crushing plant plants.
Source: Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, Global Trade Atlas, and Traders Estimates.

Vietnam Market / Soybean Meal
Unit: 1,000 tons

	2010	2011	2012*	2013*
Total Consumption	2,500	3,374	3,500	3,800
Total Local Production	0	390	950	1,100
Total Imports	2,500	2,984	2,550	2,700
Total Exports	0	0	0	0
Total Imports from the U.S.	380	66	70	70

(*): 2012 and 2013 data are projected based on the operation of two industrial scale crushing plants.
Source: Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, Global Trade Atlas, and Traders Estimates.

Hides & Skins

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Vietnam is among the largest exporters of footwear products in the world. According to the Vietnam Footwear Association, Vietnam ranked as the 4th largest exporter of footwear in 2011. In 2011, Vietnam's exports of footwear and other products (bags, suitcases, hats, belts) reached $6.5 billion -- a year-on-year increase of 27 percent.

Vietnam will try to maintain the growth rate for the footwear sector at 10 percent over the next two years 2012-2013 (note: the annual growth rate for footwear exports for the 2002-2010 period was about 15 percent).

Leathers (from hides and skins) are one of the major raw materials for footwear industry. Recent Vietnam market reforms, competitive wage rates, and efficient labor force have led to sharp increases in investment in Vietnam's leather industry. There are about 25 tanneries in Vietnam, which produce over 150 million square feet of leather. This, in turn, has led to a steep rise in imports of hides and skins in recent years. Vietnam's total imports of hides and skins (Harmonized System Code 4101-4102-4103) in 2011 are estimated at $200 million.

U.S. exports of hides and skins to Vietnam have risen from $2 million in 2002 to a new record of $103 million in 2011, a 50-fold increase in a ten-year period.

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

Vietnam Market / Hides and Skins

Unit: $ million

	2010	2011*	2012*	2013*
Total Consumption	NA	NA	NA	NA
Total Local Production	NA	NA	NA	NA
Total Imports	165	182	200	220
Total Exports	0	0	0	0
Total Imports from the U.S.	72.6	103	103	103

- (*): 2012 and 2013 data are projected based on the annual growth of the tannery sector of 10 percent.
- Source: Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, World Trade Atlas, and Traders Estimates.

Corn & Corn By-Products

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Livestock production is growing fast in Vietnam at over 5% a year. Production of animal feed, is also growing fast, at 14 percent in recent years (2006-2010), to catch up with the growing livestock industry and modernized livestock production practices (shifting from home-made feeds to manufactured feeds). Foreign-invested players are dominant in the feed industry, capturing over 60 percent of market share. As such, Vietnam has become a big importer of feed ingredients.

While the Vietnamese domestic agricultural industry is trying to increase corn production to satisfy the fast-growing demand by the feed industry, there is strong competition from imported corn, for which pricing is often more competitive. Price is one of the most important factors influencing feed manufacturers to switch from using locally produced to imported corn. Imported corn, again, has to face price competition with other alternative imported feed materials that supply protein and energy sources such as feed wheat, DDGS (Distiller's Dried Grain with Soluble), cassava, and various kinds of bran.

In 2010, due to both the increased demand of the local feed industry and rising local corn prices, the demand for imported corn increased substantially. As a result, import volumes increased to 1.80 million tons, compared with 1,49 million tons in 2009. The demand of the local feed industry continued to increase in 2011. The imported corn volume, however, dropped by 50 percent compared to that of 2010. The main driver of the decrease was that international corn prices became uncompetitive against feed wheat due to an abundance of global feed wheat supplies. Vietnam's feed wheat import volume in 2011, as a result, increased considerably. Imports of corn in 2012 and 2013 will be back to its normal trend. Post estimates that U.S. corn will continue to build on this momentum in CY 2012 and 2013 on the continuing growth of the livestock industry and lower feed wheat surplus in the international market.

Vietnam Market / Corn

Unit: 1,000 tons

	2010	2011	2012 *	2013*
Total Consumption	6,407	5,597	6,800	7,100

Total Local Production	4,625	4,646	4,800	5,000
Total Imports	1,800	951	2,000	2,100
Total Exports	0	0	0	0
Total Imports from the U.S.	100	3	120	140

- (*): Estimated data
- Source: MARD, General Customs Department, and Traders Estimates.

DDGS are also used by the Vietnamese feed industry to minimize manufacturing costs, and are therefore a strong competitor product to locally-grown corn. Vietnam's feed industry mainly uses DDGS imported from the United States. Unlike corn, imports of DDGS have constantly increased throughout the years and the United States is still the single source of DDGS for the Vietnam feed market.

Vietnam Market / DDGS

Unit: 1,000 tons

	2010	2011	2012*	2013*
Total Consumption	430	500	550	600
Total Local Production	0	0	0	0
Total Imports	430	500	550	600
Total Exports	0	0	0	0
Total Imports from the U.S.	431	500	550	600

- (*): Estimated data.

The import duty for corn is 5 percent and for DDGS it is zero percent in 2012.

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

Dairy Products

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The local dairy industry has grown strongly in recent years. Data from Vietnam's Ministry of Agriculture and Rural Development (MARD) show that domestic milk production grew by about 13 percent from 2010 to 2011. Local milk production is projected to continue to increase due to the growing demand for fresh milk. According to MARD, with the projected dairy cow herd in 2011 and the current average milk yield, dairy production in 2011 is expected to reach 346,400 tons.

Vietnamese, however, consume about 10-14 liters of milk per year per capita. This is relatively low compared to international levels. Local dairy production in 2011 only met 22 percent of the total demand.

Local fresh milk production

	2010	2011	2012*	2013*
Dairy cow head	128,583	142,700	170,000	210,000
Fresh milk production (tons)	306,662	346,400	394,200	430,000

- (*) 2012 and 2013: projected data
- Source: MARD and traders estimates

In 2011, the ratio of imported dairy products remained high in Vietnam's total dairy consumption. Imports accounted for 78 percent of Vietnam's total annual dairy demand. The main sources are from New Zealand, the United States, the European Union, and Australia.

The best selling U.S. dairy exports to Vietnam are non-fat dry milk, lactose, and whey, which are used in *both* the food- and feed-processing industries. Vietnamese imports of dairy products in 2011 are estimated at $840 million, a year-on-year increase of 37 percent, of which U.S. dairy products made up $167 million. U.S. exports of dairy products to Vietnam in calendar year 2012 and 2013 are projected to increase based on the growth rate of 20 percent.

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

Vietnam Market / Dairy Product Imports

Unit: $ million

	2010	2011	2012*	2013*
Total Imports	706	840	1,000	1,200
Total Exports	NA	NA	NA	NA
Total Imports from the U.S.	141	167	200	220

- (*): 2012 and 2013 data are projected.
- Source: Vietnam Statistic Office, Vietnam General Customs Department, MARD, U.S. Bureau of the Census Trade Data, World Trade Atlas, and Traders Estimates.

Red Meats (Beef & Pork)

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

Prospects for U.S. beef exports to Vietnam are excellent, especially if full market access for U.S. beef will be opened. Given Vietnam's limited available pastureland and tropical climate, it is unlikely that the country can develop a beef industry large enough to satisfy more than a small proportion of, what is expected to be, a significant increase in domestic demand for beef, over the medium-to long-term. To date, sales of these products have mostly gone to high-end outlets, such as luxury hotels and restaurants aimed at expatriates and well-to-do Vietnamese, but supermarkets have become another prime outlet for U.S. and other imported beef. Retail opportunities are growing in Vietnam, with Vietnam's retail sector expected to develop dramatically over the next three years, including shopping centers and large-sized supermarkets. U.S. beef can already be found on the shelves of upscale retail outlets as well as in some midrange stores across the region. Although stores are starting to offer lower grade or underutilized products, there is strong competition from local and other lower cost imported beef. Vietnam is showing increased sales of frozen sliced chuck at retail, and if the country opens to no-age-limit beef, other non-loin cuts and variety meats could better penetrate the mass catering sector.

The import duties on beef cuts, bone-in and boneless are now at 20 percent and 14 percent, respectively.

Vietnamese official trade data are not available.

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

Vietnam Market / Beef
Unit: $ million

	2010	2011	2012*	2013*
Total Consumption	NA	NA	NA	NA
Total Local Production	NA	NA	NA	NA
Total Imports	NA	NA	NA	NA
Total Exports	0	0	0	0
Total Imports from the U.S.	157	190	190	190

- (*): 2012 and 2013 data are projected.
- Source: U.S. Bureau of the Census Trade Data

<u>Pork</u>**:** Meat consumption is rising in Vietnam and pork has long been the country's major meat product, which makes up over 75 percent of total meat consumption. The recent increase in feed cost and local pork meat prices have created opportunity for U.S. frozen pork sales in Vietnam as the United States is positioned as a significant supplier of pork in the world.

The major constraint for U.S. pork exports to Vietnam is the relatively high tariffs for U.S. pork. The import duties on U.S. pork meat cuts, chilled and frozen, are now at 25 percent and 15 percent, respectively.

U.S. exports of pork to Vietnam in 2011 were still small at $6.4 million.

Note: Vietnamese official trade data are not available.

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

Vietnam Market / Pork
Unit: $ million

	2010	2011	2012*	2013
Total Consumption	NA	NA	NA	NA
Total Local Production	NA	NA	NA	NA
Total Imports	NA	NA	NA	NA
Total Exports	0	0	0	0
Total Imports from the U.S.	3.2	6.4	8	10

- (*): 2012 and 2013 data are projected.
- Source: U.S. Bureau of the Census Trade Data.

Poultry Meat

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Meat consumption is rising in Vietnam, including that of poultry meat. The current problems with Vietnamese domestic chicken production, as a result of avian influenza, combined with strong growth in domestic demand, has led to higher chicken meat prices and opportunities for exporters. U.S. chicken meat exports -- mainly leg quarters and drumsticks -- have been able to address the Vietnamese affinity for dark poultry meat. U.S. exports of poultry meat to Vietnam in 2011 reached a record of $99 million, an increase of 30 percent over 2010. The biggest constraints for U.S. poultry exports to Vietnam are the Vietnamese standard of zero tolerance for salmonella in poultry meat, and the high import duties of 20 percent and 40 percent on U.S. poultry cuts and whole poultry, respectively.

Vietnam Market / Poultry Meat

Unit: $ million

	2010	2011	2012*	2013*
Total Consumption	NA	NA	NA	NA
Total Local Production	NA	NA	NA	NA
Total Imports	130	140	140	140
Total Exports	0	0	0	0
Total Imports from the U.S.	76	99	108	108

- (**): 2012 and 2013 data are projected.
- Source: Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, and World Trade Atlas.

Fresh Fruits (Apples & Grapes)

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Vietnam imports many temperate fruits including apples, table grapes, oranges, pears, and cherries -- of which apples and table grapes make up the largest part of these imports. Import volumes of other fruits are much smaller.

Although there is no official trade data, Vietnam's estimated imports of apples and table grapes combined total $88 million (2011). U.S. exports of apples and table grapes combined to Vietnam in 2011 totaled $34 million, a year-on-year increase of nearly 15 percent. The main competitor for U.S. apples and table grapes is China, due to its proximity and lower tariff rates under the ASEAN-China Free Trade Agreement.

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

Current import duties on apples and table grapes are 10 percent.

Vietnam Market / Combined Apples and Grapes

Unit: $ million

	2010	2011	2012*	2013*
Total Consumption	NA	NA	NA	NA
Total Local Production	NA	NA	NA	NA
Total Imports	80	88	88	88
Total Exports	0	0	0	0
Total Imports from the U.S.	29.6	34	34	34

- (*): 2012 and 2013 data are projected.
- Source: Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, and World Trade Atlas.

Wine

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Alcoholic drinks have a strong presence in Vietnamese diet and culture, and are offered in almost all social activities, business activities, and family activities. With strong consumer preference toward beer and liquors (mainly whiskey, cognac, vodka, and Vietnamese rice whiskey), the Vietnamese market for wine will take time and effort to fully develop.

Over the last few years, a combination of strong economic growth, strong tourism growth, rising income levels (particularly disposable income), a growing middle class, a sizeable young population, an increasing exposure to a Western lifestyle, and rapid growth in both the food service sector and retail sector, have made the Vietnam wine market very promising. Hotels, Restaurants, and retailers have been offering a wide range of wines from around the world. Vietnamese consumers are willing to spend more on dining out and familiarizing themselves with wine culture. The wine import market is expected to attain a growth rate of 6 percent in the next five years.

The estimated total value for imported wine in 2010 is $20 million. Official trade data for 2011 wine imports is not available. U.S. exports of wine to Vietnam reached $5.7 million in 2010 and a new record of $21 million in 2011, an increase of 269 percent over 2010. The main competitors for U.S. wines are French wines and new-world wines from Chile, Australia, and South Africa.

Marketing efforts for U.S. wines are directed by the California Wine Institute, the Washington Wine Commission, and other USDA-funded agricultural groups.

Current import duties on wine are 50 percent.

Vietnam Market / Wine

Unit: $ million

	2010	2011	2012*	2013*
Total Consumption	NA	NA	NA	NA
Total Local Production	NA	NA	NA	NA
Total Imports	20	NA	NA	NA
Total Exports	0	0	0	0
Total Imports from the U.S.	5.7	21	21	21

- (*): 2012 and 2013 data are projected.
- Source: Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, and World Trade Atlas.

Forest Products

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Vietnam's furniture exports reached a record of $3.9 billion in 2011, a nine-fold increase in a 10-year period and nearly a 13-percent increase over 2010.

As a result of the rapid growth of its furniture industry and limited domestic supply of wood, Vietnam relies heavily on imports of forest products. From only $250 million in 2002, Vietnam's imports of forest products reached over $1.32 billion in 2011, a four-fold increase over ten years.

Vietnam's imports of U.S. forest products, from a base of $6.4 million in 2001, jumped to a record of $156 million in 2010 (a twenty-three-fold increase in ten years). That figure decreased slightly in 2011 to nearly $150 million (down 4 percent from 2010). Of this total, about 90 percent were hardwoods (lumber, logs and veneers).

Vietnam is the second largest market for American hardwood lumbers in Asia, after China. Two-thirds of the hardwood shipments to Southeast Asia are typically destined to Vietnam, and the United States was the biggest supplier of forest products to Vietnam in 2011.

The American Hardwood Export Council (AHEC) and the American Softwood Export Council regional offices in Hong Kong direct marketing efforts in Vietnam.

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

Vietnam Market / Forest products
Unit: $ million

	2010	2011	2012*	2013*
Total Consumption	NA	NA	NA	NA
Total Local Production	NA	NA	NA	NA
Total Imports	1,100	1,317	1,383	1,452
Total Exports	0	0	0	0
Total Imports from the U.S.	156	150	150	150

- (**): 2012 and 2013 data are projected based on the estimated slower growth of the furniture sector of 5 percent.
- Source: Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, World Trade Atlas, and Traders Estimates.

Web Resources

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

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

Foreign Agricultural Service
U.S. Consulate General, Ho Chi Minh City
34 Le Duan, District 1
Ho Chi Minh City, Vietnam

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

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Chapter 5: Trade Regulations, Customs and Standards

Import Tariffs Return to top

Vietnam significantly reduced its tariff rates for many key U.S. exports in the context of its entry into the WTO in January 2007 and as part of the accession process agreed to bind all tariff lines. As a result, the vast majority of U.S. exports now face tariffs of 15 percent or less. High tariffs on selected products remain, however. U.S. industry has identified a range of products where it sees significant potential for export growth if Vietnam's tariffs could be reduced further. These products include fresh apples, cherries, pears and citrus, almonds, cooked and raw frozen poultry, fresh/chilled and frozen pork, cheese, frozen potato products, flatbread, tomato concentrate and tomato sauce, ice cream powder, cereals and preparations, sugars, and confectionaries. Several beverage products also face high tariffs, including distilled spirits, powdered teas, nutritional supplements (including protein drink mixes) and coffee. In addition, Vietnam imposes high tariffs on selected equipment for restaurant use and on large engine motorcycles. After making substantial tariff reductions on a wide range of products in 2007, Vietnam raised applied rates on some products during 2008 and 2009, including meat and poultry, automobiles, paper, steel and fertilizer. On June 20, 2010, the Ministry of Finance (MOF) issued Circular 91, which raised ten tariff lines up to their WTO ceiling rates, including one line of shelled walnuts from 20 percent to 30 percent; tomato ketchup and other tomato sauces from 30 percent to 35 percent; five lines of tobacco from 30 percent to 50 percent; two lines of baths of cast iron and of other from 32 percent to 36 percent; and ink-jet printers from zero percent to five percent.

Trade Barriers Return to top

Vietnam has made significant progress in eliminating nontariff barriers (NTBs) under the 2001 United States-Vietnam Bilateral Trade Agreement (BTA) and through Vietnam's accession to the WTO. As a result, Vietnam has eliminated many quantitative restrictions on imports and other nontariff measures, such as quotas, bans, permits, prior authorization requirements, licensing requirements, or other restrictions having the same effect, that would not be consistent with its WTO commitments.

Import prohibitions: Vietnam currently prohibits the commercial importation of a limited number of products, including cultural products deemed "depraved and reactionary," firecrackers, certain children's toys, second hand consumer goods, right hand drive motor vehicles, and used spare parts for vehicles.

Quantitative restrictions and import licensing: Salt, tobacco, eggs, and sugar are under a tariff-rate quota regime.

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

The U.S. Government has repeatedly raised this issue with the Government of Vietnam. In meetings with Vietnamese officials in Washington, Hanoi, and Geneva, the United States has emphasized that Vietnam is required to notify Circular 24 to the WTO. Further, U.S. officials have noted that this measure has significantly increased the administrative burden and costs for U.S. companies exporting to Vietnam. Working with other governments, the United States has sent letters to the Prime Minister and Vice Minister of Trade in Vietnam regarding Circular 24, and has urged Vietnam to notify the full scope of its import licensing requirements during meetings of the WTO Committee on Import Licensing, most recently at the October 2011 meeting.

On March 25, 2011, MOIT issued Decision 1380, which characterized 3,724 tariff lines as "non-encouraged import goods" and encouraged ministries to implement measures designed to restrict these imports. Since Decision 1380 was issued, several potentially new trade-restricting measures have been implemented explicitly referring to Decision 1380, including MOIT's Circular 7 listing consumer goods subject to an import duty payment timeframe, and MOF's Circular 91 raising import tariffs (see tariff section). The U.S. Government has repeatedly raised this issue with Vietnamese officials, requesting a transparent and clear explanation of the scope and intent of this list.

On May 6, 2011, MOIT issued Notice 197, which went into force on June 1, 2011. Notice 197 restricts the imports of wines, spirits, cosmetics and mobile phones to three seaports only (Hanoi, Da Nang, and Ho Chi Minh City), and requires importers to submit new documentation that must be notarized by Vietnam's diplomatic missions abroad.

Price Registration and Stabilization: In late 2009, the Ministry of Finance published a draft regulation that would establish a price registration and stabilization regime for a broad range of goods and services potentially affecting U.S. exports. The United States, along with other governments and private sector interests, repeatedly raised concerns with the Vietnamese government. Despite foreign government and private sector intervention, on August 12, 2010, MOF officially issued Circular 122 on price management and registration, which entered into force on October 1, 2010. Circular 122 states that MOF may apply price controls when prices increase or decrease without a "legitimate excuse," and subjects an extensive list of goods to pricing registration, including cement, steel, liquefied petroleum gas, clean water for commercial use, chemical fertilizers, plant protection products, animal drugs and vaccines, salt, milk/nutritional powders for children under six years old, sugar, rice, animal feed, coal, paper, textbooks, and railway transport. U.S. companies covered under this circular are significantly concerned about the potential impact of the measures, which they report will cause increased administrative costs and, if price controls are applied, loss in profits. They are also concerned the circular is being implemented in a discriminatory manner. The U.S. Government, along with other foreign governments, has repeatedly discussed concerns about Circular 122 with the Prime Minister, Minister of Finance, and Vice Minister of Trade, and will continue to engage the Government of Vietnam about this issue. As of December 31, 2011, Circular 122 was still in force but the Ministry of Finance was reportedly close to finalizing a new price management law that will supersede Circular 122.

Customs: Vietnam implemented the WTO Customs Valuation Agreement through the 2006 Customs Law and related implementing regulations, significantly improving customs valuation in Vietnam. However, U.S. exporters report that inefficient customs clearance remains a key concern. The United States will continue to work with Vietnam to monitor implementation of the WTO Customs Valuation Agreement and other customs issues as part of the ongoing TIFA dialogue.

Trading rights: Import rights are granted for all goods except for a limited number of products reserved for importation through state trading enterprises and those products subject to a phase in period under Vietnam's WTO accession agreement. Vietnam has reserved the right of importation for state trading entities in the following product categories: cigars and cigarettes, crude oil, newspapers, journals and periodicals, and recorded media for sound or pictures (with certain exclusions).

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. This law was revised in late 2008. Effective January 1, 2010, excise taxes were harmonized to a single *ad valorem* rate for all beer, regardless of packaging, and for all distilled spirits over 20 percent alcohol by volume.

Pharmaceutical companies have raised concerns about possible discriminatory treatment against foreign firms across a range of product registration requirements for imported pharmaceuticals. The United States will continue to work closely with the Ministry of Health and other relevant agencies to seek improvements in the transparency of the pharmaceutical regulatory process.

The U.S. distilled spirits industry has identified Vietnam's restrictions on advertising of distilled spirits in print, electronic, and broadcast media as a barrier to increased exports.

Import Requirements and Documentation

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Authorized Importers: 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 facilitates an automatic import licensing system which requires importers of a wide category of goods to obtain a license from the MOIT to get their goods through Customs. Distribution rights for these entities are opened to joint venture investment with no limit on capital contribution, and since 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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The Ministry of Industry and Trade (MOIT) Decision No. 2504/2005/QD-BTM, Promulgating the Regulations on Management of Temporary Import for Re-export or Border-Gate Transfer of Goods Banned or Suspended from Import, governs the regime for the temporary entry of goods for re-export.

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

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

Circular No. 165/2010/TT-BTC was issued by The Ministry of Finance (MOF) on October 26, 2010 that guide customs procedures for export, import, temporary import for re-export and border-gate transfer; import of materials for production and mixture; and import of materials for export processing of petro and oil. This Circular applies to all traders that temporarily import for re-export and transfer from border gate to border gate petro and oil and materials (except crude oil).

Recently, according to the MOIT officials, the ministry is working on a proposal of abolishing temporary import for re-export policy to submit to the Government. The main purpose of the proposal, according to the Minister Vu Huy Hoang, is to prevent traders from taking advantage of the gap of the policy to import unqualified, hazardous or even prohibited commodities to Vietnam and never re-export.

Labeling and Marking Requirements

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

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

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

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

1. A principal display panel in which the following compulsory contents must be shown so that consumers can easily and clearly see them in a normal goods' display condition:
- Name of goods
- Name and address of the organization or individual responsible for the goods
- Origin of goods
- Quantity
- Date of manufacture
- Expiry date
- Ingredients or ingredient quantities
- Hygiene and safety information, warnings
- Instructions on use and preservation

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

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

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

The following acts constitute violations of the law regarding the labeling of goods:
- Circulation of goods without the required labels
- Labeling goods with pictures, figures, or writing that do not correspond to the nature of the goods
- Labeling goods unclearly, or with labels so faint that normal eyes cannot read their contents
- Labeling goods without including all required compulsory contents

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

To view Decree 89, go to the following website: http://www.dncustoms.gov.vn/web_Eglish/english/nghi_dinh/89_ND_CP_30_08_2006.htm
The Government issued Decree No 21/2011/ND-CP on March 29, 2011 requiring producers and importers to affix equipment and vehicles with energy labels pursuant to the Law on Energy Conservation. The regulation provides for two types of energy labels: comparative labels, which provide information on energy consumption, efficiency, and other information to help consumers select energy-saving equipment and vehicles; and certification labels, which certify equipment and vehicles which have the highest energy efficiency compared to those of the same type.

Prohibited and Restricted Imports

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According to Government of Vietnam Decree No. 12/2006/ND-CP dated 23 January 2006, Vietnam currently prohibits the commercial importation of the following goods: Military weapons, arms and ammunition, explosive materials (not including industrial explosives); Firecrackers; Second-hand consumer goods; Reactionary, depraved or superstitious cultural products or those harmful to aesthetical or personality education; Right-hand drive motor vehicles; Used spare parts for vehicles, Used internal combustion engines of less than 30 horsepower; Discarded materials and waste; Asbestos materials under the amphibole group; Toxic Chemicals of Table 1 (under international treaties); Narcotics; Certain types of children's toys; Various encryption devices and encryption software; Polluting waste and scrap; and refrigerating equipment using chlorofluorocarbons.

Restricted imports include imports subject to import licenses from the Ministry of Industry and Trade (MOIT), and are subject to special management and oversight by various ministries and agencies such as the Ministry of Health; Ministry of Culture and Information; 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 goods.

Customs Regulations and Contact Information

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

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

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

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Vietnam's standards system currently consists of over 6,500 national standards (TCVN—based on the Vietnamese language). The first TCVN was developed in 1963. The Directorate for Standards, Metrology and Quality (STAMEQ) of the Ministry of Science and Technology is Vietnam's national standards body. Vietnam's weights and measures standards are based on the Metric system. The electric current is AC 50-60 Hz and voltage ranges are 220/380 volts. The electric distribution system of Vietnam is being standardized at three phase, four wires.

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

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

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

Standards Organizations

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

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

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

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

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

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

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

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

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

According to the National Program "Enhancing Productivity and Improving Product Quality for Vietnamese businesses up to 2020" approved by Prime Minister on May, 21st, 2010 (Decision No 712/QD-TTg), up to 2020, more 6,000 TCVNs will be developed and harmonization percentage of TCVNs with international and regional standards will be reached 60 percent.

The National Assembly adopted the Law on Goods and Product Quality in November 2007, taking effect on July 1, 2008. In line with the law, the Government issued Decree 132/2008/ ND-CP on 31 December 2008. As of this writing, the Law on Metrology is in draft form and is scheduled to be ratified by the National Assembly in 2011. On March

25, 2003, Vietnam's TBT Enquiry and Notification point of contact was formally established within the offices of STAMEQ. For more information see http://www.tbtvn.org.

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

Conformity Assessment Return to top

Technical organizations under STAMEQ and provincial Standards, Metrology and Quality Departments providing the following services:
- Legal inspection of imported - exported goods.
- Verification for process line equipment.
- Calibration and verification of measuring equipment.
- Testing and inspection of products and commodity.
- Products and systems certification.
- Consultancy, training services.
- Information services.

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

Product Certification Return to top

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

QUACERT is the Certification Body of STAMEQ. QUACERT provides certification services for organizations and individuals who have complied with internationally recognized standards or other technical specifications including:
- Management system certification to international standards: ISO 9001, ISO 14001, OHSAS 18001, ISO 22000, HACCP, GMP, ISO 27001, ISO/TS 29001, ISO 50001
- □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 (QCVN) under the Vietnam Law of Standards and Technical Regulations.

- Certification of GlobalGAP and VietGAP (Vietnam's Good Agriculture Practices regulation established by the Ministry of Agriculture and Rural Development).
- Provision of business management solutions in applying information technology.

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

Accreditation

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The Bureau of Accreditation (BoA) was established in 1995 under the Directorate for Standards and Quality (STAMEQ). From July 2009, BoA belongs to the Ministry of Sciences and Technology (MOST) according to Decision No 1101/QD-TTg dated in July 23, 2009 about organizations under the Ministry of Sciences and Technology.
BoA offers accreditation programs for testing laboratories, calibration laboratories, medical testing laboratories, certification bodies, inspection bodies and other conformity assessment bodies (CABs).
BoA includes:

- Vietnam Laboratory Accreditation Scheme (VILAS) for testing and calibration laboratories.
- Vietnam Laboratory Accreditation Scheme (VILAS MED) for medical testing laboratories.
- Vietnam Biosafety Level 3 Laboratory Accreditation Scheme (VILAS BSL3) for Biosafety Level 3 laboratories.
- Vietnam Inspection Accreditation Scheme (VIAS) for Inspection Bodies
- Vietnam Certification Accreditation Scheme (VICAS) for Certification Bodies.

BoA is member of some international organizations such as APLAC (Asia Pacific Laboratory Accreditation Cooperation), ILAC (International Laboratory Accreditation Cooperation), PAC (Pacific Accreditation Cooperation) and IAF (International Accreditation Forum).

BoA is signatory of APLAC and ILAC MRAs (Mutual Recognition Arrangement) for VILAS and VIAS scheme and signatory to PAC MLA for quality management system (QMS) and signatory to IAF MLA for QMS.

BoA's Objective: One standard, one certificate accepted worldwide.

BoA's Policy: Provide accreditation services objectively – honestly – accurately – timely.

BoA's Mission:

- To provide confidence for customers, regulators in the market to the conformity assessment bodies (CABs)
- To support the globalization process and prosperity of business in Vietnam.

BoA's Principle and values: to comply with international standards.
BoA has accredited over 500 laboratories, inspection bodies and certification bodies.

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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See above Labeling and Marking section

Contacts

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For more information about standards in Vietnam, please contact:

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

Trade Agreements

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

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

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

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, Metrology and Quality: http://www.tcvn.gov.vn

Vietnam Standards and Quality Institute: 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

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Chapter 6: Investment Climate

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

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

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

Despite the GVN's commitment to improving the country's business and investment climate, Vietnam is still transitioning from a centrally planned economy to a more market-oriented and private-sector based model. As indicated by the World Bank's Doing Business 2012 rankings below, the overall ease of doing business in Vietnam has worsened. An October 2011 survey of the business community in Vietnam showed business morale at a three-year low, although most companies reported being optimistic about Vietnam's long-term economic prospects. Vietnam still faces development challenges relevant for foreign investors, including poorly developed infrastructure, underdeveloped and cumbersome legal and financial systems, an unwieldy bureaucracy, non-transparent regulations, high start-up costs, arcane land acquisition and transfer regulations and procedures, a shortage of skilled personnel, and pervasive corruption. Most investors make provisions for international arbitration so they do not have to rely exclusively on an under-developed and unreliable judicial system to uphold contracts. Some companies have experienced delays in obtaining investment licenses, and inconsistent licensing practices have been noted among provinces. Investors frequently face policy changes related to taxes, tariffs, and administrative procedures, sometimes with little advance notice, making business planning difficult. Because Vietnam's labor laws and implementation of those laws are not well developed, companies sometimes face difficulties with labor management issues.
Following are Vietnam's rankings according to various indices.

Index	**2011 Rank**	**2010 Rank**	**Change in rank**
TI Corruption Perceptions Index	112	116	+4
Heritage Index of Economic Freedom:	139	144	+5

Index	**2012 rank**	**2011 rank**	**Change in rank**
World Bank's Ease of Doing Business	98	90	-8
Starting a Business	103	100	-3
Dealing with Construction Permits	67	70	+3
Registering Property	47	43	-4
Getting Credit	24	21	-3
Protecting Investors	166	172	+6
Paying Taxes	151	129	-22
Trading Across Borders	68	65	-3
Enforcing Contracts	30	31	+1
Closing a Business	142	130	-12

Index	**2011 score and % ranking in low-income peer group**	**2010 score and % ranking in low-income peer group**

MCC Government Effectiveness	0.55 (95%)	0.65 (92%)
MCC Rule of Law	0.44 (81%)	0.50 (85%)
MCC Control of Corruption	0.20 (71%)	0.25 (76%)
MCC Fiscal Policy	-5.3 (14%)	-3.9 (27%)
MCC Trade Policy	79.6 (88%)	68.9 (51%)
MCC Regulatory Quality	0.15 (63%)	0.13 (60%)
MCC Business Start Up	0.96 (77%)	0.96 (75%)
MCC Land Rights Access	0.74 (85%)	0.78 (91%)
MCC Natural Resource Management	80.18 (97%)	80.58 (95%)

Investment Regulation

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

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

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

Investment Sectors

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

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

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

The list of sectors in which investment is conditional applies to both foreign and domestic investors and includes those having an impact on national defense, security, social order and safety; culture, information, press and publishing; financial and banking; public health; entertainment services; real estate; survey, prospecting, exploration and exploitation of natural resources; ecology and the environment; and education and training.

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

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

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

Investment Licensing

Provincial authorities in Vietnam's 63 cities and provinces generally have the authority to issue investment licenses. Provincial authorities and the management boards of industrial zones are the issuing entities for most types of investment licensing, with the exception of build-and-operate projects (BOT, BO, BTO), which are still licensed by the central government. Domestic investors with projects of less than VND 15 billion (approximately USD $714,000) do not need to acquire investment licenses.

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

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

Decentralization of licensing authority to provincial authorities has streamlined the licensing process and significantly reduced processing times; however, it has also given rise to considerable regional differences in procedures and interpretations of relevant investment laws and regulations.

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

- All projects, regardless of capital source and size, in airports and seaports; mining, oil and gas; broadcasting and television; casinos; tobacco; higher education; sea transportation; post and delivery services; telecommunication and internet networks; printing and publishing; independent scientific research establishments; and establishment of industrial, export processing, high-tech and economic zones.

- All projects having capital in excess of VND 1.5 trillion (approximately USD $71 million), regardless of foreign ownership, in electricity; mineral processing and metallurgy; railways, roads and domestic waterways; and alcoholic beverages.

- All foreign-invested projects in sea transport, post and telecommunication, publishing and independent science research units.

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

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

Participation of Foreign Investors in the GVN "Privatization" Program

Foreign investors are allowed to buy shares in State-owned enterprises (SOEs) being "equitized" (converted to joint stock companies, though often not fully privatized) by the GVN. Shares are typically offered through a price auction, although the process is not always clear or transparent. Foreign ownership in certain specified sectors may not exceed 49 percent.

Other Investment Related Legislation

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

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

Taxation

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

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

Vietnam and the United States began discussions toward a bilateral agreement on the avoidance of double taxation in December 2010 and will hold their third round of negotiations in March 2012.

Conversion and Transfer Policies

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

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

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

The SBV publishes daily average interbank exchange rates against the U.S. dollar, and then allows dollar/dong transactions to move in a band around this daily rate. The SBV has maintained a trading band of less than +/- one percent since February 2011.

Dollar shortages were reported at various times between in 2009 and 2011, which the SBV claimed was a result of the global recession and Vietnam's persistent trade deficits. Many enterprises reported difficulty in obtaining sufficient dollar funds, and claimed they had to purchase dollars at higher black-market rates or pay additional bank fees (approximating black-market rates) for currency conversion. Dollar shortages remained an intermittent problem at the end of 2011.

Expropriation and Compensation

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The U.S. Mission knows of no recent instances of expropriation of a foreign investment by the GVN. During 2010, however, there were several incidents in which foreign investors were pressured by the provincial or national government to increase the pace of project development or to raise additional project capital, or risk the loss of their investment licensing. During 2011, one investor filed claims for international arbitration against a provincial government for cancellation of his investment certificate for project delays after the government allegedly licensed mining on the property the investor was developing as a resort.

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

Dispute Settlement

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

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

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

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

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

Performance Requirements and Incentives

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

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

A September 2011 Prime Ministerial Directive further defined the GVN’s foreign investment priorities, encouraging projects that use modern and environmentally-friendly technology and promote efficient use of natural, mineral, and land resources. The GVN discourages investments that may increase Vietnam’s trade deficit.

Foreign investors are exempt from import duties on goods imported for their own use and which cannot be procured locally, including all equipment, machinery, vehicles, components and spare parts for machinery and equipment, raw materials, inputs for manufacturing and construction materials that cannot be produced domestically. Remote and mountainous provinces are allowed to provide additional tax and other incentives to prospective investors.

Vietnam has also instituted a number of incentives designed to attract investment from Vietnamese expatriates and their families. In 2008, the GVN recognized dual citizenship for Vietnamese expatriates, who are allowed to choose their status as either domestic or foreign investors. Real estate laws 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.

Foreign businesses view new regulations governing foreign workers in Vietnam as a further obstacle to conducting business activities. Decree 46, which took effect August 1, 2011, increases work permit requirements and requires employers to identify a local Vietnamese apprentice or provide evidence of a formal training plan to replace foreign workers before Vietnam will extend a foreigner's work permit.

Right to Private Ownership and Establishment

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

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

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

Protection of Property Rights

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

In 2009, Vietnam revised the Intellectual Property (IP) Law and IP-related provisions in the Criminal Code with respect to criminal penalties for certain acts of IPR infringement or piracy. These revisions reinforce previous criminal provisions set out in an Inter-ministerial Circular. The GVN also issued a Decree on Penalties on Infringement of IPR, which increased the maximum fines to VND 500 million (approximately USD 23,800) plus seizure of any gains deriving from the infringing act.

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

Most often, authorities use administrative actions such as warnings and fines to enforce IPR protection because they are less demanding on limited enforcement time and resources. The United States and other interested countries have conducted training for enforcement agencies, prosecutors and judges. Some businesses and rights holders have started to assert their rights under the law more forcefully. One positive sign is the growth of Collective Management Organizations, particularly for the music and publishing industries, but the impact of these organizations and their ability to collect royalties on behalf of their members remains weak. In recent years, the government pledged and then successfully implemented a plan to rid government offices of pirated software. Vietnamese enforcement bodies have investigated, and in some cases raided and fined, businesses suspected of using pirated software. However, Vietnam still has one of the highest rates of piracy in the world, and enforcement remains uneven, particularly for software, music and movies. Rights holders continue to seek additional enforcement actions against websites containing infringing digital content; however, to date, very little enforcement action has been taken to punish or prevent digital and Internet piracy.

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

Transparency of Regulatory System

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Vietnam has improved its process for making and publicizing laws, particularly with major national laws and regulations. The Law on the Promulgation of Legal Normative Documents requires all legal documents and agreements to be published online for

comments for 60 days, and published in the Official Gazette before implementation. However, there are reports of regulations sometimes being issued without public notification or with little advance warning or opportunity for comment by affected parties.
The Office of Government of Vietnam, with assistance from USAID, has launched a new National Database of Administrative Procedures (AP) to improve and simplify the administrative procedures required to establish and conduct business in Vietnam.

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

Efficient Capital Markets and Portfolio Investment

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

The banking sector is underdeveloped and is now the subject of a national restructuring initiative to address low liquidity, high non-performing loans (NPLs), and other structural problems. By the end of June 2010 more than 25 percent of Vietnamese had a bank account. Most domestic banks are under-capitalized and reportedly hold a large number of NPLs, though under Vietnamese accounting standards the official NPL rate was reported at only 3.1 percent as of June 30, 2011. State-directed lending under non-commercial criteria remains a source of concern with state-owned commercial banks.

Vietnam's banking market is highly concentrated at the top and fragmented at the bottom. The four largest banks (Vietcombank, Vietinbank, the Bank for Agriculture and Rural Development, and the Vietnam Bank for Investment and Development) are state-owned or majority state-owned, accounting for 49% of domestic lending, 43% of capital mobilization, and 38% of the total assets of the banking sector in 2010. Among these, the Bank for Agriculture and Rural Development is the largest with total assets of VND 523 trillion (USD 25 billion). Vietnam's 38 joint stock commercial banks are smaller than the state-owned commercial banks but growing and gaining market share very quickly.

Vietnamese banks are now required to maintain minimum chartered capital of VND 3 trillion (about USD 143 million).

The GVN has initiated banking reforms intended to improve the stability of the banking system, especially via the equitization (or privatization) of state-owned commercial banks. Vietcombank and Vietinbank conducted initial public offerings (IPO) in December 2007 and December 2008, respectively, and both were listed on Vietnam's stock market in 2009. The Vietnam Bank for Investment and Development was equitized on December 28, 2011. The state remains the controlling shareholder in these banks.

In 2008, the State Bank of Vietnam for the first time granted licenses to the following wholly foreign-owned banks: HSBC, Standard Chartered Bank, ANZ, Hong Leong and

Shinhan Vina. The current ceiling for foreign shareholders and a strategic shareholder and their related parties in a local joint stock bank are set, respectively, at 30% and 20% of the total charter capital.

The Vietnamese stock market includes two stock exchanges: Ho Chi Minh City Stock Exchange (HOSE) and Hanoi Stock Exchange (HNX). At the end of 2011, 300 stocks were listed in the HOSE with total market capitalization of approximately USD 22 billion and 393 companies were listed in the HNX with total market capitalization of approximately USD 4 billion. The majority of listed firms are former SOEs that have undergone partial privatization (equitization). A new trading floor for unlisted public companies (UPCOM) was launched at the Hanoi Securities Center in June 2009. At the end of 2011, 133 companies were listed on UPCOM. In September 2009, a separate trading floor for government bonds was established.

Competition from State Owned Enterprises Return to top

The decline in the importance of SOEs can be seen through their steadily diminishing share in factor inputs. In 2000, SOEs reportedly accounted for nearly 68% of capital, 55% of fixed assets (such as land), 45% of bank credit, and 59% of the jobs in the enterprise sector. These percentages have steadily decreased over the past decade. The steepest decline has been in the employment share of SOEs from 59% to 19%, as labor-intensive SOEs have been equitized and domestic private and foreign enterprises have expanded their labor force. By 2009, the share of SOEs in capital, fixed assets, bank credit, and the employment in the enterprise sector had fallen to 39%, 45%, 27%, and19%, respectively. SOEs are still dominant in all strategic sectors, such as oil and gas, telecommunications, electricity, mining, and insurance.

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

The 2005 Law on Enterprises requires all SOEs to change their corporate structures to operate, as of July 1, 2010, under the same legal and regulatory framework as all other business entities. However, significant additional SOE reform is needed in order to put the private sector on a level competitive field with SOEs.

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

Vietnam allows foreign investors to participate in the equitization process (per Decree 59 issued in 2011), subject to the provisions of other laws that may restrict foreign investors' participation in the process, such as ceilings on capital ownership. SOEs have only recently been authorized to sell shares to strategic investors before the IPO, however, the floor price for shares sold to strategic investors must not be lower than the price determined by their line authority.

Corporate Social Responsibility
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Many multinational companies implement Corporate Social Responsibility (CSR) programs in Vietnam. Although awareness of CSR programs appears to be increasing among domestic companies, only the largest Vietnamese companies implement CSR programs.

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

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

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

The 2011 Transparency International Corruption Perceptions Index ranked Vietnam 112 out of 182 countries. Corruption in Vietnam is due in large part to a lack of transparency, accountability and media freedom, as well as low pay for government officials and inadequate systems for holding officials accountable for their actions. Competition among GVN agencies for control over business and investments has created a confused overlapping of jurisdictions and bureaucratic procedures and approvals that in turn create opportunities for corruption.

Vietnam's 2010 Provincial Competitiveness Index (PCI), supported by USAID's VNCI Project in partnership with the Vietnam Chamber of Commerce and Industry, surveyed 1,155 foreign invested enterprises regarding how much firms had paid in informal charges: 20% of respondents said their firms paid informal fees during business startup, 40% paid commission when participating in bidding and 70% paid "grease" money for customs clearances. There was no significant difference between local companies and foreign invested companies and among foreign companies from different origins.

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: http://www.justice.gov/criminal/fraud/

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see http://www.oecd.org/dataoecd/59/13/40272933.pdf). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. [Insert information as to whether your country is a party to the OECD Convention.]

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention is the first global comprehensive international anticorruption agreement. The UN

Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see http://www.oas.org/juridico/english/Sigs/b-58.html) [Insert information as to whether your country is a party to the OAS Convention.]

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) [Insert information as to whether your country is a party to the Council of Europe Conventions.]

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize "active bribery" of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic "passive bribery" (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States, the [name of FTA], which came into force. Consult USTR Website for date: http://www.ustr.gov/trade-agreements/free-trade-agreements.]

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

POST INPUT: Public sector corruption, including bribery of public officials, [remains a major/minor challenge for U.S. firms operating in xxx xxx. Insert country specific corruption climate, enforcement, commitment and information about relevant anticorruption legislation.

Anti-Corruption Resources

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

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

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

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

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

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/index.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://data.worldbank.org/data-catalog/BEEPS.

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

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

- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: http://report.globalintegrity.org/.

Bilateral Investment Agreements

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Vietnam has 58 bilateral investment agreements with the following countries and territories: Algeria, Argentina, Armenia, Australia, Austria, Belarus, Belgium and Luxembourg, Bulgaria, Burma, Chile, China, Cuba, Czech Republic, Cambodia, Denmark, Egypt, Finland, France, Germany, Hungary, Iceland, India, Indonesia, Italy, Iran, Japan, Kazakhstan, Kuwait, Laos, Latvia, Lithuania, Malaysia, Mongolia, Mozambique, Netherlands, North Korea, Oman, Philippines, Poland, Qatar, Romania, Russia, Singapore, South Korea, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Tajikistan, Thailand, Ukraine, United Kingdom, Uruguay, Uzbekistan, United Arab Emirates and Venezuela.

Ongoing negotiations of a Trans-Pacific Partnership free trade agreement (TPP), in which the both the United States and Vietnam participate, address investment issues. In December 2008, Vietnam and the United States began negotiations of a Bilateral Investment Treaty (BIT), concluding the third round of talks in November 2009.

OPIC and Other Investment Insurance Programs

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

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

The estimated annual U.S. dollar value of local currency used by the U.S. Mission in Vietnam is about $55 million. This currency is purchased at the commercial bank rate, which is closely linked to the official government rate. It is not purchased at the black-market/free market rate, which regularly exceeds the official rate by about 10 percent. The SBV devalued the VND by five percent in November 2009, by three percent in February 2010, by another two percent in August 2010 and by nine percent in February 2011. There remains a risk of further devaluations in 2012 as indicated by the VND continuing to trade at the weaker edge of the official trading band.

Labor

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One of Vietnam's main investment advantages is its labor force, which is large (over 48 million people), literate (GVN reports a literacy rate of 94 percent), inexpensive, and young (nearly 69 percent of the population is under 40). The labor pool is expected to increase by 1.5% annually between 2010 and 2015.

The GVN sets minimum wages depending on the ownership structure and location of the company. As of October 1, 2011, the minimum wage for workers in private businesses ranges from VND1.4 million ($67) to VND 2 million ($95), depending on geographic zone. Businesses in urban districts of Hanoi, Ho Chi Minh City, and neighboring areas are subject to the higher minimum wage. These rates apply to both local and foreign invested enterprises. For 100 percent state-owned companies and government officials, the minimum wage will be 1,050,000 ($50) effective May 1, 2012.

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 GVN has recently tightened enforcement of foreigner work permit requirements. In August 2011 a new implementing regulation took effect that requires employers to identify a local apprentice or provide evidence of a formal training plan to replace foreign workers before extending a foreigner's work permit. The legislation also requires employers to advertise job openings in national and local newspapers at least 30 days prior to recruiting foreign employees.

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

Vietnam witnessed 896 strikes through October 2011, according to data from the Vietnam General Confederation of Labor (VGCL), more than double the level of strike activity from calendar year 2010, when 424 strikes occurred. Approximately 80 percent of strikes took place in foreign invested enterprises (FIEs) and the remaining 20 percent in domestic private companies. Over two-thirds of FIE strikes occurred in Taiwanese or South Korean owned businesses. The majority of strikes took place in Ho Chi Minh City and surrounding provinces, where most FIEs are located, particularly in the garment, footwear and furniture sectors. The GVN rarely takes action against "illegal" strikers.

VGCL is required by law to establish labor unions within six months of establishment of any company, a requirement that is not met in many businesses. All labor unions must be affiliated with the VGCL, a state-run organization under the Communist Party-affiliated Fatherland Front that labor experts note has weak capacity at the provincial and enterprise level.

Vietnam has been a member of the International Labor Organization (ILO) since 1992, and has ratified five core labor conventions (Conventions 100 and 111 on discrimination, Conventions 138 and 182 on child labor, and Convention 29 on forced labor). Vietnam has not ratified Convention 105 dealing with forced labor as a means of political coercion and discrimination or Conventions 87 and 98 on freedom of association and collective bargaining, but is considering doing so. Under the 1998 Declaration on Fundamental Principles and Rights to Work, however, all ILO members, including Vietnam, have pledged to respect and promote core ILO labor standards, including those regarding association, the right to organize and collective bargaining. A number of technical assistance projects in the field of labor sponsored by foreign donors, including the United States, are currently underway in Vietnam.

Foreign-Trade Zones/Free Ports
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Vietnam has 267 industrial zones (IZs) and export processing zones (EPZs), most of which are located in Vietnam's key economic zones. Projects in IPs and EPZs often enjoy investment incentives by sectors and geographical areas. Enterprises pay no duties when importing raw materials if the end products are exported. Vietnam committed to eliminating prohibited export subsidies on its accession to the WTO.

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

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

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

Foreign Direct Investment Statistics
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Foreign Direct Investment 2005-2011
(all amounts in billions of U.S. dollars)

2011
Number of new projects authorized: 1,091
Authorized Investment (including new and extended projects): $11.6
Implemented Investment: $11

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

Implemented Investment: $11

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

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

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

2006
Number of projects authorized: 833
Authorized investment: $12
Implemented investment: $4.1

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

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

FDI by Major Sector 1988-2011
(all amounts in billions of U.S. dollars)

Sector: Industry and manufacturing
Number of Projects Authorized: 7,987
Authorized investment: $93

Sector: Real estate
Number of Projects Authorized: 373
Authorized investment: $47

Sector: Hotels and tourism
Number of Projects Authorized: 314
Authorized investment: $11.8

Sector: Construction
Number of Projects Authorized: 839

Authorized investment: $12.5

Sector: Communications
Number of Projects Authorized: 713
Authorized investment: $5.7

Sector: Extractive
Number of Projects Authorized: 70
Authorized investment: $2.9

Sector: Agriculture, forestry and fishery
Number of Projects Authorized: 496
Authorized investment: $3.2

Sector: Transportation and Warehouse
Number of Projects Authorized: 318
Authorized investment: $3.3

Sector: Finance and banking
Number of Projects Authorized: 75
Authorized investment: $1.3

Sector: Education
Number of Projects Authorized: 152
Authorized investment: $0.4

Source: GVN's Foreign Investment Agency

FDI by Top Ten Investors in 2011
(all amounts in billions of U.S. dollars)

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

1	Hong Kong	49/$3,093.17
2	Japan	208/$2,438.48
3	Singapore	105/$2,208.22
4	South Korea	270/$1,466.68
5	China	78/$747.80
6	Taiwan	64/$565.68
7	British Virgin Islands	19/$481.00
8	Malaysia	21/$453.45
9	Luxembourg	3/$398.11
10	The Netherlands	13/$396.16

Source: GVN's Foreign Investment Agency

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

Vietnam committed a total of 10.8 billion USD of investment in 627 projects in 55 countries and territories around the world by the end of 2011. Laos tops the list as the most appealing investment destination, receiving 3.4 billion USD worth of investment, followed by Cambodia with 2.1 billion USD and Venezuela with 1.8 billion USD. Other countries attracting large-scale investment from Vietnam include Russia, Peru, Malaysia, and Mozambique ranging from 345 to 776 million USD.

In 2011, Vietnam authorized 75 outbound investment projects in 26 countries and territories, and adjusted investment capital for 33 investment projects with total investment capital of approximately 2.12 billion USD, with large-scale projects in the energy and communication sectors in areas targeted by the GVB.

In 2011, Vietnam's SOEs invested 950 million USD in outbound investment projects in other countries.

PetroVietnam is the highest outbound investor with 347 million USD, followed by Viettel with 185 million USD, the Vietnam Rubber Corporation with 134.6 million USD and Song Da Corporation with 161 million USD.

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

2011
Number of projects: 108
Authorized capital: $2.12

2010
Number of projects: 107
Authorized capital: $2.97

2009
Number of projects: 81
Authorized capital: $1.7

2008
Number of projects: 112
Authorized capital: $3.1

2007
Number of projects: 80
Authorized capital: $1.0

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

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

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Chapter 7: Trade and Project Financing

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

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

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

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

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

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

How Does the Banking System Operate

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

The central bank, the State Bank of Vietnam (SBV), is the main financial regulatory agency. The SBV supervises two policy banks (the Social Policy Bank of Vietnam and the Vietnam Development Bank), five majority state-owned commercial banks (SOCBs) Vietcombank, Vietinbank, BIDV, Agribank and the Housing Bank of Mekong Delta, 35 joint-stock (private) banks, four joint-venture banks, 51 representative offices of foreign banks, 50 branches of foreign banks, 18 financial companies, 12 financial leasing companies and five wholly-owned foreign banks. The SBV is not an independent body like the U.S. Federal Reserve and it continues to operate under government oversight. Despite the 2010 passage of the new State Bank Law, which nominally expands SBV independence, in some key areas of operation, such as the provision of liquidity support, monetary policy, the management of foreign currency reserves and foreign exchange rates and issuance of banking licenses, SBV actions are subject to prime ministerial approval or consultation.

The Vietnam Bankers Association (VNBA) was founded in 1994 as the trade association for banks and acts as a link to the authorities, including: disseminating and implementing policies, mechanisms and laws on banking operations to its members; protecting the interests of the members; conducting training and research; and expanding international banking co-operation. VNBA's authority over its members is limited.

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

The GVN requires all banks to establish inspection committees and institute internal audit functions. In practice, prudent banking practices are not always followed. According to SBV estimates, sector-wide non-performing loans (NPLs) increased to 3.1 percent of system-wide loans as of August 2011 (2008: 2.1 percent; 2009: 2.5 percent; 2010: 2.8 percent). However, the true level of non-performing and under-performing loans is difficult to gauge, as there is a very low level of transparency and disclosure in Vietnam's banking sector. Secrecy laws cover much of the banking industry's data and meaningful information on individual financial institutions is not readily available. Some analysts estimate that NPLs in Vietnam's banking system could actually account for more than 13 percent of outstanding loans according to international accounting standards.

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

Vietnam's banking system is very weakly capitalized, with the market highly concentrated at the top and fragmented at the bottom. As required by SBV regulations, small banks are now required to meet an increased minimum capital requirement of VND 3 trillion (USD 142 million). The time for compliance had been extended one year, to the end of 2011, from the earlier deadline because of bank difficulties in reaching the increased capital target.

The GVN has said it intends to partially privatize ("equitize") most or all SOCBs in the future, but such plans continue to move slowly, having already passed earlier target dates for full equitization. The banking equitization process would allow foreigners to buy shares but cap foreign equity at 30 percent. 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. BIDV and Housing Bank of Mekong Delta were equitized in 2011. Vietcombank and Vietinbank are listed on Vietnam's stock market. The International Finance Corporation (IFC), Nova Scotia and Mizhuho are strategic investors of Vietinbank and Vietcombank respectively. BIDV is now seeking strategic investors.

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 and are narrowing the gap very quickly.

Domestic banks can take dollar deposits. Foreign banks can also take dollar deposits, provided that the foreign bank is properly licensed. The previous cap on Vietnamese dong (VND) deposits with foreign banks was lifted effective January 1, 2011. Residents and non-residents can open and maintain foreign exchange accounts with authorized banks in Vietnam.

In 2008, the State Bank of Vietnam for the first time granted licenses to wholly foreign-owned banks: HSBC, Standard Chartered Bank, ANZ, Hong Leong and Shinhan Vina. However, the current ceiling for a single foreign strategic shareholder in a local joint stock bank is set at 20 percent of the total charter capital; total foreign holdings in a local joint stock bank may not exceed 30 percent, along with other stringent criteria.

Although the banking sector remains small, banking networks and services have been expanding rapidly and there is great potential for banks to develop the retail banking business (approximately 75 percent of Vietnam's 86 million people have never accessed banking services while the remaining 25 percent have not taken full advantage of banking services.)

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

Since 2000, banks have been required to insure all dong deposits. The maximum insured amount is VND50 million (nearly $2,300) per account or individual per bank. The threshold is being reviewed to reflect current circumstances. Vietnamese banks do not have Bank for International Settlement (BIS) tier ratings.

Foreign-Exchange Controls Return to top

Conversion of Vietnamese dong into hard currency no longer requires foreign exchange approval and Vietnam has abolished foreign exchange surrender requirement since 2003. The Law on Investment allows foreign investors to purchase foreign currency at authorized banks to finance current and capital transactions and other permitted transactions. The availability of foreign exchange has been an intermittent problem since the middle of 2008 largely because of persistent balance of trade deficits.

Foreign businesses are allowed to remit in hard currencies all profits, shared profits and losses from joint ventures, and income from legally-owned capital, properties, services and technology transfers. Foreigners also are allowed to remit royalties and fees paid for the supply of technologies and services, principal and interest on loans obtained for business operations and investment capital and other money and assets under their legitimate ownership.

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

The State Bank of Vietnam (SBV) has adopted a crawling-peg foreign exchange control mechanism.
The SBV publishes daily average interbank exchange rates against the U.S. dollar, and then allows dollar/dong transactions to move in a band around this daily rate. The SBV has maintained a trading band of less than +/- one percent since February 2011.

The SBV devalued the VND by five percent in November 2009, by three percent in February 2010, by another two percent in August 2010, and by nine percent in February 2011. There remains a risk of further devaluations in 2012 as indicated by the VND continuing to trade at the weaker edge of the official trading band. Commercial banks are allowed to determine the differential between currency selling and buying prices within the stated trading band. Declining FDI and portfolio investments in 2011 put additional pressure on hard currency availability in general, and on dollars in particular.

The cap on Vietnamese dong (VND) deposits with foreign banks was lifted effective January 1, 2011 in accordance with Vietnam's WTO commitments. Residents and non-residents can open and maintain foreign exchange accounts and deposit foreign currencies with authorized banks in Vietnam.

U.S. Banks and Local Correspondent Banks

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

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

Project Financing

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United States Government-supported export financing, project financing, loan guarantee and insurance programs are available for transactions in Vietnam through the U.S. Export-Import Bank (EXIM Bank) and the Overseas Private Investment Corporation (OPIC). The establishment of these two agencies' programs in Vietnam, coupled with the activities of the U.S. Trade and Development Agency (TDA), which provides grants for feasibility studies, technical assistance, reverse trade mission and training for commercial projects being pursued by U.S. firms, has enhanced the competitiveness of U.S. companies in Vietnam. Both EXIM Bank and OPIC have increased their engagement with and support for U.S. businesses in Vietnam in response to the President's National Export Initiative.

EXIM Bank offers export financing of American products through loans and loan guarantees, as well as providing working capital guarantees and export credit insurance. Information on EXIM Bank programs in Vietnam can be accessed at www.exim.gov. OPIC encourages private American business investment in emerging economies by providing project financing, fund investments, and insurance against breach of contract, political risk, currency inconvertibility, expropriation and political violence. Information on OPIC programs in Vietnam can be accessed at www.opic.gov.

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

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

U.S. banks present in Vietnam include Citigroup, Wells Fargo, Far East National bank, JP Morgan Chase and Visa International. Other U.S. banks operate out of operations centers in nearby countries. All of the American banks offer trade financing services to U.S. companies, with Far East National, JP Morgan and Citibank offering on-shore services as licensed branches. Other large foreign banks operating in Vietnam include ABN Amro Bank, ANZ Bank, BFCE, Bank of China, Credit Lyonnais, Deutsche Bank, Credit Agricole, HSBC, ING Bank, May Bank, OCBC, Standard Chartered Bank and UOB. In 2008, the State Bank of Vietnam for the first time granted licenses to wholly foreign-owned banks: HSBC, Standard Chartered Bank, ANZ, Hong Leong and Shinhan Vina. Although almost all foreign banks concentrate on wholesale banking, some offer retail banking services, ATM and electronic on-line services. In October 2009, Citibank became the first U.S. bank to offer retail banking services, competing with ANZ, Standard Charter Bank, and HSBC in this unexploited market segment.

Bilateral government tied aid, commonly offered by other governments, sometimes provides non-U.S. companies with a comparative advantage that affects American trade performance in Vietnam. These may take the form of soft loan programs designed to support a particular country's exporters. American firms, otherwise competitive on price and quality, sometimes lose contracts because they cannot compete with the low interest rates and/or soft repayment terms offered by the government of a competing company. EXIM and OPIC financial products may somewhat offset this disadvantage.

Project Financing: Vietnam secures a substantial portion of its development funding from Official Development Assistance (ODA), including from the multilateral development banks (primarily the World Bank (WB) and Asian Development Bank (ADB)), the Japanese Bank for International Cooperation (JBIC), and the United Nations Development Program (UNDP). American firms can participate in projects funded by these agencies.

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

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

The Japanese Bank for International Cooperation (JBIC) is a general untied funding agency which provides financing for infrastructure projects. American firms are eligible to compete for JBIC loan projects in accordance with procurement notices published by the recipient government or government-related agencies. Opportunities can include prime contractor and sub-contractor roles. U.S. firms can also receive financing of up to 85 percent of an international trade transaction if the sale contains at least 30 percent Japanese goods.

The United Nations Development Program (UNDP) provides funding for industrial and agriculture development. UNDP is active in Vietnam across a broad range of industry and social sectors and sponsors numerous public sector, social, agricultural, and refugee assistance programs. Project tenders are conducted in the same manner as World Bank tenders.

In recent years, 12 domestic and international leasing companies have received licenses to conduct business in Vietnam. While the initial capitalization is small ($5-25 million), these companies could play a significant role as alternative financiers in the future, focusing on the leasing of capital equipment. At present, their ability to transact business is limited because credit insurance for lessors is not available in Vietnam. The lessor must therefore carefully scrutinize potential clients. There are also certain legal constraints to the ownership of leased goods.

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

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

Availability of loan guarantees: A wide variety of bilateral and multilateral loan guarantee programs are available to U.S. companies from such organizations as the Export-Import Bank of the United States, the Overseas Private Insurance Corporation, the World Bank, and the Asian Development Bank.

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

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

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

OPIC: http://www.opic.gov

Trade and Development Agency: http://www.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

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Chapter 8: Business Travel

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

"Face" is extremely important to many Vietnamese and you should try not to put Vietnamese counterparts in an embarrassing situation or one that calls for public back-tracking. Fear of losing face may make your counterparts 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. Consensual decision-making is also very deeply ingrained in Vietnam. In Vietnam, it often means that all parties with a voice can wield a veto and must be brought on board. In building a consensus, it may prove impossible to "steamroll" the minority opinion, which must be wooed instead. To take the Central Government as an example, the lead ministry on a given issue may be unable to advance its positions if other ministries with seemingly minor involvement in the decision oppose it.

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 of complexities behind the scenes and the fact that the apparent decision-maker does not always have the final say in negotiations.

The concept of a "win-win" business scenario is not widely ingrained in local business culture. This is important to keep in mind when negotiating with a Vietnamese organization. Once a deal is struck in principle, Vietnamese companies may want to take more time to improve their terms and even re-negotiate – adding time to business deals.

Relationships are also very important in Vietnam, as they are in general throughout the region. Your counterpart will want to know with whom they are dealing before making decisions. Transactions rarely develop overnight, or without extensive relationship building.

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. The U.S. Commercial Service is well positioned to facilitate introductions.

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. Your correspondence should end with pleasantries and an invitation to continue the dialogue.

Business Meetings: Establishing operations or making sales in Vietnam entails numerous business meetings, as face-to-face discussions are favored over telephone calls or letters. A first meeting tends to be formal and viewed as an introductory session. If you are unsure of exactly who in the organization you should be meeting with, you should address the request for a meeting to the top official/manager in the organization.

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

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

Seating for a meeting is generally across a conference table with the principal interlocutors in the center and directly across from each other. Other participants are generally arranged in a hierarchy on the right and left. Generally, the farther one is from the center of the table, the less senior 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.

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. Brief the interpreter on each meeting in advance.

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

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Please view the latest travel information for Vietnam provided by the U.S. State Department Travel Information Website:
http://travel.state.gov/travel/cis_pa_tw/cis/cis_1060.html

Visa Requirements

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

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

Vietnamese Consulate General

1700 California Ave., Suite 475
San Francisco, CA 94109
(Telephone: 415-922-1577, fax: 415-922-1848)
http://www.vietnamconsulate-sf.org/ecms/

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

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

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

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

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

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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.

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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 $285 for economy class and $508 for business class. Vietnam Airlines (www.vietnamairlines.com) and Jetstar Pacific Airlines (www.jetstar.com) are the two carriers currently flying domestic routes.

Trains and buses in Vietnam have extensive routes and offer a cheap way to travel. Traveling by train or bus is recommended only for the most seasoned and hardy of travelers.

In major cities, metered taxis are plentiful and relatively inexpensive, especially in the large cities. A car with a driver is also an option in most 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 Return to top

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

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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.

http://photos.state.gov/libraries/hochiminh/174995/pdf/doctor-list-04-2011-english.pdf

Local Time, Business Hours, and Holidays Return to top

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. The following link lists both U.S. and Vietnam holidays:

http://hochiminh.usconsulate.gov/holidays.html

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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.

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

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

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

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

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

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

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Chapter 9: Contacts, Market Research and Trade Events

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

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

The U.S. Commercial Service in HCMC can be reached by telephone at: (84-8) 3520-4680, by fax at (84-8) 3520-4679/81 or email at Ho.Chi.Minh.City.Office.Box@trade.gov

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

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

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

http://www.export.gov/tradeevents/index.asp

(Add link to trade events section of local buyusa.gov website here or just delete this text.)

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully**, **connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E).**

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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