U.S. Department of State
FY 2001 Country Commercial Guide: Vietnam

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CHAPTER I: EXECUTIVE SUMMARY

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

At the time of this writing in early July 2000, Vietnam and the United States have just concluded the signing of the Bilateral Trade Agreement (BTA). Both governments will still need to ratify the Agreement before it comes into force. The BTA offers American firms significant benefits, including the reduction of tariffs for a large number of American products entering Vietnam. The Agreement also addresses concerns about import quotas and import bans on U.S. goods and services. U.S. companies will also benefit from a strengthened Intellectual Property Rights regime required under the agreement. Vietnam has also agreed to open key service sectors.

The Agreement would significantly lower tariffs for Vietnamese goods entering the United States, as the BTA grants Vietnam Normal Trade Relations (NTR) status. The Bilateral Trade Agreement is also intended to reduce the bureaucratic red tape involved in registering and operating a foreign company in Vietnam. The agreement should attract more American firms, which will be able to benefit from Vietnam's strategic location, plentiful natural resources and a low wage environment.

Vietnam is a country undergoing a transition towards a modern market economy. Although a relatively small commercial market at present, this nation of approximately 80 million people with a per capita income of US $395 has significant potential and presents a number of major opportunities for U.S. firms, especially in the mid to long term. Lauded as the "next Asian tiger", Vietnam witnessed significant economic growth in the early and mid-1990's, due mainly to large inflows of foreign direct investment and increased local demand. In the late 1990's, Vietnam faced its first economic downturn after beginning its market reform program, "doi moi." Rapid rates of economic growth began to decline in 1997 as a result of the Asian economic crisis, a slowdown in economic reforms, and drop in domestic demand resulted.

Three years later, Vietnam's economy appears to be on the road to recovery. The Vietnamese government, concerned about the threat of the regional economic crisis on the Vietnamese economy and the implications of slower growth and investment, engaged in extensive efforts at legal and administrative reform. Key areas of reform dealt with laws that would inspire economic growth and foreign investment. As a result, estimated growth for the first half of 2000 was a strong 6.2 percent higher than last year. Industrial performance peaked at 14.5 percent, the highest level in three years. Inflation for the first six months, due largely to the drop in the price of rice, was negative (-1.0 percent). U.S. firms need to be positioned to take advantage of significant changes in Vietnam's laws and regulations, and the reforms which are expected as a result of the successful conclusion of the Bilateral Trade Agreement between the United States and Vietnam.

Vietnam's trade statistics indicate that the value of Vietnam's exports represent more than one-third of the country's Gross Domestic Product. Imports and exports were in balance in 1999. Two way trade between the United States and Vietnam was valued at US $1 billion with Vietnam enjoying a 60-40 advantage. Trade between the two countries is expected to continue to grow with the passage of the Bilateral Trade Agreement and U.S. bilateral export financing, project financing, loan guarantee and insurance programs made available through the U.S. Export-Import Bank (Ex-Im Bank) and the Overseas Private Investment Corporation (OPIC) in Vietnam.

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

The United States Foreign Commercial Service (FCS) and the Foreign Agricultural Service (FAS), which have offices in both Hanoi and Ho Chi Minh City, have identified a number of best prospects for America's exporters of goods and services. The leading industrial sectors offering high potential include aircraft and parts, oil and gas exploration/production services, power generation and transmission, food processing/packaging, computer hardware/software/services, telecommunications equipment and services, medical equipment, environmental and pollution control, and education and training.

Leading prospects for agricultural products are soybeans and soybean meal, bulk cotton, wheat and wheat flour, livestock genetics, fresh fruit and vegetables, snack foods/packaged foods and canned foods, and forest products/hardwood lumber.

There are already over 400 American registered firms in Vietnam. This number is expected to increase significantly over the next few years as a result of a signed Bilateral Trade Agreement. American companies interested in doing business in Vietnam may do so indirectly through the appointment of an agent or distributor in Vietnam. (Note: U.S. companies new to Vietnam should conduct sufficient due diligence on potential local agents/distributors to ensure that specific permits, facilities, manpower, and capital are available.) U.S. firms which want a direct presence in Vietnam must establish a commercial presence utilizing the following options: 1) a representative office license; 2) a branch license; 3) a foreign investment project license under Vietnam's revised Foreign Investment Law. In addition, U.S. companies interested in doing business in Vietnam should contact the U.S. Foreign Commercial Service or Foreign Agriculture Service in Hanoi and Ho Chi Minh City. Contact information is located in the Appendix. Country Commercial Guides can be accessed via our new World Wide Web site at http://www.usatrade.gov. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance and country-specific commercial information should contact their nearest Export Assistance Center or the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-Trad(e) or by fax at (202)482-4473.

CHAPTER II: ECONOMIC TRENDS AND OUTLOOK

Vietnam is an emerging market of great promise. With a population of almost 77 million inhabitants, it is the twelfth most populous country in the world. It has an abundant endowment, including rich agricultural land, minerals and petroleum, and is strategically located near major water-routes of the South China Sea. At the same time, as one of the world's poorest countries, with an imbedded legacy of socialist ideology and structure, the country faces many challenges to effect a successful transition to a vibrant, outward-oriented, market-based economy. In 1986, as part of its 'doi moi' or 'renovation' policy, Vietnam first articulated a desire to undertake meaningful economic reform and integrate into the world economy. The Vietnamese government has enacted laws to permit the rural, foreign-invested and private sectors to develop, but more needs to be done to cultivate a healthy investment environment.

Vietnam grew robustly in the mid-1990's, driven by large inflows of foreign direct investment and a resurgence in long-suppressed domestic demand. At the time, Vietnam was considered by many to be the next Asian 'Tiger' economy. Indeed, the country experienced a building boom in housing, hotels, industries and infrastructure, bringing new life to towns and cities across the country. The agricultural sector responded robustly as the government re-instituted incentives for farmers to produce. Whereas prior to agricultural reforms Vietnam had suffered periodic famine and imported food, today Vietnam is one of the world's top exporters of rice, coffee and fish products. Fresh produce, meat and consumer goods can be found in abundance in markets throughout the country. In addition, Vietnam now manufactures garments and footwear for the international marketplace, and most recently has begun to export electronic components in ever-growing volumes.

Vietnam's economy slowed in the last years of the 1990's; official GDP at end 1999 measured US $28.6 billion, reflecting a year-on-year growth rate of 4.8 percent, roughly one half of the high registered four years earlier. Growth declined in tandem with a sharp drop in new foreign investment commitments. The Asian financial crisis also lowered demand for Vietnam's exports to neighboring economies, traditional importers of Vietnamese goods. In 1999's cautious atmosphere, domestic demand dropped, too, reflected in a generally deflationary environment. Inventories of cement, sugar and rice stockpiled. Inflation in 1999 rose a mere 0.1 percent, a phenomenon unheard of in Vietnam's modern economic history, where hyperinflation had been the hallmark. The government's 1999 stimulus efforts, e.g., lowering interest rates, government purchases, and directed credit to SOE's have little effect. Some analysts claimed lending to SOE's helped a few enterprises improve worrisome balance sheets with no resulting demand effects.

But while growth continued to fall last year, exports rebounded, rising 23 percent over the previous year, to reach a total of US $11.5 billion. Even discounting for exports of petroleum, Vietnam's export performance last year was among the most impressive in a recovering Asia. In 1999, Vietnam increased oil production and reaped significant gains as oil prices rose through the year. First quarter 2000 exports continued to show solid gains, particularly in oil, garments, footwear, seafood and electronics and computers. In fact, total export turnover increased 33.8 percent over the same period from 1999. Despite a record winter-spring rice harvest, however, rice prices have dropped dramatically, and Vietnam's exports of this commodity in value terms are sharply down.

By mid-2000, Vietnam's economy showed additional positive signs. The government estimates growth in the first half of the year at 6.2 percent higher than the same period in 1999. Industrial performance, led by growth in the 'on-the-ground' foreign invested sector, was captured at 14.5 percent, the highest level in three years. Inflation for the first six months, due largely to the drop in the price of rice, was negative (-1.0 percent). Services and industry are the fastest growing economic sectors. Agriculture employs 70 percent of the labor force but contributes an ever-shrinking proportion of national economic output, roughly a quarter of the economic pie. Industry and construction now contribute some 34 percent, while services account for 42 percent.

Significant inflows of official development assistance (US $970 million in 1999) and remittances from overseas Vietnamese (by some accounts as high as US $3 billion) more than offset a small shortfall in the trade account to provide for a balance of payments surplus in 1999. This is the second year in a row that Vietnam has experienced a balance of payment surplus. We estimate that similar levels of ODA and remittances continue to flow to Vietnam in 2000. Although mid-year 2000 import/export figures indicate a resurgence in the trade deficit, some economists consider this a healthy development, particularly since a major component of the increase in imports is imported machinery and equipment. In 1999, the government of Vietnam artificially shut out some non-essential imports and forced companies to sell to the government 80 percent of their foreign exchange balances.

In sum, a number of macroeconomic indicators have improved over the past twelve months. While this may give some comfort, much more must be done to sustain and improve upon the fragile recovery. Given Vietnam's endowment and potential, planners should also benchmark the country's progress against that of other countries in the region. Not only are a number of regional competitors already far ahead of Vietnam in development, but during the recent financial crisis countries undertook significant restructuring and devalued their currencies. In relation to trade developments, we note China may soon accede to the World Trade Organization (WTO). Vietnam has only begun its accession process.

Consequently, more robust performance, sustained over decades, will be required before Vietnam can even catch up with regional competitors. To do so, the country must face up to the challenge of persistent structural weaknesses in the economy. To grow, Vietnam needs to increase investment, both foreign and domestic. As a priority it must deal with the steep decline in foreign investment interest. If Vietnam is to transform itself into a manufacturing-based, export-oriented economy, it must re-attract foreign investors, who will bring with them not only capital, but skills, technology, and markets.

Foreign direct investment (FDI) in Vietnam dropped to US $1.548 billion in 1999, a 60 percent decline from 1998. Another US $566 million was invested in existing projects, bringing the year's FDI total to US $2.114 billion. France, with US $303.4 million of new investment, was the largest source of FDI. The U.S. ranked seventh (US $120.2 million). Continuing this slump, in the first three months of 2000 foreign investment in new and existing projects totaled just US $121 million, and some analysts expect FDI approvals will not surpass US $600 million this year. On the positive side, the rate of disbursement of committed FDI improved last year, with US $1.52 billion disbursed. The FDI sector now generates more than 10 percent of Vietnam's GDP. Its total turnover jumped 56 percent to US $1.4 billion in 1999 and accounted for 35 percent of Vietnam's industrial production. The FDI sector produced nearly US $2.6 billion (22 percent) of Vietnam's exports. Furthermore, FDI projects generated US $271 million in tax revenue and employed approximately 296,000 Vietnamese workers, with indirect employment for perhaps another one million people.

Although the amount of new FDI has been declining steadily in recent years, some Vietnamese officials choose to take a longer historical view. In 1991 there were only a few foreign-invested enterprises (FIE's) exporting just US $52 million of goods, compared to exports that exceeded US $4.5 billion last year. Since 1991 more than 3,000 FDI projects have been licensed, with approved capital of US $36 billion, of which US $15 billion has been disbursed. The FDI share of GDP has climbed from 2 percent in 1992 to over 10 percent in 1999. Foreign investment has brought modern technology, business practices, and management to Vietnam.

A slightly shorter historical view, however, shows new FDI commitments plummeting from US $8.64 billion in 1996 -- the peak year -- to US $4.654 billion in 1997, US $3.925 billion in 1998, and US $1.548 billion in 1999. Continuing this trend, in the first three months of 2000 Vietnam licensed only thirty-seven new FDI projects with total registered capital of US $88.5 million, or 74 percent less than in the same period of 1999. Fourteen existing projects applied to increase their capital by US $32.6 million.

Vietnamese officials attribute the decline of investor interest in Vietnam to the lingering effects of the 1997-99 regional economic crisis, weaknesses in the investment environment, high labor costs, a shortage of skilled workers, and a small domestic market. The Vietnamese government hopes that the amendments to the country's Foreign Investment Law (FIL), passed by the National Assembly in May 2000, will help to re-ignite foreign investor interest in Vietnam. Unfortunately, the amendments – while welcomed by the foreign invested community – failed to address a number of issues. Major concerns were excessive red-tape and corruption, continued dual pricing policies which discriminate against foreign investors and labor concerns, e.g., Decree 85, which requires foreign organizations to hire employees through a government labor service company.

In addition, personal tax rates for white-collar Vietnamese workers are exorbitant, making it in some instances less expensive for foreign invested companies to hire expatriate middle management staff. Some Vietnamese officials admit that the investment environment needs improvement, Vietnam's labor force no longer is comparatively cheap in the region, there is a shortage of skilled workers, and domestic markets are limited. The government of Vietnam continues to emphasize Vietnam's "political stability".

The Vietnamese government encourages foreign investment in export processing zones (EPZ's) and industrial zones (IZ's) and many tens of these zones have been established throughout the country. The investment licensing process in Vietnam, particularly for smaller investments, has been generally decentralized. A number of significant tax breaks are available to investors in these zones. Generally speaking, however, zones in the southern region of Vietnam, particularly in the greater Ho Chi Minh City area fare much better than zones elsewhere in the country, in attracting new investors. The lesson to be learned is that problems with red tape, customs and local officials can blunt natural advantages of low labor costs, and good infrastructure. In any event, the differences in economic activity between the north and the south of the country are becoming more, not less, apparent.

Bucking the FDI trend, according to government figures, domestic private sector investment has spiked up in the first half of 2000. For example, in the first five months of the year, more than five-thousand small and medium sized enterprises with an average registered capital of around VND 800 million (US $57,000) registered their businesses with the government. If these are accurate figures -- and there's speculation regarding whether the figures represent new business activity or merely registration of pre-existing but unregistered companies – this would represent a substantial increase over previous periods' registrations. A large part of these start-ups were in and around Ho Chi Minh City in southern Vietnam, where budding entrepreneurs may be able to mobilize both domestic capital from bank-averse savers and overseas funds from Vietnamese expatriates.

Most analysts attribute this boom to the new enterprise law, enacted last summer but which came into effect on 1 January 2000. Why these figures are significant, however, is because if true they would indicate the private sector is beginning to grow robustly. Many analysts continue to worry that the formal, corporate private sector continues to face many challenges. For example, access to land and credit are difficult in a system where the state owns the land and where the government banks are responsible for some 80 percent of lending in the country.

Moreover, Vietnam needs to tap the large stock of domestic savings, most of which is estimated to reside outside the banking system. The banking sector needs to be revamped. State-owned commercial banks should cease directed policy lending and transform themselves into commercial banks. The banks also need to address the problems of overdue loans to SOE's, the result of years of directed lending to profitless SOE's. Reforms of the SOE's themselves need to be undertaken concomitantly. The IMF and the World Bank are working with the government to develop a multi-year structural adjustment plan which would stimulate the 'equitization' of SOE's, eliminate non-tariff barriers (NTB's) and transform the banking sector to support a growing, modern economy. The IMF's representative in Vietnam recently told the press that the Vietnamese government is working to complete its reform program. He was quoted as saying, "There are no major technical difficulties at this stage. The issue is more one of consensus building and political will."

Half of Vietnam's population of 77 million is under 25 and, to highlight only one other demographic statistic: there are ten million Vietnamese between the ages of 10 and 14 years of age. That means that in only a few years up to two million people may seek to enter the labor pool annually. Urban unemployment has been rising steadily in recent years. Rural unemployment is already at critical levels. According to a recently published UNDP study, agriculture, forestry and fisheries currently absorb as much as 70 percent of the total workforce. Yet, some 6-7 million working age people in rural areas are believed to lack permanent work. Rural underemployment has been estimated at up to 35 percent. To add to this difficult picture, the government has announced plans to shed government workers, as well as to streamline the state-owned enterprise (SOE) workforce.

In 1994 the U.S. lifted the remaining elements of its trade embargo with Vietnam, and the following year the U.S. and Vietnam resumed normal political relations. Since then, many American companies have explored opportunities and a large number have established themselves in Vietnam. Some have come to exploit the local market for American goods, which possess a reputation for quality. Others have positioned themselves for the future when Vietnam will expand further. Still others from other capital exporting countries around the world have been impressed by the talented and hardworking local workforce and are using Vietnam as a platform to export to third countries. U.S. exports to Vietnam – while still modest – have grown slowly but consistently, reaching almost US $300 million in 1999. Vietnamese exports to the U.S. have also grown, particularly in the areas of coffee, tea and spices, sea products, footwear and petroleum. Despite not having Normal Trade Relations (NTR) status, Vietnam maintains a roughly two-for-one trade surplus with the United States. In 1999, Vietnam exported US $609 million of goods to the U.S.

U.S. investors and traders (as well as Vietnamese businesses) are hopeful the U.S. and Vietnam can soon sign a bilateral trade agreement (BTA) which would provide for NTR status for Vietnamese goods in the U.S. market. With that status, independent analysis shows that Vietnam's exports to the U.S. particularly for garments and light manufactured items would rise dramatically. The access to the U.S. market would concomitantly attract foreign investor interest back to Vietnam, not only from the United States, but also from Europe, Asia and other regions.

In July 1999, the U.S. and Vietnam initialed an agreement 'in principle' concerning all outstanding substantive issues. In August, the two countries worked out English and Vietnamese language texts for the agreement, which covers not only trade issues, but also investment and intellectual property provisions. However, in September 1999, Vietnamese officials notified the U.S. government that it was not prepared to sign the agreement. In June 2000, after exchanges of correspondence between the two governments, U.S. Trade Representative Barshefsky invited Trade Minister Vu Khoan to Washington to conclude the agreement. The Minister has agreed to this invitation, and he will meet with Ambassador Barshefsky in early July.

Other important developments for U.S. commercial interests in Vietnam were the Administration's issuances of annual waivers of the Jackson-Vanik Amendment and Congressional endorsements thereof, permitting U.S. Export Import Bank (EXIM), the Overseas Private Investment Corporation (OPIC), the Trade and Development Agency (TDA), and U.S. Department of Agriculture (USDA) credit programs to operate in Vietnam. These agencies have already demonstrated their keen interest in fostering U.S. business interests in Vietnam.

Despite some very positive economic indicators recently, the prognosis for Vietnam's economy for 2000 and beyond remains somewhat problematic. There is no doubt given its resource base and highly productive labor force that Vietnam has great potential to grow, at least to the level of some of its better off neighbors. However, the pace of Vietnam's growth will remain a function of its willingness to more rigorously pursue a transition to an outward-oriented, market-based economic system. Vietnam not only needs to save and invest and educate its people, but also needs to integrate more fully into the world economy. In addition to proceeding with major structural changes as proposed by the International Monetary Fund (IMF) and World Bank (WB), the Vietnamese government should sign and implement the proposed Bilateral Trade Agreement with the U.S. and – without further hesitation – step up efforts to accede to the World Trade Organization. Until the country proceeds further in its transition to a market economy, the interim economy will contain uncertainties and hidden costs for foreign, as well as domestic, investors.

This is not to suggest gains cannot be made by American companies in this market at the present time or in the future. Like many markets, it has risks and challenges, but also great promise and potential rewards. But it must be approached wisely and deftly. Niche markets invariably exist for many U.S. firms. Moreover, we forecast that when Vietnam's economic policies become clearer, Vietnam's economy will grow robustly, providing abundant opportunities for a range of U.S. commercial interests.

CHAPTER III: POLITICAL ENVIRONMENT

A. Nature of Political Relationship with the United States

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

A major focus of the U.S. government is to normalize economic relations by concluding negotiations for a trade agreement. This has been held up by Vietnam's decision not to sign the final agreement for the time being. Most sectors of the government, the Communist Party and society favor expansion of the bilateral relationship, though some remain wary. The number and variety of official and private exchanges continue to broaden, including exchanges between officials, academics and businesspeople.

B. Major Political Issues Affecting the Business Climate

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

1. Domestic policy: Under the “Doi Moi” (renovation) policy, Vietnam achieved high growth rates until the Asian financial crisis hit. The official economic model is a “market-based economy with socialist orientation under state management," which allows market mechanisms but with a leading role for the state and maintenance of one-party rule. The pace of reform has slowed significantly over that past two years. The Party and government actively support the state sector's leading role in the economy. Political commentators write about the need to attract foreign capital while protecting against undue foreign influence in society.

The government is engaged in efforts at legal and administrative reform, including areas affecting economic activity and foreign investment. Virtually every enterprise, including foreign joint ventures and wholly owned foreign enterprises, must have a Party cell among Vietnamese staff, usually clandestinely. These cells are tasked with keeping local staff in line and on reporting activities of the organization to Party higher-ups. Technically, wherever three or more Party members work, they should form a cell, and

Party members are to actively recruit new members in their workplace. Cells have been tasked with being more active over the past year.

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

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

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

C. Business-to-Government and Business-to-Business Dialogue

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

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

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

Under the auspices of the International Finance Corporation of the World Bank, the private sector, including representatives of domestic industry and foreign investors, meets government officials at a Private Sector Forum. Discussions at the Forum focus on a range of business and investment climate issues. Recent sessions have taken up banking, legal, labor, taxation, foreign direct investment, trade, textile quota and other matters. Recently, these meetings have been conducted immediately prior to donors' consultative group meetings, twice yearly.

The United States government supports the Private Sector Forum. It affords the business community an opportunity to present its views to the government in a concerted and orderly manner. On the other hand, the government learns first hand issues of concern, and their priority, to the private sector. Economists are in general agreement that for Vietnam to grow sustainably and create jobs for a burgeoning workforce, it must – as a top priority -- foster the private sector. Following the most recent meeting of the Private Sector Forum held in June 2000 in HCMC, Deputy Prime Minister Nguyen Manh Cam, responsible for foreign economic relations within the Vietnamese government, made a statement calling into question the future of the Private Sector Forum. Following the donors meeting the same week, however, the government backtracked from its earlier position, indicating it was open to discussion regarding the form and frequency of the Forum in the future.

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

D. Relations Between the Federal Executive and Provincial Leaders

The National Assembly, Vietnam's legislative body, has played an increasingly independent role as a forum for local and provincial concerns and as a critic of local and national corruption and inefficiency. Recently the National Assembly has been more active in revising legislation, questioning ministers and other senior officials about their performances, and recommending the dismissal of senior officials. The Communist Party must approve all candidates who run for a seat on the Assembly, yet several delegates are not members of the CPV. Most legislators however are Party members and although the National Assembly has been allowed to strengthen its capacity it remains largely subservient to the CPV. The National Assembly convenes for one month twice annually.

At all levels of society, People's Committees and Councils represent the government. Provincial, district and local level People's Committees act much like governors' or mayors' offices in enforcing laws, expending funds and administering socio-economic

development programs. The guidance of the CPV is maintained at all levels through Communist Party Committees, which act as counterparts to the People's Committees. People's Councils, in contrast, have very little real authority. At their brief meetings, which occur only several days a year, the Councils perform nominal legislative functions at the local level and provide a forum for local concerns to be expressed. New representatives to the People's Councils were elected in mid-2000 to a five-year term.

E. Brief Synopsis of Political System, Schedule for Elections and Orientation of Major Political Parties

The Socialist Republic of Vietnam (SRV) is a one-Party state controlled by the Vietnamese Communist Party (CPV). The CPV's constitutionally mandated leading role, the occupancy of nearly all senior government positions by party officials, and the Party's extensive network down to the village level and through mass organizations ensures the primacy of guidelines from the Party's ruling group, the Politburo. The Party and the government have a long-standing policy of not tolerating open dissent and of prohibiting independent political and labor organizations. The National Assembly is chosen in elections in which all candidates must be approved by the Party. Most legislators are Party members and the body remains largely subservient to the CPV, as does the judiciary.

Party Congresses are held every five years, the last in June 1996. A new Assembly was elected in mid-2000 to a five-year term, along with representatives to the local People's Councils, which have minimal oversight of local government. The National Assembly convenes twice annually for one month.

The Party has delegated to the government and the National Assembly somewhat more authority to debate and make informed choices in the implementation of policy. The regime uses the Ministry of Public Security, as well as a system of household registrations and block wardens, to monitor the population, concentrating on those suspected of engaging, or being likely to engage in, unauthorized political activities.

Citizens do not have the right to change their system of government and there are significant restrictions on freedom of speech, association, the press, and on the activities of religious clergy and organizations. The government allows some public objections to government policies but detains people for peacefully expressing views beyond what the government tolerates. The government sometimes denies citizens the right to a fair and expeditious trial. However, Party and government interference in people's daily lives is much less than in past years, and citizens are free to engage in economic activity. There is continued progress in reforming the legal infrastructure.

CHAPTER IV: MARKETING U.S. PRODUCTS AND SERVICES

A. Establishing A Local Office

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

1. Representative Office License: A representative office is generally easy to establish, but is the most restricted form of official presence in Vietnam. The license is issued by the Ministry of Trade (MOT) and allows for a narrow scope of activities, as stipulated in the "Regulations on Establishment and Operation of Representative Offices of Foreign Economic Organizations in Vietnam." A representative office may rent office space/residential accommodations, employ local staff and a limited number of expatriate staff, and conduct a limited range of business operations. Permitted activities include market research and monitoring of the marketing and sales programs carried out by its overseas head office, as well as pursuing long-term investment activities. As the representative office is regarded as a commercial liaison and not an operating entity, it is strictly prohibited from engaging in any revenue-generating activities, such as trading, rendering professional services, revenue collection, or subleasing of its office space.

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

- Tax Considerations: A representative office is exempt from corporate tax and auditing requirements. Income tax for Vietnamese and expatriate staff must be paid in accordance with relevant regulations.
- Other Considerations: From time to time, representative offices have come under scrutiny by the local People's Committees (municipal governments), police, tax and labor authorities, especially with respect to foreign service providers who claim they are not rendering services on-the-ground, but are merely facilitating services actually provided by their head office.
- Application Procedures: The procedure to establish a representative office is

relatively straightforward. An application with stipulated supporting documentation must be submitted to the MOT. The application and profile must be prepared in English and Vietnamese, and both sets of documents must be duly executed. Applicants have 90 days to register with the local People's Committee once the license has been issued. Effective 1 May 1999, the fee for a representative office license fell to VND1,000,000 (less than US $100). The license is usually valid for three years and may be extended for additional three-year periods.

2. Branch License: The term "branch" office under the laws of Vietnam refers to a 100 percent foreign-owned business, which operates in designated service sectors. These sectors, which are restricted and closely monitored by the Vietnamese government, include banking, law, insurance, and tobacco. Many foreign branch offices first entered Vietnam as representative offices and later applied for the branch licenses. Branch status authorizes a foreign business to operate officially in Vietnam, including billing on-shore and the execution of local contracts.

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

3. Foreign Investment Licenses: Under Vietnam's Foreign Investment Law, there are several types of foreign investment licenses available in Vietnam: the Business Cooperation Contract (BCC), the Joint Venture (JV), and the 100 percent Foreign Invested Enterprise (FIE). The BCC is used in certain specialized service areas, particularly those related to natural resource development, such as oil and gas exploration. Joint Ventures have been discussed above. Recently, a number of foreign companies have bought out their local joint venture partners to assume 100 percent control of their Vietnam operations. In some cases this has been the result of a dispute. In others cases, it has been due to the inability of the Vietnamese partner to put up required capital increases. The Government seems to take an increasingly tolerant view of 100 percent FIE's. Amendments to the Foreign Investment Law adopted by the National Assembly in May, 2000, regularized procedures for conversion of joint ventures to 100 percent FIE's, but implementing regulations remain to be promulgated.

Build-Operate-Transfer (BOT) projects, Build-Operate-Own (BOO), and other forms of private participation in infrastructure hold promise as a fourth form of investment. There is one Build-Operate-Own (BOO) power project in Vietnam, the 375-MW Hiep Phuoc Power Plant owned by investors from Taiwan and licensed by the Ho Chi Minh City People's Committee. The same investor also operates a bridge and some roadway on a BOT basis. Private investors are also participating in water supply projects in the South. As of this writing, several high-profile BOT projects in the energy sector are under negotiation. These negotiations have been protracted for a variety of reasons. Decisions are expected soon whether these projects will proceed.

- Tax considerations: Licensed foreign investment projects are Vietnamese entities and are fully liable for Vietnamese taxes on their assets and activities.

- Application Procedures: Applications for investment licenses are filed with Ministry of Planning and Investment (MPI) or competent local authority. Special procedures exist for investment licenses in industrial parks (IP's) and export processing zones (EPZ's). Please see the separate sections on IP's and EPZ's for details.

B. Creating a Joint Venture

1. Scope of Joint Ventures: Vietnam's Foreign Investment Law permits the establishment of 100 percent foreign-invested enterprises ("100 percent FIE's"). Nevertheless, until recently, few of these had actually been undertaken and most foreign investors opted to form a joint venture with a domestic partner. That has changed dramatically, with 100 percent FIE's now being the investment vehicle of choice for most foreign investors. Most joint ventures have been manufacturing operations. Joint ventures offer the foreign investor both plusses and minuses. On the positive side, the Vietnamese partner, which is often a state-owned enterprise ("SOE"), may contribute crucial relationships with government officials and clients, local market know-how, staff, and land-use rights. On the negative side, local partners rarely can contribute operating capital or other current assets. They also may not share the fundamental outlook and objectives of their foreign capitalist partner and, because their resources typically are limited, the local investors may balk at major strategic moves such as recapitalization or changes to the business plan.

Licensed foreign investment projects are permitted to conduct their own marketing and distribution of the products made in Vietnam. In some cases, the investment license specifies that a given percentage of production must be exported. Foreign firms have generally not been allowed to distribute or market within Vietnam finished products manufactured outside the country. However, in the past few years, there have been instances in which foreign-invested joint ventures have been allowed to import finished goods in order to develop the market to their domestic manufacturing operations.

Recently, a number of foreign companies have bought out their Vietnamese joint venture partners to assume 100 percent control. In some cases, this has been the result of a dispute; in others cases, it has been due to the inability of the Vietnamese partner to put up required capital increases. The Government seems to take an increasingly tolerant view of 100 percent FIE's. Amendments to the Foreign Investment Law, adopted by the National Assembly in May 2000, regularized procedures for conversion of joint ventures to 100 percent FIE's, but implementing regulations remain to be promulgated.

2. Vietnamese Partners: At present there are fewer than 6,000 "SOE's" out of over 35,000 registered domestic enterprises. The private sector (generally taken to mean sole proprietorships and limited liability companies) makes up most of the rest. There are also a large number of household enterprises which, although unregistered, comprise a very significant share of non-agricultural output and employment. However, the average capitalization of the SOE's is many times that of the other forms, and they dominate

production and trade, as well. Therefore, most foreign investors partner “SOE's”, a term which includes firms controlled both by central government ministries and by municipal and provincial authorities. Although the majority of foreign direct investment in Vietnam is in the form of a joint venture, only a few dozen of these joint ventures have a private firm as the Vietnamese partner; the rest involves a tie-up with an SOE. Local private firms generally lack the resources and know-how to facilitate contacts with potential foreign investors, while government ministries and provincial authorities usually promote enterprises related to their own organizations. Private firms must contend with greater government-imposed controls than their state-run counterparts, specifically with respect to access to land, trading licenses, and entry barriers in some sectors. The state-owned sector also has preferential access to financing and foreign exchange.

3. Technology Transfers: Technology can be transferred by outright sale, licensing, or contribution as capital. The Ministry of Science Technology and Environment (MOSTE) has primary authority to approve technology transfer contracts. The implementing regulations of the law governing technology transfer have made such deals very difficult. The key areas to note are strict requirements for precise details on the timetable for the delivery of technology; provisions requiring extensive warranties; the limited duration of contracts; and restrictions on royalty rates. The Commercial Code does provide protection as to transferred technology, but some of its provisions remain to be implemented.

4. Licensing: Licensing arrangements are beset by many of the same problems as franchising. Because of weak legal frameworks and intellectual property rights (IPR) problems, licensing is not widespread.

C. Use of Agents and Distributors

1. Agents: Unless a foreign company has an investment license permitting it to market its own goods, it must appoint a local agent or distributor. An agency arrangement involves a Vietnamese agent selling a foreign supplier’s goods in Vietnam for a commission. The risk of non-payment rests with the foreign supplier, as the agent is only selling the goods on behalf of the foreign firm. Vietnam's Commercial Code (promulgated May, 1997) recognizes the right of foreign companies to appoint agents, provided that the scope of business includes “Agency”, and the agent obtains an import-export codes from the customs authorities.

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

3. Legal and Practical Considerations: Although Vietnam’s Commercial Code was promulgated in May 1997, the provisions are general in nature, and the relevant

ministries have yet to complete the issuance of implementation regulations. Thus, some areas addressed in the Commercial Code remain unclear to this day.

U.S companies should conduct sufficient due diligence on potential local agents or distributors to ensure that they have the specific permits, facilities, manpower, capital, and other requirements necessary to meet their responsibilities. Commercial agreements should clearly document the rights and obligations of each party, and stipulate dispute resolution procedures. In most cases, payment by irrevocable confirmed letter of credit is recommended, although it should be noted that letters of credit issued by local banks may not be enforceable.

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

4. Foreign-invested trading companies in Vietnam: When seeking prospective agents or representatives in Vietnam, US exporters may wish to consider not only Vietnamese firms, but the representative offices of foreign trading companies operating in Vietnam, as well. The latter, which include U.S. trading companies, often have distinct advantages in communication, experience in importing, expertise in product and package modification, and marketing capability.

D. Finding a Local Partner and Attorney

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

2. Foreign Law Firms: As Vietnamese law firms still lack expertise in commercial and international law, foreign investors should consider using the services of a foreign law firm in Vietnam. Although registered foreign law firms in Vietnam technically are restricted from advising on Vietnamese law, they are permitted to advise on foreign or

international law. Since foreign law firms can employ unlicensed Vietnamese law graduates and retain the services of a Vietnamese law firm when necessary, they are capable of providing a full range of services to their international clients.

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

4. Practical Considerations: It is important that investors verify the qualifications of a lawyer (both local and foreign), including references, before contracting his or her services. Many foreign investors have hired Vietnamese consultants to prepare feasibility or market studies. It is also common for the ministry with oversight responsibility to recommend an affiliated consulting company to work with the foreign investor.

E. Checking the Bona Fides of Banks, Agents, Business Partners, Contractors or Subs, and Customers

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

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

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

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

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

F. Distribution and Sales Channels

1. Legal Constraints: Despite some recent liberal reforms, Vietnam's regulations continue to place significant restrictions on the importing and distribution activities of foreign companies. To a large extent, these activities are reserved for Vietnamese entities. Foreign investment in trading and distribution per se is restricted, and overseas manufacturers are not permitted to establish their own distribution or retailing operations in the form of branches inside Vietnam. However, foreign-capital companies, which are licensed to manufacture in Vietnam, may be permitted to distribute domestically the products they manufacture in Vietnam. Investment licenses now may also allow foreign-invested companies to import finished products before the production start-up for the purpose of test marketing and developing the business.

2. Distribution Channels: Vietnam's sales and distribution channels are a fragmented patchwork of state-owned import-export companies, private and state-owned wholesalers, independent Vietnamese agents and distributors, and small retail outlets (family-run or state-owned), and kiosks. The formal distribution channels often overlap with parallel channels for smuggled and "gray market" goods.

For most products, nationwide distribution can best be achieved by establishing separate networks in the North, the South, and the Central Region. In fact, some importers of U.S. products have established separate distribution networks for each province that they cover. Lack of physical infrastructure links among the major regions, cultural and economic differences, and the fact that today's Vietnam was divided during the period when the modern economy was established all make it difficult to achieve a “one-stop” distribution.

3. Importing and Exporting: A company engaged directly in export or import activities must have a business registration certificate which mentions “import-export” or “trading”. Import-export activity is mainly reserved for Vietnamese firms, both state-owned and private. A foreign-invested enterprise may be granted a license to export or import specific products designated in its investment license and approved by the Ministry of Trade in their annual business plan.

Companies that do not have their own import license must work through licensed traders, who typically charge a commission of 1-2 percent of the value of the shipment. Under Vietnamese law, the importer is the consignee. Therefore, it is important to identify a reliable importer with the ability to clear merchandise through the port quickly and economically. If a licensed third-party importer is used, the importer will handle customs clearance. If a foreign-invested firm imports products directly, it will have to make arrangements to handle customs clearance at the port. This can be burdensome. Many foreign firms have complained that the administration of customs is opaque, and at times seems arbitrary. Importers have charged that duty classifications for the same product differ from inspector to inspector, and that even the same inspector may charge different rates for the same item at different times. Heavy penalties are assessed if an inspector believes that an item should be classified differently from the way the importer listed it in the paperwork, and there is little effective recourse. Over the past couple years, customs officials at all levels have been indicted on charges of corruption. These cases have resulted in several severe sentences, including the death penalty.

4. Wholesale: Both local and foreign-invested companies may act as wholesalers if their business registration certificates or investment licenses so state, or if the warehouses are established for the purpose of distributing their own products. Foreign companies (i.e., non-residents) may not act as wholesalers in Vietnam, although they may be permitted to set up a representative office in Vietnam to supervise their local partners’ wholesale activities. Wholesalers may or may not also be licensed importers. They typically offer both storage and transportation services, but the level of infrastructure and service is low by international standards. Warehouses in Vietnam often consist of little more than raw storage space with the bare minimum of environmental control, handling and security equipment. Many wholesalers are poorly capitalized and unable to upgrade their infrastructure. Recently, some foreign firms have invested in “cold chain” port facilities, especially in the South.

5. Retail: The retail landscape is undergoing rapid transformation, providing more outlets for proper display and marketing of products. A number of Western-style mini-markets (e.g., MaxiMart and Saigon Coop) and convenience stores are cropping up in the major urban areas. While anecdotal reports suggest that shoppers perceive the mini-marts as expensive and per customer sales are still fairly low, most experts agree that this trend will continue to gather pace, as it has among Vietnam’s more developed neighbors. At the moment, these outlets are said to account for about five percent of total retail trade,

and most consumer purchases continue to take place at traditional street-side shops and district wet and dry markets. Nevertheless, these new retail outlets offer promising opportunities for distributing a wide range of U.S. consumer goods.

Showrooms and service centers for specialized products such as electronics, appliances, automobiles and industrial goods are increasing. Shopping center developments are also appearing. The Saigon Superbowl in Ho Chi Minh City, was the nation's first large-scale entertainment and retail center. French hypermart developer CORA has opened a complex anchored by its flagship megastore in Dong Nai Province which is mobbed on weekends by shoppers from Ho Chi Minh City, as well as Dong Nai and Ba Ria-Vung Tau Provinces. It has announced plans to open several more hypermarts in southern Vietnam over the next few years, including one in the southern part of HCMC in January 2001. The past year has seen the opening of a very large retailing center (21,797 sq. m) in the mixed-use Thuan Kieu Plaza in Cho Lon, HCMC's "Chinatown", as well as SAVICO-Kinh Do Plaza, a pastel "strip mall" type development in the heart of District 1. Although Ho Chi Minh City leads this sector, similar developments are taking place in Hanoi. One major project is a $30 million joint venture between CORA and Thang Long General Import-Export and Travel Company to develop a hypermart on 11 ha. of land only 10 km from the center of Hanoi. This is slated to open in 2003. Hanoi Star Bowl is another retail center worthy of note. General Electric (GE) Company's Appliance Division and Lighting Division have launched chains of retail outlets in the past year, and industrial equipment manufacturer Parker-Hanafin has similarly just opened a retail outlet in HCMC. All of this is changing the way the wealthier and more cosmopolitan segment of urban Vietnam shops. But apart from these pioneering projects, retail outlets still consist mainly of family-run market stalls or small street-front shops.

6. E-Commerce: To date, e-commerce has not made much progress in Vietnam. Obstacles to its development include the low number of Internet subscribers in-country, firewalls and other problems with the Internet infrastructure, problems with the financial system (including the low number of credit cards in use), and regulatory barriers. In November 1999, the Ministry of Trade announced an inter-agency project to assess technologies and propose policies to allow Vietnam to develop e-commerce, but it is unclear when even this first step will be completed.

G. Franchising and Direct Marketing

1. Franchising: Under Vietnamese law, franchising agreements involving licensing and royalty payments or training and consulting services are regarded as technology transfer and require statutory approval. In the case of a straight licensing agreement without technology transfer, registration with the Ministry of Science, Technology, and the Environment is required. Strict guidelines, long approval times, restrictions on payments, and limited contract duration have been a drag on licensing arrangements, including traditional franchising opportunities.

Despite these restrictions, some consumer goods and fast food firms have tested the waters in Vietnam. These include Swatch, Baskin-Robbins, KFC, Texas Chicken, Jollibee (of the Philippines), and Lotteria (of Japan). At least some of these are investments rather than franchises, and in any event, no such foreign chain shows signs of rapid expansion.

The recent expansion of retail space in Ho Chi Minh City and Hanoi should increase the number of high-traffic sites for franchise shops, but the lack of legal infrastructure and the difficulty of both franchises and master franchisees in coming up with capital (particularly foreign exchange) makes it unlikely that international franchising arrangements will take off in the foreseeable future.

2. Direct Marketing: Unless a company is licensed under the Foreign Investment Law, its direct marketing activities must be conducted by a Vietnamese entity such as a distributor or agent. Many direct marketing techniques are novel concepts to the Vietnamese consumer. The logistical barriers to direct marketing include the lack of comprehensive data for "neighborhood" profiles, a scarcity of mailing lists, and limited individual telephone ownership. Several cosmetic and lingerie companies are experimenting with door-to-door sales to Vietnamese consumers on a limited basis in Ho Chi Minh City. Some observers believe that direct selling and multi-level marketing organizations would experience official suspicion in Vietnam leading to problems that have recently been encountered in the People’s Republic of China. In principle, all organized groups in Vietnam must come under the responsibility of a “mass” organization linked to the Communist Party or the Government, which controls and monitors their activities. It is reasonable to suppose that this requirement would be applied to multi-level marketing organizations if they were established here.

For business-to-business marketing, direct mailings/faxes are widely used; however, mailing list databases are typically created in-house.

H. Selling Factors and Techniques Best Suited to the Local Culture

1. Development of Consumerism: Foreign brands have proliferated in Vietnam over the past decade. This is indicative of rising urban incomes and a relative opening to the outside world (in particular, to the market-oriented economies). Market observers speak of the growth of “consumerism” in Vietnam, but it must be borne in mind that this remains a country with low per capita GDP (US $395 for the country as a whole, according to official figures). The market for most imported consumer goods is the well-off segment of a handful of large cities, and perhaps some parts of the Mekong Delta. There is much trial usage, but little brand loyalty and the bottom line generally comes down to price. The main attractions of foreign products are their perceived higher quality and status. Among foreign products, there is a general hierarchy of perceived quality, based on the country of origin. Vietnamese consumers tend to prefer imported US, Japanese and European brands over Chinese products and those made locally by foreign and Vietnamese producers. Ultimately, brand loyalty is built on price, proven quality and availability. Awareness of brands comes from word of mouth, promotions and advertising. Urban consumers are remarkably familiar with leading foreign products, even those not generally available in Vietnam. One major reason for this is contact with

(and "care packages" from) relatives abroad. The Vietnamese Diaspora, mostly first-generation emigrants, amount to a few million people concentrated notably in the United States, Canada, France, Australia, and Southeast Asia. A large number of them maintain close contact with their families in Vietnam, and transfer quite a bit of information on lifestyles abroad. The large volume of gray and black market goods also furthers consumer familiarity with foreign brands brought in from neighboring countries.

2. Market segmentation: Geography is a key factor in segmenting Vietnam's market. This includes not only the regional segmentation of North-Central-South, but also the segmentation of urban versus rural markets. Vietnam is roughly separated into three separate economic regions, surrounding core urban centers: the South centered on Ho Chi Minh City, the North based in Hanoi, and the Center focused on Danang. The main distinctions are consumer purchasing ability, brand awareness and recognition. According to the Vietnamese Government's official statistics, Ho Chi Minh City leads the country at US $970, with Hanoi following at US $700, and the national average around US $395. The actual disparity is probably even greater, as certain factors which are not well captured in official statistics (such as remittances from overseas relatives and private sector activity) are centered more in the South. Currently, consumer purchases are strongest in Ho Chi Minh City (and the contiguous provinces of Binh Duong, Dong Nai, and Ba Ria-Vung Tau), where there is a concentrated and growing population of consumers with disposable income. Consumers in the South also tend to exhibit a greater degree of brand awareness than consumers in the North and Central regions. This is principally due to extensive contact with Westerners prior to 1975 and the influence of returning Overseas Vietnamese (Viet Kieu). These defining factors have had an impact on market demand disparities, market entry strategies, product-line segmentation and marketing mix. For many companies, the first marketing goal is to penetrate Ho Chi Minh City, as experts estimate well over half of all Vietnamese purchases of foreign consumer goods take place in this area.

3. Product Information: Foreign companies in Vietnam utilize trade fairs, product seminars, product demonstrations, and point-of-sales materials, as well as print and broadcast advertising. The aim is not only to promote their merchandise, but also to educate both sellers and end-users. Many foreign products do not yet need to be adapted to local tastes and conditions. However, it may be necessary to educate the buyer as to the features and benefits of the product. It is recommended that detailed product information in the Vietnamese language be provided to agents and distributors. It should be noted that authorization from local authorities is required to conduct seminars, product promotions, workshops or press conferences.

4. Practical Considerations: As a rule of thumb, your agent or distributor will require hands-on involvement from you to succeed. U.S. firms should foster close relationships and maintain regular communication with the Vietnamese representative, sales agent, and/or distributor of their product. Not only are many products competing for limited shelf, showroom or warehouse space, but also Vietnamese representatives may often carry multiple brands of the same product type. A close relationship allows the foreign supplier to keep abreast of the changes and developments in local market

conditions and assess the competitiveness of its products. This approach also ensures that the Vietnamese partner is updated on product information and motivated to market the product. Frequent training and support for after-service activities are also key elements of this activity.

I. Product Pricing and Licensing

1. Price as a Signal: Price plays an important role in the consumer's perception of the product. Although Vietnamese consumers expect to pay a premium for a foreign label or brand, in practice, the actual number of consumers who are willing to pay the higher price is limited. Most Vietnamese buyers are very price-sensitive. With the abundance of less expensive products in the form of smuggled or counterfeit goods and "COPYCAT" brands, competition is keen. Market analysts agree that one exception is consumer durables. Many Vietnamese view the purchase of big-ticket consumer items as both a status symbol and an investment; therefore, they want to buy the best in terms of quality and durability to maximize resale value.

2. Practical Considerations: Import taxes, value-added tax (VAT), special consumption taxes, customs service fees, and delivery delays can quickly price products out of the market or cut margins. The fragmented distribution system creates multiple layers of wholesalers, dealers and vendors, with markups at each stage. Moreover, foreign suppliers are often frustrated by their inability to maintain control over the product's pricing. Random and frequent price fluctuations are common, as many local distributors and wholesalers under-cut prices to achieve a faster turnover or withhold goods to prop up prices. One important pricing cycle to note is linked with the Lunar New Year celebration (generally in mid February). As there is a flurry of buying in the few months preceding the holiday and little activity immediately afterwards, price hikes and reductions follow accordingly.

J. Advertising and Trade Promotion

1. Advertising has been permitted in Vietnam only since 1990, but has grown rapidly in the past decade. Total national advertising expenditure on broadcasting, print media, and outdoor advertising escalated from less than US $20 million in 1993 to over US $116 million in 1999 (based on published rates). Advertising on television made up 50 percent of ad turnover, print media 30 percent, and outdoor 12 percent.

2. Regulation: Advertising remains heavily regulated by the Central Government. In principle, only companies licensed in Vietnam may place advertisements. Advertisements for tobacco and liquor (excluding beer) are prohibited in the mass media. Pharmaceuticals, agri-chemicals, cosmetics and toiletries require registration and approvals from the appropriate ministries before being advertised. Arbitrary enforcement and interpretation of the regulations hinder the development of the advertising industry. Moreover, the Ministry of Finance (MOF) has issued regulations in 1999 limiting tax

deductions for advertising expenses of joint ventures to no more than 5 percent of total production costs. This restriction does not have much practical effect at the moment as most of the clients of international ad agencies in Vietnam are only a few years old and are still "in the red," but it could become a significant impediment to advertising market growth in the future.

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

4. Clients: For the foreseeable future, multinational corporations (MNC's) in Vietnam will provide most of the business for foreign advertising firms. In 1999, the top ten ad buyers in both TV and print were all foreign-invested companies. Currently, the leading categories of TV ads are toiletries/cosmetics, soft drinks, pharmaceuticals, household cleaning products, and foods. The leading print ad categories are soft drinks, toiletries/cosmetics, vehicles (primarily motorcycles), pharmaceuticals, and transport/tourism services.

5. Television: Foreign advertisers prefer TV ads despite the high cost of each ad spot because of its high penetration and ability to showcase quality. Ninety-six percent of Vietnam's urban population of 17.9 million own TVs and watch an average three hours per day, mainly during the peak time of 6-9 p.m. TV penetration is estimated to be 92 percent in HCMC and 96 percent in Hanoi. The penetration in Hanoi is higher due to lower income and a lack of entertainment facilities. Nevertheless, viewership is higher in the HCMC area throughout the day, and nearly four times that of Hanoi in peak hours according to one recent survey. There are five major television stations and one national broadcaster (VTV). With the emergence of satellite dishes, many households also watch international programs (e.g. CNBC, CNN, Star TV), although this has recently been restricted by the government. For a thirty-second spot, foreign advertisers can pay from a low of US $150 to a high of US $2,200, depending on the day of the week, time of day and station location. Average thirty-second rates are US $600 to $US 1,200. Television advertising costs have jumped about 500 percent, since early 1994. Last year, US $56

million was spent on TV ads, up 14 percent from 1998. The top ten ad buyers spent US $31 million on TV advertising.

6. Print Media: A high literacy rate, a surge in new publications, and increased print media circulation all support the print media's growing popularity as an effective channel for advertising. Regulations place limits on space allocated for advertisements, but a recent survey found that rates are the lowest (in terms of cost per insertion) among fifteen countries in the Asia-Pacific region. There are over 400 newspapers and other publications in Vietnam, but few have nationwide circulation. Among the more popular publications are "Nhan Dan" (The People), "Tuoi Tre" (Youth), "Saigon Giai Phong" (Saigon Liberation) and "Lao Dong" (Labor). Within the past year, several international quality publications have begun circulation, including "Nha Dep" (Beautiful Home), "Dinh Cao" (Sports & Fitness), "M" (Fashion) and "Phu Nu The Gioi" (Woman's World). These latest publications are setting new standards for the quality of publications in Vietnam. English newspapers and publications include the Saigon Times Daily, Vietnam News, Vietnam Economic Times, and Vietnam Investment Review.

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

8. Radio: Radio advertising is not yet widely used for product promotion, but radio ad volume is growing. This is largely due to improvements in programming, such as the inclusion of English lessons and international music along with the standard selection of Vietnamese pop music, which in turn increases the appeal of radio programs to advertisers. Today, the audience represents a cross-section of the population with increasing buying power. There are three major stations and one national broadcaster, Voice of Vietnam (VOV). The cost per thousand listeners is very inexpensive. Although radio has not been so popular as TV and print, radio ad expenditures have doubled over the past few years.

9. Trade Fairs: Trade fairs are numerous and cover a broad range of sectors. Many are co-sponsored by government ministries. The Vietnam Chamber of Commerce and Industry and Vinexad sponsor fairs with leading international organizers. Common venues are the Giang Vo Exhibition Center, the Viet-Xo Cultural House, and the Army Guest House in Hanoi. In Ho Chi Minh City, the Reunification Palace, international hotels and Ho Chi Minh City International Exhibition and Convention Center are the common locations. Trade events offer opportunities to contact potential dealers, trading companies and end-users. Although the events are generally well organized and publicized, attendees tend to include many curious onlookers queuing up for promotional items. Booth rentals average around US $100/m2.

K. Sales Service and Customer Support

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

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

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

L. Government Procurement Practices

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

1. Bids for Government Purchases: Government procurement practice can be characterized as a multi-layered decision-making process, which often lacks transparency and efficiency. Although the Ministry of Finance allocates funds, various departments within the ministry or agency involved determine government procurement needs. Competition can be by sole source direct negotiation, limited tender, open tender, appointed tender, or special purchase. Currently, ministries and agencies have different rules on minimum values for the purchase of material or equipment, which must be subject to competitive bidding. High value contracts, such as infrastructure, require bid evaluation and selection and are awarded by the Prime Minister's office or other competent body, except for World Bank, Asian Development Bank, UNDP, or bilateral official development assistance (ODA) projects. No consolidated or regular listing of government tenders exists; however, some solicitations are announced in the Vietnamese language newspapers (Nhan Dan and Saigon Giai Phong) and in the English language newspapers (Vietnam News and Vietnam Investment Review).

2. Practical Considerations: The key to winning government contracts include a high degree of involvement and communication between the foreign supplier, the local distributor or representative, and relevant government entities. Interaction should begin during the budget planning stage. In practice, establishing rapport and credibility, as well as educating the government as to how the product or service can support project needs, take place well before the bid is publicly announced. Although the timing for tender opening, bid closing and award notification varies from project to project, preparation of government budgets generally occurs between January and June, with actual purchases made in July and August. Experienced foreign suppliers caution that even after awards are made, negotiations on price, specifications, payment terms, and collateral may well continue.

3. New Bidding Regulations: To provide more structure and transparency to the bidding process for infrastructure projects, the government issued Decree 88/1999/NDCP in September 1999, covering three general areas: 1) consultant selection; 2) equipment supply and construction; and 3) partner selection in investment projects. Infrastructure projects are now required to be tendered by international open bid under the new regulations. Despite the new rules, delays, non-transparent procedures, and allegations of impropriety often beset projects in Vietnam (including multilateral development bank projects and bilateral ODA projects).

CHAPTER V: LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

A. Best Prospects for Non-Agricultural Goods and Services

1. Aircraft and Parts

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

		1998 (actual)	1999 (actual)	2000 (est.)
A.	Total Market Size	4.0	5.0	450.0
B.	Total Local Production	0.0	0.0	0.0
C.	Total Exports	0.0	0.0	0.0
D.	Total Imports	4.0	5.0	450
E.	Imports from the U.S.	0.5	1.0	360.0
Exchange rates (US $/VND)		13,850	14,000	14,200

Note: The above statistics are in US $ million and are unofficial estimates of the market potential for aircraft and aircraft parts in Vietnam.

Vietnam’s civil aviation industry has witnessed a rapid rate of growth during the recent years. Accordingly, the aviation industry has yet to catch up with the pace of change and the needs of a modern aviation industry. After the significant drops in passengers and air-cargo transport in 1997, Vietnam Airlines, the national flag carrier, transported 2,480,000 and 2,564,000 passengers in 1998 and 1999, respectively. Vietnam Airlines also carried 40,300 tons and 41,200 tons of cargo in 1998 and 1999. The total traffic goal for 2000 has been revised to be 4.5-5.0 million passengers.
In order to meet the air transportation requirements in Vietnam, the Civil Aviation Administration of Vietnam (CAAV) and Vietnam Airlines have focused on the development of the air transport fleet. The government's master plan calls for the lease/purchase of fifty new aircraft at a cost of US $5 billion over the next ten years.

The primary purchaser of commercial aircraft and parts in Vietnam is Vietnam Airlines. Vietnam Airlines currently has a fleet of twenty aircraft including four Boeing 767-300, ten Airbus A320, four Aerospatiale ATR-72 and two Fokker 70 jets. These aircraft have been under wet or dry-lease for some years. The Airbus A-320's have been under wet-lease from Air France and Aerostar Leasing company, and the Boeing 707's have also been under wet- lease from General Electric, Ausett, and Regional Air. To improve the effectiveness and profitability of its fleet, Vietnam Airlines is planning to purchase two-three units of long-range aircraft and two units of mid-range aircraft. In addition, Vietnam Airlines will also be seeking a dry-lease contract for some units of Boeing 767-300's by the end of this year because its current lease contract will expire in January 2001.

In addition to Vietnam Airlines, there are also other organizations in Vietnam looking to buy aircraft and parts. CAAV and the National Committee for Search and Rescue (NCSR) would like to procure a number of middle range helicopters for search and rescue activities. These helicopters will also be used for offshore oil and gas operations, tourism and charter flights. Aviation experts believe that CAAV and NCSR will buy four units of helicopters in the 2000-2001 period. Vietnam Air Service Company (VASCO) and Service Flight Corporation, both state-owned air taxi and helicopter services, are also potential customers of commercial aircraft and parts.

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

2. Oil & Gas Exploration/Production Services

Rank of Sector: 2
Name of Sector: Oil & Gas Services
ITA Code: OGS

	1998 (actual)	1999 (actual)	2000 (est.)

A.	Total Market Size	1,230	1,450	1,600
B.	Total Local Production	1,500	1,800	2,000
C.	Total Exports	1,500	1,750	1,900
D.	Total Imports	1,230	1,400	1,550
E.	Imports from the U.S.	80	95	250
	Exchange rates (US $/VND)	13,850	14,000	14,200

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

Vietnam has 600 million barrels of proven oil reserves, with probable and possible reserves ranging as high as several billion barrels. Virtually all oil exploration and production activities occur offshore in the Cuu Long, Nam Con Son, and Southwest basins. Vietnam has four current major production oil fields: (1) Bach Ho – 150,000 bpd (2) Dai Hung – 12,000 bpd (3) Rong – 10,000 bpd and (4) Bunga Kekwa – 16,000 bpd. In 1999 Vietnam produced about 15 million tons of oil equivalence, an increase from 10 million tons in 1997 and 12 million tons in 1998. It is estimated that Vietnam will produce 18-20 million tons of oil equivalence in the year 2000. Most of the crude oil that Vietnam has produced has been for export. Revenues from the exports account for one fifth of the country's hard currency earnings in 1999. Vietnam's natural gas sector is still in the early stages of development. As the country's demand for energy continues to expand, its gas reserves will play an increasingly important role. Vietnam has estimated 6 trillion cubic feet (Tcf) of proven gas reserves. However, probable gas reserves may be as high as 10 Tcf.

To date Vietnam has signed thirty-seven production sharing contracts (PSC's) with foreign partners for upstream operations, bringing total sum of investments in the upstream sector to approximately US $2.5 billion. Negotiations of a US $1.5 billion gas utilization project in the Nam Con Son Basin between BP-StatOil and PetroVietnam, the national oil and gas corporation, are expected to come to a conclusion by the 3rd quarter of 2000. Several competitive bids for this project are likely to be held in the 3rd and 4th quarters of 2000. Another development project to bring gas from the southwest offshore blocks to serve proposed power plants in the Mekong Delta by the year 2005 or onward is under consideration by PetroVietnam and the Vietnamese government. In addition, PetroVietnam has a procurement plan of approximately US $300 million to replace its existing oil and gas production facilities in the period 2000-2001.

As of yet Vietnam does not have a refinery that meets international standards. Plans are underway for the US $1.3 billion Dung Quat refinery, which is to be built in the Central Region. Recently, the Vietnamese government established a joint venture with a Russian partner to build this project. Preparation of competitive bids for engineering and construction contracts for this project has been under consideration by PetroVietnam and its Russian partner. Industry experts believe that these bids will take place by the end of 2000 or beginning of 2001.

In the oil and gas industry, both upstream and downstream businesses are under the government's control. In upstream activities, PetroVietnam is the only company entitled to carry out petroleum operations throughout the country. Petroleum exploration and production activities by any other organizations in Vietnam may only be conducted in cooperation with PetroVietnam. In downstream activities, foreign companies can also have joint ventures for manufacturing and distributing motor oil, household bottled gas, etc. In addition opportunities in related fields, such as petroleum transport and packaging, are possible. Recently, PetroVietnam and the Vietnamese government have granted TOTAL from France the right to distribute its locally produced LPG to the domestic market. Several state-owned companies play key roles in the downstream operations. These companies include Petrolimex and Petec under the Ministry of Trade (MOT), PetroVietnam Trading Company (Petechim), Saigon Petro under Ho Chi Minh City's People Committee, and Vinapco under Vietnam Airlines.

The competition is intensive and companies from the U.K., Japan, India, Korea, and other countries are very active in the market. U.S. firms are highly regarded. With regards to upstream operation, while opportunities for American oil/gas exploration companies appear large, the field is competitive and negotiations can be lengthy. Participation as part of a consortium should be considered in crafting market-entry options. With regard to downstream operations, competition among firms well established in the market, such as BP, ESSO, CALTEX, and SHELL is very strong.

3. Electrical Power Systems

Rank of Sector: 3
Name of Sector: Electrical Power Systems
ITA Code: ELP

		1998 (actual)	1999 (actual)	2000 (est.)
A.	Total Market Size	650	1,200	1,500
B.	Total Local Production	160	300	375
C.	Total Exports	0.0	0.0	0.0
D.	Total Imports	390	900	1,125
E.	Imports from the U.S.	45	250	320
Exchange rates (US $/VND)		13,850	14,000	14,200

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

The development of the energy sector in Vietnam is critical to the future growth of the country. The demand for power is rising rapidly and is expected to continue at an annual growth rate of between 14-15 percent, which is an increase of between 78,486 million kWh and 87,323 kWh by the year 2010. Distribution and transmission of electricity are also planned to reach 100 percent of the communes, 80 percent of the villages, and 70 percent of the rural families by the year 2000. The industry will need about US $15 to US $20 billion to achieve the investment targets for increasing generation capacity and network expansion between 2000-2010. About 60 percent of the total is for power generation and the remaining 40 percent for power transmission and distribution. The primary financing source for the power industry is Official Development Assistance (ODA) committed to the sector through the World Bank, Asian Development Bank, and bilateral funds from various governments.

In 1999 Vietnam produced and transmitted almost 23.50 billion kWh of electricity from a total installed generation capacity of about 5500 MW. Among the existing power plants, hydropower accounts for 50 percent, coal-fired 17 percent, gas and fuel fired 26 percent, and other local Independent Power Producer (IPP) 7 percent. While coal and gas technology will play a larger role in the medium term, hydrotechnology is the preferred long-term path of the Electricity of Vietnam (EVN). In addition to the expansion of the power generation capacity, Vietnam has tried to increase the efficiency of its power transmission and distribution networks. However, the current line loss still remains relatively high, 15.8 percent, according to the official statistics of EVN (about 6 percent from transmission loss and 9.8 percent from distribution loss).

Significant opportunities for U.S. companies exist in about twenty-one planned projects in the coming years. These opportunities include over US $350 million investment for power transmission and distribution network, and an estimated US $800 million for several power plants such as O-Mon 600MW thermal, Uong Bi 300MW thermal extension, Na Duong 100MW thermal, and Dai Ninh 300MW hydro, among others. Many of these projects were expected to go forward on a build-operate-transfer (BOT) basis. However, at this writing, the government is reevaluating its commitment to the BOT and many of these projects may be delayed. The market for power generation equipment and services is estimated to reach US $700 million in the fiscal year 1999-2000, and will grow at an annual rate of 25 percent over the next few years. As the majority of the projects are funded by ODA, international tenders are held for each phase of a project. In general, opportunities appear not only for construction and equipment supply contracts but also for services such as project assessment, project preparation, and project management.

A complete line of power generation equipment is needed to construct each power plant. Opportunities include gas turbines, twin turbines, diesel-power generators, combined cycle generators, pollution control equipment, steam generators, process monitoring and control equipment, fuel handling equipment, and associated mechanical systems.

The competition is intense, and companies from Japan, Germany, Sweden and other countries are very active in the market. As Vietnam favors a diversity of foreign supplier relationships in its approach to working with vendors, access to contract is somewhat easier. While the competition from international rivals is strong, American power systems and technologies are highly regarded. Interested U.S. firms should contact U.S.

government financing and insurance agencies such as Trade Development Agency (TDA), Overseas Private Investment Corporation (OPIC), and Export-Import Bank (EXIM) to enhance their competitiveness.

4. Food Processing/Packaging Equipment

Rank of Sector: 4
Name of Sector: Food Processing/Packaging Equipment
ITA Code: FPP

		1998 (actual)	1999 (actual)	2000 (est.)
A.	Total Market Size	250.0	310.3	394.0
B.	Total Local Production	90.0	113.5	155.5
C.	Total Exports	0.0	0.0	0.0
D.	Total Imports	160.0	196.8	238.5
E.	Imports from the U.S.	30.0	45.0	72.0
Exchange rates (US $/VND)		13,850	14,000	14,200

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

Vietnam is an agricultural-based economy with over 70 percent of its population engaged in agricultural activities that generate 30 percent of gross domestic product. Moreover, Vietnam is a net food exporter and agricultural products (i.e. rice, coffee, tea, cashews, pepper and seafood) account for 40 percent of the country's total export turnover. The food processing industry maintains an annual growth rate that averages nearly 11 percent. With the push to export more agricultural products and the growth of the domestic packaged foods sector, the food processing and packaging sector has now become one of Vietnam's key industries. However, a large number of Vietnamese food and foodstuff products do not yet meet the international standards for processing, packaging, labeling and hygienic requirements due to outdated techniques and a lack of modern equipment. American suppliers will find opportunities in this industry as Vietnam continues to expand production.

In 1999, Vietnam exported US $950 million in seafood products, US $530 million in coffee, US $70 million in fruit and US $930 million in rice. The total market for food processing and packaging equipment in Vietnam is estimated to be US $394 million in 2000 and is expected to continue growing at an average of 27 percent for the near term.

According to "Industrialization and Modernization of the Agricultural and Rural Economy," a program sponsored by Vietnam's Ministry of Agriculture and Rural Development's (MARD), processed agricultural output will rise to US $5.6 billion

(2000), US $7 billion (2005), US $8.5 billion (2010) and US $12.4 billion (2020). Sea products are targeted to reach US $1.1 to US $1.2 billion worth of exports in 2000. To reach such targets, the country has to increase investment in new machinery and production lines in order to upgrade the capacity of the existing plants and build new processing plants with high-tech equipment. Therefore, MARD itself is planning to invest approximately US $2.2 million in post-harvest technology in 2000.

U.S. suppliers will find the best prospects for food processing and packaging equipment in the following sub-sectors:

- Rice & Coffee: rubbing & milling, polishing, drying, grading, storage facilities and packaging machines;
- Tea: rubbing and dehydrating machines;
- Meat: freezing, tumbling, grinding, cutting, pasteurizing, mixing, stuffing machines, hot dog, sausage and pate processing equipment;
- Processing equipment for vegetable oil, vegetable, fruit, cotton and dairy.

5. Computer Hardware, Software and Services

Rank of Sector: 5
Name of Sector: Computer Hardware, Software, and Services
ITA Code: CPT, CSF and CSV

		1998 (actual)	1999 (actual)	2000 (est.)
A.	Total Market Size	180.0	226.0	324.0
B.	Total Local Production	40.0	45.0	68.0
C.	Total Exports	0.0	6.0	18.0
D.	Total Imports	140.0	175.0	238.0
E.	Imports from the U.S.	100.0	78.0	95.0
Exchange rates (US $/VND)		13,850	14,000	14,200

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

In 1999 computer hardware, software and services in Vietnam made considerable steps forward in spite of the adverse effects of the economic crisis in the region and continuous decreases in the national economic growth rate. Surveys from the IDC Singapore and IDC Thailand show the growth rate of Vietnam's IT market at around 30 percent per year. In addition, the same survey showed possible future trends in the market with a 40 percent increase in the number of people aware of or interested in IT. Even the most cautious forecasts say that between now and the year 2005, the average growth rate of the IT market in Vietnam will be at least 20 percent per year.

In the early to mid-1990's, the Vietnamese computer industry was booming with hardware sales growing roughly 30 to 40 percent per year. Since 1998 however, this has declined somewhat due to the drop in foreign direct investment (FDI) and the general malaise from the regional economic crisis. Hardware sales alone are expected to increase by 39 percent in 2000 and software and services will increase by a stunning 64 percent.

The total market for computer hardware, software and services in 1999 was US $226 million and is estimated to reach US $324 million in 2000 and US $650-800 million in the year 2005. Industry analysts estimate that roughly 80 percent of Vietnam’s Information Technology (IT) market is comprised of hardware sales. By the end of 2000, there will be an estimated 720,000 PCs in use in Vietnam according to industry sources. Computer services comprise of 10 percent and software sales constitute the remaining 10 percent. Software sales continue to be plagued by rampant piracy. A June 2000 article in a leading news publication stated that 98 percent of software in Vietnam is unlicensed. The software & services market in the country is divided with domestic companies accounting for US $14-16 million and foreign companies with US $24-26 million.

Almost all-leading PC manufacturers are represented in Vietnam with Compaq, IBM and HP leading the market. Software and service companies from the US like Microsoft, Oracle, Paragon Solutions Vietnam, Ulysses and Unisys compete with foreign companies. The leading Vietnamese companies include FPT, Lac Viet Co., DigiNet, and GenPacific.

The Internet is another fast-growing industry sector in Vietnam with over 15,000 individual subscribers signed up for access in the first year of operation. This is augmented by a project backed by the Ministry of Culture and Information to make its Cinet online network available to students and researchers in towns all over the country. Vietnam now has four officially approved Internet Service Providers (ISPs): VNN, FPT, Saigon Net and NetNam with more than 60,000 subscribers. Ho Chi Minh City alone has about 40,000 subscribers, the most in the country.

The Ministry of Science, Technology and Environment (MOSTE) has drawn up a plan for a software industry with annual turnover of US $500-800 million by 2005 and US $3 billion by 2020. The People 's Committee of Ho Chi Minh City has approved a plan to build the Quang Trung Software Park. It is expected to be the largest center specializing in IT in the South of Vietnam and will be used to speed up software development in Vietnam. This will offer opportunities in training as well as hardware, software and services.

6. Telecommunications Equipment

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

	1998	1999	2000

		(actual)	(actual)	(est.)
A.	Total Market Size	860	1,200	1,320
B.	Total Local Production	93	110	270
C.	Total Exports	0.0	0.0	0.0
D.	Total Imports	767	1,090	1,050
E.	Imports from the U.S.	85	95	110
Exchange rates (US $/VND)		13,850	14,000	14,200

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

The telecommunications sector has been a national investment priority since 1992. The government recognizes that a modern telecom network is essential for maintaining economic development and attracting foreign investment. The Vietnamese lacked the legacy of an infrastructure system and were free to create a modern, digital system from the ground up. The telecommunications regulating authority, the Directorate General Post & Telecommunications (DGPT) and the Vietnamese telecommunications operating and purchasing authority, Vietnam National Post & Telecommunications Corporation (VNPT), have made a strategic decision to build the national telecom system with only state-of-the-art products and systems.

Since 1991 the telephone density has increased rapidly from 0.18 sets/100 people to 3.5 sets/100 people. As of 1999, Vietnam’s telecom industry has been operating on a parallel fiber optic/digital microwave backbone system and mobile networks based on GSM and DAMPS technology. Other value-added services such as the Internet, data transmission and card phone services are also available. All sixty-one provinces have been equipped with digital switched hubs. The goal set by DGPT to reach four lines per 100 people by the end of 2000 requires US $428.5 million in investment. Within the next ten years, DGPT plans to invest about US $5.68 billion to raise the teledensity to 10/100 people.

During the past eight years, many foreign suppliers have successfully entered the market, including Siemens, Ericcson, Alcatel, NEC, Bosch, and Lucky Goldstar. Financing for procurement of telecom equipment comes mainly from VNPT’s budget and from the investment of foreign partners under Business Cooperation Contract (BCC) arrangements. Telstra (Australia), the first Western telecom company to form a BCC with VNPT, has engaged in a very effective strategy of providing training, equipment and operations know-how. Several firms have concluded telecom manufacturing joint-venture deals, such as Goldstar (Korea) for fiber optic cable and digital switches, Daesung (Korea) for copper cable, Alcatel to assemble digital switches, and Siemens to produce fiber optic cable and digital switches.

VNPT has shown a high regard for American telecom equipment because of America's reputation for technological innovativeness and quality. A number of American firms have successfully entered into this rapidly growing market, including Motorola and AT&T. Sales have been somewhat hampered, however, by the lack of competitive financing. Many competitors rely on government-backed soft bilateral loans, often known as Official Development Assistance (ODA). Increasingly, the telecom sector has become a favorite of international banks and trade financing firms. Japanese trading companies

(Sumitomo, Nichimen and Kanematsu) have all provided competitive financing for American telecom equipment.

The growth in this sector would be expected to accelerate with the introduction of new government competitors to VNPT. In August 1996, the Saigon Postel Corporation (SPC) was formed as a joint-stock company to provide competing services to VNPT. Saigon Postel is authorized to provide mobile phone service, wireless telephone, paging, the Internet and other services. The military-owned Vietel (the Military Electronic and Telecommunications Company) was granted a business license in 1998 to operate pagers, cellular communication services, fixed telephone service, postal service and the Internet. However, as with many ventures in Vietnam, financing is a key problem preventing Vietel and Saigon Postel from engaging in substantial operations.

Sub-sectors with the most potential include fixed and mobile wireless, VSAT, cable TV transmission equipment, portable radio systems, digital microwave systems and digital switchgear (toll switches and tandem switches). Value-added products, such as billing systems and voice mail also have significant potential.

7. Medical Equipment

Rank of Sector: 7
Name of Sector: Medical Equipment
ITA Code: MED

		1998 (actual)	1999 (actual)	2000 (est.)
A.	Total Market Size	83.0	110.0	130.0
B.	Total Local Production	0.0	0.0	0.0
C.	Total Exports	0.0	0.0	0.0
D.	Total Imports	83.0	110.0	130.0
E.	Imports from the U.S.	20.0	29.0	35.0
Exchange rates (US $/VND)		13,850	14,000	14,200

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

The demand for medical equipment has increased with the need to re-equip outdated medical facilities. Although the market is still relatively small compared to other more developed countries in the region, the state has gradually increased its budget in the health care sector, resulting in a significant expansion of the market during the past few years. The recent boom in the medical equipment market has led to more diversified products made by leading manufacturers, such as GE, Siemens, Philip, Toshiba, Shimadzu, etc.

There are 828 hospitals in Vietnam, with about 43,000 beds. The thirty-three largest hospitals have an average size of 800 to 1,000 beds. There are only five foreign invested hospitals and polyclinics, and three private hospitals across the country.

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

New government budgets for 1999 - 2003 are approximated at US $55 million for medical equipment. The initiatives continue to emphasize the upgrading of medical equipment, developing hi-tech centers in Hanoi, Ho Chi Minh City and the Central Region, increasing the number of medical personnel, and providing more training.

Since most medical institutions in Vietnam are non-profit organizations, commercial loans and other credits are not widely available. Most medical equipment can only be bought with the support of the following financing sources:

Central state budget through the Ministry of Health and provincial state budget through the Department of Health (20 percent). Foreign aid (80 percent) funds from the Asian Development Bank (ADB), the World Bank, the Overseas Economic Cooperative Fund (OECF), the Japanese Cooperation (JICA), and Official Development Assistance (ODA) are being made available.

Government hospitals, clinics, and health care centers purchase the bulk of medical equipment. This sector accounts for nearly 80 percent of the market. Medical educational and research institutions account for another 5 percent market share. Private clinics account for about 5 percent to 10 percent of the market.

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

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

Numerous firms from Asia, Europe and the U.S. have entered the market. International competitors include Siemens, Phillips, Hitachi and Shimadzu. There are also a number of joint ventures between foreign and domestic manufacturers. At present, Japanese, German and US suppliers dominate the market. US medical equipment is among the most competitive in the market.

US suppliers lead the market for several types of equipment, e.g. respirator equipment from Bird; X-ray and CT scanners from GE; laboratory equipment from Abbott, OB/GYN and anesthesia equipment from Ohmeda, etc. Other well-known US producers in the market are Beckman, Nonin, Airsep, and Nicolet. U.S. products tend to be 20 percent higher in price than their competitors, but American firms have been successful in selling on a quality basis. Presently, the US market share is about 25 percent. Strategies for developing business include the donation of new or reconditioned equipment (for educational purposes), the implementation of educational programs at teaching hospitals, offering equipment on consignment (six months) and, above all, having excellent after-sales service.

8. Telecommunications Services

Rank of Sector: 8
Name of Sector: Telecommunications Services
ITA Code: TES

		1998 (actual)	1999 (actual)	2000 (est.)
A.	Total Market Size	1,255	1,400	1,410
B.	Total Local Production	875	950	1,045
C.	Total Exports	0.0	0.0	0.0
D.	Total Imports	380	450	495
E.	Imports from the U.S.	14	20	22
Exchange rates (US $/VND)		13,850	14,000	14,200

Note: The above statistics are in US$ millions and are unofficial estimates. These figures represent total international traffic (voice & data), plus business cooperation contract (BCC) revenues to foreign telecom operators. Local production is the revenue allocation of international traffic to Vietnam Post and Telecommunications (VNPT).

This sector is regulated by the Directorate General of Post and Telecommunications (DGPT). Foreign companies can participate in developing the Vietnamese national network by participating in revenue-sharing BCC's. Under Vietnamese law, the ownership and/or management of telecom systems by foreign companies is prohibited, as this sector is seen as a national security asset. The BCC's are formed by having the foreign partner supply financing and services by means of providing equipment and training to a partnership formed with VNPT. The foreign party is then allowed to share the revenue with VNPT at a negotiated rate for a fixed period of time.

The majority of the equipment is financed by international telecom operators for services such as cellular mobile, VSAT, landline and fixed wireless telephony, and paging. Earlier on, VNPT signed BCC's with Telstra (Australia) and Comvik (Sweden) among others. In 1997 and 1998, it signed and issued BCC's with France Telecom (US $492.5 million for 5400,000 lines), Cable & Wireless (US $207 million for 250,000 lines) and NTT (US $208 million for 240,000 lines) and is reportedly in talks with Telstra for a BCC worth approximately US $306 million. However, due to various reasons, there is little progress in these BCC's. The provision of value-added services such as voice mail, e-mail, data transmission, Internet traffic and billing systems is also encouraged.

Vietnam's telecom network is comprised of equipment from multiple vendors. For example, Vietnam has employed digital switches produced by twelve different suppliers. Therefore, there is an opportunity to provide system integration and protocol compatibility services, maintenance, training, and other related consulting services.

The telecommunications services sector has a high potential for American exports and investment. US technology, operations capability and value-added services are seen as state-of-the-art and reliable. US companies, for example AT&T, have been successful in obtaining contracts for providing long distance voice and data transmission services. The introduction to the Internet in Vietnam since 1997 also has created a significant revenue opportunity for U.S. companies. Currently, the country has one Internet Access Provider and five licensed Internet Services Providers providing Internet services for approximately 60,000 subscribers. The number of Internet subscribers is expected to grow 100 percent annually. Other services, including Voice Over Internet Protocol (VOIP) and e-commerce, are also of interest to VNPT's units, such as the Vietnam Telecom International and Vietnam Datacommunication Company as well as Vietel.

In addition, as the national telecom system expands, more complex value-added services will be required, such as those associated with advanced digital networks. Many of the advanced telecom services found in America today will be required in Vietnam as the network continues to grow.

9. Environment and Pollution Control Equipment/Services

Rank of Sector: 9
Name of Sector: Pollution Control
ITA Code: POL

		1998 (actual)	1999 (actual)	2000 (est.)
A.	Total Market Size	300.0	320.0	400.0
B.	Total Local Production	195.0	208.0	260.0
C.	Total Exports	0.0	0.0	0.0
D.	Total Imports	105.0	112.0	140.0
E.	Imports from the U.S.	10.5	11.2	14.0
Exchange rates (US $/VND)		13,850	14,000	14,200

Note: The numbers are unofficial estimates (in US$ millions) based on the total ODA funding of ongoing and pipeline environmental projects of urban and industrial planning sectors excluding the portion of water resources.

According to a recent United Nations Development Program (UNDP) report on environmental projects in Vietnam, there are 173 ongoing environmental projects valued at US $1.415 billion, which are financed by multilateral and/or bilateral aid arrangements. Urban planning and industrial pollution control sectors receive 32 percent of these environmental projects funded through Official Development Assistance (ODA).

In addition to urban water supply, most of the projects are involved in the rehabilitation and construction of drainage and sewage networks, wastewater treatment systems, solid waste collection and management, and relocation of the inner city' s industrial production sites to improve the city's environment.

Drainage and sewage are problems for cities like Hanoi and Ho Chi Minh City where some infrastructure dates back to the late 1800's. Several ODA projects aim at improving urban drainage systems, cleaning canals, and upgrading landfills. Both the World Bank (WB) and Asian Development Bank (ADB) have pledged to provide Vietnam with hundreds of millions of dollars for projects to improve the urban environment of major cities. Bilateral aid agreements have also been signed to help increase the quality of life of city dwellers.

Wastewater generated by industries is also a big problem. Many local companies have insufficient resources to install their own wastewater treatment facilities. However, the government has committed money to lend small and medium enterprises via a revolving fund called "the Demand Stimulus Fund" to assist them to upgrade production facilities, relocate plants into industrial areas where waste treatment facilities are available, apply cleaner production concepts, etc. Foreign invested businesses, industrial parks, and export-processing zones are required to build their own wastewater treatment plants to comply with environmental regulations. In addition, hazardous and toxic waste treatment is also a requirement for businesses that manufacture export products.

Medical waste disposal has become less of an issue in Ho Chi Minh City since the recent commissioning of an incineration plant with a capacity that exceeds the city's actual needs. However, other provinces, including Hanoi, have been slow in making decisions in which technology is the most suitable for Vietnam's current situation. The government has allocated US $1.03 million from the state budget to improve waste treatment facilities at hospitals. Although the Ministry of Health has garnered some funds, the largest opportunities in medical-waste disposal remain with bilateral aid-funded projects.

Mobile air emissions have a major direct impact on public health given that half a million of transport vehicles and over 5 million motorbikes are running on the streets nationwide. There are high levels of lead in the air of major cities because 100 percent of all vehicles are still using leaded gasoline without any pollution controls in place. The government, with the assistance of the WB, and other international organizations are considering a national plan to phase out leaded gasoline. In addition to motor vehicle emissions, leading sources of air pollution are generated by various industries i.e. power energy, cement, chemical, and steel.

In addition to the needs for pollution control equipment, environmental services for ODA-funded projects offer good market opportunities for US firms. The best opportunities for environmental service companies rest with preparation of feasibility studies, detailed designs, bidding documents, site surveys, and project management and implementation.

10. Education and Training

Rank of Sector: 10
Name of Sector: Education and Training
ITA Code: EDS

		1998 (actual)	1999 (actual)	2000 (est.)
A.	Total Market Size	19.0	22.0	40.0
B.	Total Local Production	15.5	18.0	30.0
C.	Total Exports	0.0	0.0	0.0
D.	Total Imports	2.3	2.5	6.5
E.	Imports from the U.S.	1.2	1.5	3.5
Exchange rates (US $/VND)		13,850	14,000	14,200

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

The Vietnamese government has pledged to improve education and training through large increases in the state budget allocation and by providing more incentives for institutions, teachers and students. Best prospects for American educators are in overseas study, language, and vocational training.

Overseas study for the Vietnamese is supported through state budget appropriations, government-to-government agreements, and self-finance. The Government has allocated US $7 million annually to send 350 state employees to study in foreign countries for doctoral, masters, and other post-graduate training in strategic industries. Government-to-government agreements have supported about one-thousand students to study abroad every year. Self-financed study has also increased. During the 1998-1999 school year, over eight-hundred Vietnamese students took courses in Australia and 1,284 students attended 351 universities in the U.S.

In the 1999-2000 school year, Vietnam's educational system enrolled more than eighteen million students. Of them, 800,000 students were enrolled in one of the sixty-four universities and seventy-five colleges existing nationwide. However, the educational sector is beset with serious problems: overcrowding, shortage of teachers, outdated equipment, books, materials, and a lack of responsiveness to the changing demands of the marketplace.

To meet those demands, the Government recently started encouraging more foreign participation in the education sector. There is demand for foreign expertise and assistance at many levels in the domestic market.

The Vietnamese Government has placed a renewed emphasis on the importance of vocational training. Its objectives are to train between 22-25 percent of the country's labor force and to reduce the unemployment rate to less than 5 percent.

In 1999 there were 138 vocational training schools, two international training institutions, more than one-thousand vocational training centers and over fifty colleges providing vocational training courses. The entire system trains 500,000 laborers each year, yet accounts for only 18 percent of Vietnam's training requirements.

This year, the Government is considering a plan to provide US $71.4 million for vocational training. More significantly, Vietnam has received a total of US $121 million (2000-2005) from four international organizations to jump-start its costly vocational training projects.

Major training areas are industry, IT, transportation, construction, and services. Of these, IT gets the most attention. HCM City will invest US $10 million to establish an IT and Telecom High-Tech Zone. It will include a Research & Development Center and a training center for programmers. Around 10,000 programmers will be trained for the local market in the next five years.

To further encourage foreign investment, the Vietnamese government issued Decree No.06/2000/ND-CP dated 6 March, 2000 providing incentives for foreign investment in healthcare, education and training, and scientific research. Foreign investors in such sectors will be exempt from corporate income tax for four years after the first year of profit, pay only 5 percent for the following four years and 10 percent for the remaining life of the project.

Foreign partners are encouraged to establish educational institutions to provide vocational and tertiary education for both Vietnamese and foreigners under joint ventures (JV), business cooperation contracts (BCC) or wholly foreign ownership.

B. Best Prospects for Agricultural Products

For details on market opportunities in the agricultural sector in Vietnam, please refer to USDA's Unified Export Strategy (UES) report. A market assessment for seventeen commodities and products is provided in the FY-2000 UES for Vietnam.

Agricultural trade with Vietnam is lopsided in favor of Vietnam. In FY-1999, the United States imported a record US $290 million (seafood, coffee, spices) from Vietnam and shipped directly only US $26 million (cotton, wheat, powdered milk, fresh fruit and hardwood lumber). The pace of U.S. exports in the first half of FY-2000 (Oct-Mar) was US $28.4 million, an encouraging 107-percent rise over the same period last year. Actual value of U.S. agricultural products entering VN is perhaps twice the official value due to re-exports, transshipments and smuggling.

U.S. export opportunities will be linked to overall VN economic performance, which will, in part, depend on policy reform and trade liberalization. Lower tariffs and an efficient and responsible customs service are key to expanded trade. Vietnam is a solid market for the future. Without question, export values on both sides will expand as bilateral relations improve and economic development in Vietnam leads to higher levels of consumption among its population of 80 million. In the near term, our best prospects lie in the bulk and intermediate products (cotton, wheat, soybean meal, genetics) that will be transformed locally to fuel developing industries, e.g., textiles and feed & livestock. Consumer food products (fresh foods, canned goods, and wine) are widely available in retail outlets throughout the major urban areas; however, comparatively high prices limit demand to only the top strata of consumers.

There is a tremendous correlation between VN agricultural development goals and our interest in expanding this market for U.S. agricultural commodities, products, and services. Economic development will also lead to downstream agricultural processing, which in turn, will expand Vietnam's potential as an exporter of value-added agricultural products.

1. Soybeans & Soybean Meal

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

Soy beans (1000 Metric Tons)	1995/96	1996/97	1997/98	1999/00
Total Market Size	25	135	155	165
Local Production (Oct/Sep)	115	120	125	125
Total Imports (Oct/Sep)	15	20	25	35
Total Exports	5	5	0	0
Total Imports from the U.S.	10	5	10	10

Total market size = total consumption
Import Duty: 10%

SBMeal	1995/96	1996/97	1997/98	1999/00
Total Market Size	50	190	215	400
Local Production (Oct/Sep)	25	25	35	45
Total Imports (Oct/Sep)	125	160	180	355
Total Exports	0	0	0	0
Total Imports from the U.S.	5	0	5	15

Total market size = total consumption

Import Duty: 10%

2. Bulk Cotton

Vietnam has a small but vibrant textile industry, mostly based on comparatively inexpensive synthetic fiber. Textiles are one of Vietnam's top foreign exchange earners with over US $1.0 billion in export sales. Cotton spinning is expanding, as export markets demand higher-value garments and products. There has been investment both to replace existing out-dated spindles and to add capacity, a development that improves prospects for U.S. cotton. Local cotton production, although expanding, meets only about 10 percent of mill demand. Marketing efforts are directed by the Cotton Council's International Regional Office in Hong Kong.

(1000 Metric Tons)

	1996/97	1997/98	1998/99	1999/00
Total Market Size	40	66	76	85
Beginning Stocks	8	8	8	12
Local Production	4	7	8	9
Total Imports (Aug/Jul)	36	59	72	76
Total Imports from US	15	18	8	18
Consumption	40	66	76	85
Carry Over Stock	8	8	12	12

Import Duty: 10%

3. Wheat and Wheat Flour

Vietnam is rapidly evolving from a wheat flour to a wheat grain market due to increased investment in milling capacity over the past four years. Current estimated installed capacity to grind wheat is about 700,000 metric tons (wheat basis). Prospects for U.S. wheat will improve through the expansion of grain handling facilities and deep water ports to accommodate panamax (i.e., 50,000 MT) vessels, thereby lowering unit delivered cost of grain. Marketing efforts are directed by the U.S. Wheat Associates Regional Office in Singapore.

Wheat Flour
(1000 Metric Tons)

	1997	1998	1999
Total Market Size			
Local Production	417	467	500
Total Exports	85	175	250
Total Imports	0	0	0
Total Imports from the U.S.	332	292	225
	0	0	0

Import Duty: 15%

Flour Imports by Origin

	1997	1998	1999
European Union	100	100	100
Japan	50	50	25
India	72	60	25
China	100	72	75
Australia	10	10	0
Total Flour Imports	332	292	225

Import Duty: 10%

4. Livestock Genetics

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

Total Herd Size (1000 Head)

	1996	1997	1998	1999
Dairy Cows	22	25	26	27
Cattle/Buffalo	6,500	6,700	6,900	7,200
Swine	16,921	17,636	18,517	19,300
Chickens	112,775	120,567	128,500	160,000
Ducks	38,617	40,500	41,000	41,500

Note: data are MARD.

Import Duty: 0%

Export Value (1000 US$)

	1996	1997	1998	1999
U.S. Breeding Stocks	451	273	245	102

Note: data are US Census

5. Fresh Fruit and Vegetables

Import Duty: 40%

Volume data for fresh fruit imports are not reliable. According to the Government of Vietnam's Customs data, Vietnam in 1999 imported US $3.3 million of table grapes and US $10.4 million of apples. U.S. direct exports to Vietnam during that time were US $1.2 million and US $1.1 million, respectively. We expect the market to grow by 10-12 percent annually over the next five years. Our share of the deciduous fruit market is being eroded by fierce competition from other suppliers, both northern (France, Italy) and southern hemisphere (New Zealand, Australia, Chile and South Africa). While table grapes have remained strong (46-percent share), the position of U.S. apples has plummeted from a 50-percent share in 1994 to a 9-percent share in 1999. Economic growth and lower duties would expand demand for imported fresh fruit. An improved cold chain from port to retail level would help reduce costs and improve margins. Marketing efforts are directed by the California Table Grape Commission's Vietnam office in HCMC.

6. Snack Foods, Packaged Foods, Canned Foods

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

(1000 US$)	1995	1996	1997	1998	1999
Total Market Size	20,000	25,000	28,000	20,000	22,000
Total local production N/A	N/A	N/A	N/A	N/A	N/A
Total Exports	N/A	N/A	N/A	N/A	N/A
Total Imports	N/A	N/A	N/A	N/A	N/A
Total Imports from US	2,400	3,000	2,600	1,500	1,950

Import Duty: 50%

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

7. Forest Products, Hardwood Lumber

Import duty: 0%

Prospects are bright for hardwood lumber and other forest products. Vietnam 1999

Customs data shows a hardwood lumber import value of US $28 million. Most of this goes to construction projects. During the same period, U.S. exports of hardwood lumber to Vietnam were a record US $900,000, mostly of cherry, ash, and birch for furniture and office remodeling projects. We expect the market for imported hardwood lumber to increase 20 percent annually over the next five years. In July 1999, our office, in cooperation with the American Hardwood Export Council (AHEC), surveyed the Vietnam wood processing industry. AHEC is optimistic that Vietnam will develop into a steady customer for U.S. hardwoods to supply the emerging export furniture industry; in their opinion, Vietnam today is like China fifteen years ago. Our prospects would improve with a bilateral trade agreement and lower duties on Vietnamese products to the United States. AHEC's regional office in Hong Kong directs marketing efforts in Vietnam.

CHAPTER VI: TRADE REGULATIONS, CUSTOMS AND STANDARDS

A. Membership in Free Trade Arrangements

1. ASEAN Free Trade Area (AFTA): In July 1995, Vietnam became a member of Association of South East Asian Nations (ASEAN) and subsequently, a member of AFTA. As part of AFTA, ASEAN members -- including Brunei, Philippines, Indonesia, Laos, Myanmar, Malaysia, Singapore, Thailand, and Cambodia -- are committed to making this region a competitive trading area. Under the harmonization process called CEPT -- the Common Effective Preferential Tariff Scheme -- intra-regional tariffs, especially for manufactured goods, would be reduced to a level of between zero to five percent by year 2003. Vietnam has been granted an extension until 2006 to comply with this requirement.

2. World Trade Organization (WTO): Vietnam has initiated the application process for membership into the WTO and has engaged in several working group meetings on accession in Geneva. As of mid-2000, however, Vietnam's government had yet to make an offer on goods and services, to serve as a basis for negotiation.

B. Tariff and Non-Trade Barriers

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

specific information about the issues discussed below in planning their market entry approaches.

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

3. Trade Regime Developments: Streamlining the tariff structure is one remaining key trade liberalization issue. However, some of the government's major obstacles stem from pressures to protect domestic industries and the potential loss of significant tax revenues. Nevertheless, Vietnam is committed to reducing or eliminating tariffs and other trade restrictions, since it is a requirement for its membership into Asean Free Trade Area (AFTA) and if it is to realize its hopes for membership into the WTO. The United States negotiated a bilateral trade agreement with Vietnam, a prerequisite to Vietnam gaining Normal Trade Relations (NTR) status. This bilateral trade agreement will address various market access considerations, including both tariff and non-tariff barriers. The proposed agreement has been available for signature since September 1999. Over the past year, the Government of Vietnam has studied the proposed agreement. In early July 2000, Minister of Trade, Vu Khoan, led a delegation to Washington to conclude the agreement. For more detail on the proposed agreement, see the Economic Trends section above.

C. Tariffs Rate:

1. Tariff Code: The Ministry of Finance (MOF) has issued a new list of import tariffs drawn up in accordance with the Harmonized Tariff System to facilitate the country's global integration. The new list of import tariffs, effective on 1 January 1999, has been amended and supplemented several times.

2. Formal Tariffs Rate: The new list of import tariffs contains more than 7,000 tariff lines and aims to implement the amended import-export tax law. The preferential tariffs on the list will apply to goods imported from countries or organizations, which have Normal Trade Relations (NTR) treatment agreement with Vietnam. According to Government Decree 94/1999/ND-CP, in addition to the preferential tariffs, there are ordinary and special preferential tariffs. The ordinary tariffs, 50 percent higher than the preferential, are imposed on goods imported from countries, which have yet to exchange NTR treatment with Vietnam. They can be increased or reduced but the margin should not exceed 70 percent of the preferential tariffs. The special preferential tariffs apply to goods originating from countries or blocks of countries that have signed agreements with

Vietnam to facilitate trade. For instance, ASEAN members are entitled to the special preferential tariffs.

In late 1998, Vietnam implemented a new tariff law that provides for a 50 percent tariff surcharge on goods from countries with which Vietnam does not have a trade agreement providing mutual MFN treatment. The U.S. falls into this category, but in early 1999 Vietnam granted a waiver of this surcharge for U.S. goods in light of our on-going negotiations for a bilateral trade agreement (BTA). The waiver expired at the end of 1999. Early in 2000, the Government of Vietnam agreed to continue to waive the 50 percent surcharge on U.S.-origin goods as the two countries pursued negotiations leading to a BTA. Exemptions are granted for certain goods, including non-refundable aid, goods in transit, temporary imports and re-exports for exhibitions. Goods brought in for foreign-invested projects may qualify for exemption if they fall under five general categories: (1) equipment and machinery imported for the formation of the fixed assets of the project and spare parts and components attached thereto; (2) construction materials imported to build the fixed assets of the project that are not produced locally; (3) materials and supplies imported for the local manufacturer of the equipment and machinery included in the technological process of the projects; (4) specialized means of transport included in the technological process of the project or for transportation of groups of employees (with 24 seats or more); and (5) technology transfer that is considered as capital contribution by the foreign partner.

D. Prohibited Imports

1. Prohibited Products: The import of some products is prohibited, with certain exceptions. Decision No. 242/1999/QD-TTg specifies goods prohibited from import. These goods include firearms, ammunition, explosives and military equipment, drugs and toxic chemicals, dangerous and unhealthy cultural products, firecrackers, children’s toys with the potential for harmful influences, cigarettes, second-hand consumer goods, certain automobiles and other vehicles, and materials containing amiant belonging to Amphibole group. As other products can be temporarily banned, current advice should be sought.

2. Regulations: Regulations following Decision 2019/QD/BKHCNMT on the importation of used equipment were issued in December 1997 and amended again in April 1998 by Decision 491/1998/QD/BKHCNMT. Used equipment can be imported for certain purposes, if its quality is greater than 80 percent of a new one, and if it satisfies certain labor hygiene safety and environmental requirements. Used equipment prohibited from importation includes equipment employed in oil and gas processing, electricity, cement production, mineral refinery, metallurgy, base chemicals, fertilizers and pesticides, food processing, measurement, experimentation and testing for telecommunication networks, equipment with high safety requirements, and equipment which might affect a large area of the environment.

E. Export Controls

1. Permits and Licenses: In the past, companies with prospects for receiving an

export order had to apply for a permit or license to export the goods, as well as to import the inputs required for export production. As of 18 March, 1998, the export of goods (except for certain commodities, such as rice, explosives, publications, pearls, precious gemstones and metal, artwork and antiquities) can be exported by any enterprise holding a business license to carry on business in that commodity or product. Although each shipment does not require an export license as before, this is done basically as a record-keeping mechanism.

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

3. Quotas and Restrictions: Prohibited exports include antiques of high value, logs, timber, weapons, drugs, toxic materials and precious or rare plants and animals. Wood products are still subject to government imposed quantitative restrictions or targets and are administered through export quotas.

F. Import Taxes

1. Import Taxes: Under current law, import taxes are issued by the National Assembly and then detailed by the Ministry of Finance. Import duties are calculated on the basis of (i) the quantity of goods specified in the declaration, (ii) dutiable value, and (iii) applicable duty rates. Currently, there are three types of tariff rates imposed on imports, namely (x) preferential rates, or NTR rates (y) standard rates or non-NTR rates, and (z) special tariff rates, such as the tariff rates of 0-5 percent under the Common Effective Preferential Tariff Agreement. In addition to the above tariff rates, Vietnam also reserves the right to impose surtaxes such as antidumping and countervailing duties. No regulations on surtaxes are available at present.

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

3. Value Added Tax (VAT): VAT replaced the previous turnover tax, which was

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

G. Import Licensing Requirement

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

2 Import Licensing System: Business entities, including foreign invested enterprises with a legally registered business license, can be engaged in direct import and export activities. They are requested to register their import and export codes with Department of Customs. Foreign invested enterprises' import and exports activities shall comply with not only the Law on Foreign Investment in Vietnam, but also the Government's Decree No. 12/nd-CP and Decree No. 10/1998/ND-CP and the Ministry of Trade's Decision No. 321/1998/QD-BTM. Foreign invested enterprises must have annual import plans approved, which sets out the scope of products that may be imported by that enterprise for the following year. The scope of products under the import plan approved by the MOT or a body authorized by MOT may be adjusted during its implementation in accordance with Decision 0321/1998/QD-BTM. Until now foreign invested companies have only been permitted to distribute products made by them and not products of their partners offshore.

H. Customs Regulation and Contact

1. General Customs Department (GCD): GCD, with local offices throughout the provinces, is responsible for inspecting and supervising goods and collecting export and import taxes.

2. Basis of Customs Valuation: Customs valuation of imported products may be based on the C.I.F. prices declared by the importers or on reference prices established by the administration authorities. In practice, customs valuation remains non-transparent and is highly discretionary. Although, in principle, reference prices are used to counteract the practice of under-invoicing, the system is not responsive to world market price fluctuations.

3. Customs Procedures: The formal rules on customs declaration require that an application be lodged at the local office of the General Department of Customs for each

permitted consignment of imported or exported goods. For imports it appears that a declaration must be made within thirty days upon the arrival date printed on the bill of lading, while exports must be declared at least eight hours before they are due to leave Vietnam. Goods imported or exported for display at exhibitions must be declared at the place for exhibition. Within thirty days from the event's conclusion, the exhibits have to be re-imported or re-exported. Customs are allowed to charge fees for import and export declarations, goods consigned and sorted in bonded warehouse, re-issuing customs papers, and licensing services under its authority. Generally, customs is required to respond within one day, and duties must be paid within thirty days of receiving the custom's notification. There is an exception for certain imports, such as consumer goods whose importers are required to pay tariffs immediately if they were not able to obtain tariff payment guarantees from banks. In the case of exports, duty must be paid within fifteen days of receiving notification.

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I. Temporary Entry

Goods, which are exported or imported as samples or for the purpose of advertising, are subject to export or import duty. Exemption from duty is granted to goods, which are permitted to be temporary exports or imports for exhibitions. At the end of the exhibition, they must be re-imported into Vietnam in the case of temporary exports, or re-exported from Vietnam in the case of temporary imports. Documents required for exemption for exhibitions include a notification of or invitation to the exhibition and an export or import license from Ministry of Trade for goods under quota by the government.

J. Special Import/Export Requirements and Certifications

Certain goods to be exported or imported must be inspected before being cleared at Customs stations. The inspection covers quality, specifications, quantity and volume. The inspection is based on Vietnamese standards, with the exception of pharmaceuticals, and should be carried out by an independent Vietnamese or foreign inspection organization.

Imported goods subject to inspection include petroleum products, fertilizers, electronic and electrical products, food and drink, machinery and equipment, steel and pharmaceuticals. This list may be altered from time to time. Imported pharmaceuticals, for example, must go through random lab tests on sample batches performed by Vietnamese officials. Since January 1998, all imported drugs must have instructions on product use, dosage, and expiration dates printed in Vietnamese and inserted in packages, while a company's visa number must be printed on all packages.

The Decision specifies the list of goods to be banned from export and import as well as the list of imported goods requiring the Trade Ministry's official permits. Management of rice export and fertilizer import in 2000 is subject to Decision No. 237/1999/QD-Ttg of 24 December, 1999.

K. Labeling, Marking Requirements

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

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

A series of problems have arisen from this regulation. Some economic sectors, especially industrial enterprises, have huge stockpiles of products from the past two years - all with outdated labels. Many firms have large amounts of labels that now need to be destroyed or somehow remade at a great expense, which will be reflected in higher prices charged to Vietnamese consumers. These enterprises have proposed for the government to extend the implementation deadline until the end of 2000. The Ministry of Trade, a key liaison of this issue, has sent a proposal to the government for reconsideration.

L. Warranty and Non-warranty Repair

Goods that are imported as replacement parts, even under warranty, are subject to import duties. Duties imposed depend on the good imported, country of origin, etc.

Equipment brought in to repair something, and then re-exported, is exempt from import duties by law, but it is a very complicated and long process.

M. Bonded Warehouses

Bonded Warehouses: The operation of customs warehouses was approved in 1994, and has been replaced by new regulations issued in conjunction with Decision 212 from the Prime Minister dated 2 November 1998. The location and number of bonded warehouses are HCMC (3), Vung Tau (1), Hai Phong (4), Quang Ninh (2) and Da Nang (2). Entities permitted to lease customs bonded warehouses include foreign enterprises, individuals and organizations, Vietnamese import-export license companies, and foreign invested enterprises licensed to carry on import-export activities. Most goods pending import and domestic goods pending export can be deposited in bonded warehouse under the supervision of the provincial customs office. The exceptions are goods prohibited from import or export, Vietnamese-made goods with fraudulent trademarks or labels, goods of unknown origin, and goods dangerous or harmful to the public or environment.

The lease contract must be registered with the customs bond unit at least twenty-four hours prior to the arrival of the goods at the port. Documents required are a notarized copy of authorization of the holder to receive the goods, a notarized copy of the warehouse lease contract, the bill of lading, a certificate of origin, a packing list, and customs declaration forms. Owners of the goods pay import or export tax when the goods are removed from the bonded warehouse.

A customs warehouse keeper can provide transportation services and act as a distributor for the goods deposited. Additional services relating to customs declaration, appraisal, insurance, re-processing or packaging require the approval of the provincial customs office. In practice, the level of service needs improvement. The time involved for clearance and delivery is often poor and unreliable.

N. Standards

Specific information by product or by standard may be provided by the importing organization. Otherwise it may be sought from the relevant ministry or the government's management body with overall standards responsibility, the Directorate for Standards and Quality (STAMEQ) of Ministry of Science, Technology, and Environment (MOSTE). Vietnam is currently adopting several international standards. Technical assistance has come from Japan and the EU. Also, Vietnam is seeking a closer dialogue with the US. Vietnam's weight and measurement standard is based on the metric system. The electric current is A.C. 50 cycles, 220/380. The electric utility system of Vietnam is being standardized at 3 phase, 220/330 volts, 4 wires.

CHAPTER VII: INVESTMENT CLIMATE

A. Openness to Foreign Investment

Vietnam in principle maintains a policy of encouragement of foreign investment. A crucial priority for its long-term development strategy to the year 2020 is to continue to attract and utilize relatively large amounts of oversees capital, both Foreign Direct Investment (FDI) and Official Development Assistance (ODA). For the 2001-2005 period the government has set FDI targets of US $15-20 billion of new registered capital and US $11 billion of realized (disbursed) capital, as well as approximately US $2 billion annually of ODA from foreign donors, for a total of US $36-41 billion from foreign sources. These levels of FDI and ODA are required to support the government's GDP growth target of 6-7 percent per year. In 1999 licensed foreign investment (not actual disbursements) and ODA totaled approximately US $2 billion each. Actual disbursement of FDI also was about US $1.5 billion.

By April 2000 Vietnam had attracted nearly US $37 billion in investment commitments since the country was opened to foreign investment in 1988. Approximately US $14.8 billion, or 35 percent, of that amount has been disbursed in more than 2,400 projects, 70 percent of which were in or near the two major cities of Ho Chi Minh City in the south and Hanoi in the north. Many investors perceived Vietnam's rapidly growing population of 78 million as a virtually untapped market with great potential. Vietnam's entry into Asia-Pacific Economic Cooperation (APEC) in late 1998, its planned entry into the ASEAN Free Trade Area (AFTA) by 2006, and its stated intention to join the World Trade Organization (WTO) in the near future signaled greater openness to foreign investment. This, together with its relatively low-wage work force, natural resource base, and strong macroeconomic performance in recent years encouraged foreign investors from Asia, Europe, and the U.S. to view Vietnam as a highly promising location.

Despite this good start, however, Vietnam remains a difficult investment environment. Currently in a period of transition from a totally command economy to a "state-supervised" market economy in which the state sector retains a "leading role", Vietnam is trying to implement a series of gradual reforms that will enable the economy to function more efficiently. As the government engages in this complex process, foreign investors must cope with a wide range of problems and costs. These include poorly developed infrastructure, under-developed and cumbersome legal and financial systems, an unwieldy bureaucracy, non-transparent regulations, high start-up costs, arcane land acquisition and transfer regulations and procedures, and shortage of trained personnel. Issuance of investment licenses and implementation of projects often is a lengthy process during which the investment environment in areas such as taxes and procedures frequently changes.

The above shortcomings caused FDI to fall precipitously in 1999, for the third consecutive year. Realized capital fell 21 percent to US $1.536 billion and licensed capital fell 60 percent to US $1.548 billion, although the number of new projects rose 15 percent to 298. Continuing another trend of several years, many foreign companies either closed their representative offices or reduced their numbers of expatriate and Vietnamese staff.

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

In an effort to improve Vietnam's attractiveness to foreign investors, in May 2000, after months of revisions that generally diluted the original, more extensive proposals, the National Assembly approved a number of changes to the 1996 Foreign Investment Law (FIL). These take effect 1 July 2000 and include the following:

1. Foreign Currency Conversion: The most important change, although somewhat vaguely worded, concerns foreign currency conversion. All businesses and parties to Business Cooperation Contracts (BCC's) will be allowed to purchase foreign currency for the purpose of making payments for current transactions and for other purposes permitted by law. "Support for foreign currency balance" will be provided to infrastructure projects and some other essential projects. The "foreign currency balance" of extremely important projects may be ensured by the Vietnamese government on a case-by-case basis.

2. Government Guarantee: A second important change is in the area of government guarantees. The Vietnamese government now is permitted to provide investment guarantees to foreign investors in infrastructure and other projects, within the limits of the FIL. Previously, there had been no legal basis for such guarantees. After changes by the National Assembly, however, the final language of this provision is weaker than an earlier version.

3. Licensing: One other possibly significant improvement, also vaguely worded, addresses business-licensing procedures. The FIL seems to establish two categories of projects: those that need to be evaluated before licensing, and those that only require registration. Licensing should take forty-five days, while registration would need just thirty days. No further detail is included in the text of the law, so the actual significance of this provision will depend on implementing regulations yet to be issued.

The other new FIL amendments, which appear marginal, hypothetical, or already in effect through government decrees, include the following:

4. Unanimity Rule: The scope of this rule, under which certain decisions by the Boards of Directors of joint venture (JV) enterprises required unanimous approval, was reduced somewhat. Unanimity now is required only for appointment and dismissal of the General Director and the First Deputy General Director and amendments to the JV charter. Previously appointment or dismissal of the Chief Accountant, approval of financial statements and total project cost and expense statements, and investment loans also were subject to the rule. This change is considered useful but not major.

5. Restructuring: Foreign-invested businesses and foreign parties to BCC's will be

allowed to restructure their investments through division, separation, merger, or consolidation. Again, this is an improvement but does not go as far as investors desired.

6. Change in Law: If a change in law adversely affects the interests of a foreign-invested business or a party to a BCC, the investors will be entitled to continued enjoyment of incentives and privileges stipulated in their investment licenses. More favorable provisions in any law passed after the date of an investment license also will be applicable to an already-licensed foreign-invested business or BCC. This change already had been issued in decree form.

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

8. Offshore Accounts: Subject to approval by the State Bank of Vietnam (SBVN, the country's central bank and monetary authority), an offshore bank account can be opened even if it is not related to a foreign loan. Because this privilege remains subject to SBVN approval it is a limited improvement.

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

10. Reserve Funds: The requirement to establish reserve funds equal to 5 percent of after-tax profits has been abolished. Reserve and other similar funds now are discretionary. This too is a marginal improvement, as virtually no companies complied with the former reserve fund requirement.

11. Remittance Tax: The remittance tax rates have been reduced to 3 percent, 5 percent, and 7 percent, from 5 percent, 7 percent and 10 percent, respectively, which will slightly lessen the tax burden on foreign-invested enterprises (FIE's).

12. Overseas Vietnamese: Overseas Vietnamese investors will be entitled to the 3 percent remittance tax rate and a 20 percent reduction of corporate income tax, compared to businesses of the same type established by other foreign investors, except where the investor is entitled to an incentive tax rate of 10 percent. There are relatively few Overseas Vietnamese investors in Vietnam, so this amendment is of limited benefit.

13. Mortgage of Land: Foreign-invested businesses will be allowed to grant mortgages over their land use rights to banks permitted to operate in Vietnam. Previously, mortgages to foreign bank branches were not permitted. To become useful this amendment will require supplementation through regulatory change, and possibly amendment of the Land Law, to permit foreign banks to take possession of land after a foreclosure.

14. Land Compensation and Clearance: Where a Vietnamese party to a JV contributes capital in the form of land, it will be responsible for carrying out land compensation and

clearance and for the other procedures necessary to obtain the land use right for the JV company. The costs for land compensation and clearance will be included in the value of the contribution. This clarifies provisions already available through government decrees.

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

16. Termination of Business: The parties are now allowed to decide in the JV contract, BCC, and Charter when a foreign-invested business or a BCC is to be terminated. Previously, the FIL itself contained termination provisions. This change is practically meaningless, as the Ministry of Planning and Investment had never utilized its previous right to terminate.

17. Liquidation/Bankruptcy: If land has been contributed as capital by a Vietnamese party, and the foreign-invested business is liquidated or subject to bankruptcy, the remaining value of the land use rights will be included as one of the assets of the business to be liquidated or dissolved. Previously there had been claims by Vietnamese partners (supported by the Land Law) that the land reverted to the State. This amendment clarifies existing regulations.

18. Inspection: Inspections of foreign-invested businesses and BCC’s generally cannot be undertaken more than once a year. Extraordinary inspections may only be carried out when there is indication that the business has violated the law.

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

According to official sources Vietnam has approximately 5,300 SOE's, down from 12,000 in the early 1990's. At least 40 percent of the remaining SOE's are incurring losses, 40 percent may be breaking even, and at most 20 percent are profitable. The SOE sector’s contribution to GDP has fallen to 40 percent, as the shares of the non-state and foreign-invested sectors have risen, and is expected to drop to 36 percent by 2003. After considerable delay the government has "equitized" (partially privatized) approximately 370 SOE's through 1999, and has announced plans to equitize hundreds more, primarily small and medium-sized, over the next few years. Foreign ownership of an equitized company's shares sold on the future stock exchange will be limited to 20 percent.

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

Vietnam's protected trade regime includes the following features:

- Average tariff lines of 15-20 percent;
- Tariffs of 40 percent or higher on two-fifths of imports;
- Tariffs are levied on reference prices, not actual costs;
- Import quotas and tariff surcharges apply to a number of commodities including steel, fertilizer, sugar, cement, and petroleum products;
- Import rationing and prohibitions on certain items;
- Excise taxes of up to 100 percent are levied on tobacco, gasoline, motor vehicles, and alcoholic beverages;
- Exchange controls on foreign currency transactions;
- An import permit and allocation system in some industries;
- An overall lack of transparency;
- License requirements for importers (currently given to Vietnamese only).

Foreign importers are barred from direct participation in Vietnam's distribution system, although foreign investors have the right to sell, market, and distribute what they manufacture locally. Foreign investors have the right to import goods needed for their investment projects, provided this right is included in their investment licenses, although they must use Vietnamese importers to obtain the goods. Most local firms holding import licenses are SOE's.

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

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

a) Joint venture (JV) agreements typically pair foreign and local companies sharing capital and profits in a 70-30 percent split. The contribution of the local company, typically an SOE, to the JV generally consists solely of land use rights. The theoretical minimum percentage of foreign involvement in a JV is 30 percent, but examples of JV's where the foreign partner is not a majority shareholder are very rare. The minority partner retains some veto rights over the majority partner, including selection of senior management and changes in the JV charter. Accounting for about three-fourths of foreign investment to date, many investors found JV's particularly attractive because they believed they would benefit from the assistance of an established Vietnamese firm in dealing with bureaucratic and administrative procedures. Licenses normally are granted for twenty-fifty years, and upon expiration can be renewed or the venture can be liquidated. Some investors complain the government allows SOE's to over-value their land use rights to meet the 30 percent capital requirement.

b) A business cooperation contract (BCC) allows a foreign firm to pursue business interests in cooperation with a Vietnamese firm without conferring the right of establishment or ownership. In many respects it is the most flexible arrangement Vietnam offers to foreign investors, although the BCC license carries no tax holidays or concessions such as those given to other types of foreign investments. BCC's have predominated in the telecommunications and petroleum sectors, where the government limits foreign involvement in operations and management.

c) 100-percent foreign-owned enterprises have become more popular recently, as investors have learned to navigate the local system on their own and as problems with JV partners have become more apparent. The Vietnamese government also has shown more willingness to allow them in certain sectors on a case-by-case basis. Disadvantages include more difficult access to land-use rights (except in industrial zones and export processing zones) and a more limited duration of license. Thus far about thirty-nine JV projects have been converted to 100 percent foreign ownership, with several others becoming almost entirely foreign-owned. In January 2000 Ministry of Planning and Investment (MPI) submitted to the Office of the Prime Minister a proposal to establish fixed criteria for conversion. The government's consideration of another 25-30 applications for conversion, however, has been deferred until the National Assembly approved amendments to the Foreign Investment Law in May 2000.

d) Build-operate-transfer (BOT) investment agreements are authorized under the FIL, but the legal, regulatory, and financial framework is still incomplete. The FIL also recognizes build-operate-own (BOO), build-transfer-operate (BTO), and build-transfer (BT) forms of investment. Under a BOT agreement the investor builds an infrastructure project, operates it for an agreed period of time to recover the investment and earn a profit, and then returns it to the government without further compensation. Several BOT licenses have been granted while several others, primarily in the power generation sector, remain under negotiation. On 30 April, 2000 the government of Vietnam issued Directive 58, which apparently directs Vietnamese government ministries to terminate or postpone negotiations with foreign partners on several major BOT energy projects. The government of Vietnam may intend to utilize local financing and construction resources for these projects. Or, Directive 58 may represent a negotiating ploy of the government. Only time will tell the meaning of Directive 58. The most serious BOT issues have been financing and government regulatory and cost-recovery guarantees. Failure to resolve these differences with potential foreign investors apparently led to issuance of the new Directive.

Licensing requirements for all categories of investment are stringent and timeconsuming. Investors may not always be aware of all regulatory requirements for licenses, which has led at times to complaints of unfair or discriminatory treatment. Although the Ministry of Planning and Investment is the primary point of contact for most foreign investors, Vietnam currently does not offer a "one-stop shop" for investment negotiation and approval. Foreign investors typically must contact and obtain support and/or approvals from a number of national and local agencies. Over the past two years the government has taken steps to streamline and accelerate the investment licensing process and has initiated investor "hotlines" for tax and regulatory advice. The Vietnamese government also continues to hold regular “Private Sector Forum” meetings with domestic and foreign business associations to discuss issues of importance to the business community.

Potential investors have the right to apply to the Ministry of Trade for a "representative office" license, which gives foreign firms the right to conduct market research and to pursue business interests, short of actually selling products and services in Vietnam. Foreign banks must apply to the State Bank of Vietnam (the central bank) for representative office or bank branch licenses.

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

- Industrial zones, export processing zones, and build-operate-transfer projects;
- Projects with investment capital in excess of US $40 million;
- Projects in the areas of culture, insurance, finance, auditing, press and publishing, sea and air transport, posts and telecommunications, national defense and security;
- Projects that use 5 hectares or more of urban land or 50 hectares or more of rural land.

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

- The legal status and financial capabilities of the foreign and Vietnamese investors;
- The project's compatibility with Vietnam's "Master Plan" for economic and social development;
- The benefits accruing to the government or to the Vietnamese party.
- Specific government objectives include acquisition of new production capabilities, industries, and technologies; expansion of markets; job creation;
- Projected revenue;
- Technology and expertise;
- Efficient use of resources;
- Environmental protection;
- Plans for land use and land clearance compensation;
- Project incentives including tax rates and land, water, and sea surface

rental fees.

B. Right to Private Ownership and Establishment

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

Although little large-scale Vietnamese private enterprise exists, there are thousands of small, family-owned firms. Nationwide there are approximately 30,000 Vietnamese private companies, of which about 600 have more than 100 workers, as well as 16,000 cooperatives, 100,000 farms, and 3 million private household businesses. About 73 percent of private sector businesses are in southern Vietnam, including 25 percent in Ho Chi Minh City. Private companies account for about 7 percent of GDP and 1.2 percent of total employment, while the entire non-state sector generates roughly 50 percent of GDP. The rate of employment growth in the private sector, however, was 16.2 percent in 1998, compared to 0.3 percent in the state sector.

Non-state businesses have created substantial new employment in Vietnam during the past ten years, while employment in the state sector has been stagnant or declining. Private firms, however, have been severely disadvantaged relative to SOE's in terms of access to credit and land, and in legal and regulatory treatment. Private firms face restrictions in using land use rights for joint ventures with foreign investors. SOE's also receive most of the lending from state-owned banks, which dominate the banking sector. In general, despite these restrictions, the few relatively large private firms in Vietnam operate with better management and greater efficiency than the SOE's.

In May 1999 Vietnam's National Assembly passed a new "Enterprise Law" that simplifies and clarifies rules governing private business, although it does not apply to state-owned or foreign-invested firms. The new law marks a major step in development of the private sector. It provides assurances to private investors, opens new possibilities for investors to determine their own management structures, and simplifies the process of business establishment. From 1 January 2000, when the Enterprise Law took effect, through May, 1,761 new businesses were established, including 624 private companies. As part of implementation of the new law, the Vietnamese government has moved to abolish at least eighty-four of the nearly three hundred permits required by various ministries and localities for operation of a business.

C. Protection of Property Rights

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

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

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

Vietnamese LUR-holders have the right to mortgage them, but Vietnamese banks generally value land at a maximum of 70 percent of the total rent already paid on the property. As organizations only were obliged to begin paying rent in February 1995, the values of mortgages on land are not large, which limits their usefulness for property-based project finance. Previously local branches of foreign banks were not permitted to accept LUR's as collateral for loans, but an amendment to the Foreign Investment Law scheduled to take effect 1 July 2000 appears to allow this.

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

Vietnam's laws offer some protection for foreign patent holders, but there are infringements. Vietnam's laws do not adequately protect non-patent trade secrets, new breeds of plants and trees, or biotechnology. Software is routinely copied and sold; only an estimated 1 percent of all software in Vietnam was acquired legally.

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

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

D. Foreign Trade Zones/Free Ports

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

From the establishment of its first EPZ in 1991 through February 2000, Vietnam established a total of sixty-three IZ's and three EPZ's. As of 1999 there were 914 licensed enterprises in the zones with total registered capital of US $7.8 billion, including 569 foreign enterprises with US $6.4 billion registered capital. About 40 percent of the registered capital was disbursed (realized). In 1999, the IZ's and EPZ's attracted 262 projects with US $900 million registered capital. In 1999 the IZ's and EPZ's accounted for 25 percent of gross industrial output and 16 percent of export value.

The operation of customs warehouses was approved in 1994. There are bonded warehouses in Can Tho, Danang, Haiphong, Ho Chi Minh City, Mong Cai, Quang Ninh, and Vung Tau. Entities permitted to lease customs bonded warehouses are foreign enterprises, individuals, and overseas Vietnamese; Vietnamese import-export license companies; and foreign-invested enterprises licensed to perform import-export activities. Most goods pending import and domestic goods pending export can be deposited in bonded warehouses under the supervision of the provincial customs office. The exceptions are goods prohibited from import or export, Vietnamese-made goods with fraudulent trademarks or labels, goods of unknown origin, and goods dangerous or harmful to the public or environment.

The lease contract must be registered with the customs bond unit at least twenty-four hours prior to the arrival of goods at the port. Documents required are a notarized copy of authorization of the holder to receive the goods, a notarized copy of the warehouse lease contract, the bill of lading, a certificate of origin, a packing list, and customs declaration forms. Owners of the goods pay import or export tax when the goods are removed from the bonded warehouse.

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

E. Performance Requirements/Incentives

The FIL and subsequent decrees authorize the Ministry of Planning and Investment to "encourage investment in mountainous and remote areas" of the country and in regions with "difficult economic and social conditions". The Ministry of Planning and Investment also encourages investment in export production, agricultural and forestry production, high technology, ecology, research and development, labor-intensive processing of raw materials, and large industrial and/or infrastructure projects. The law also favors, to a lesser degree, investments in metallurgy, basic chemicals, petrochemicals, fertilizer manufacture, manufacturing (especially electronic components and car and motorbike parts), and planting industrial crops. Under Circulars 1817 and 1818 (1999), the Ministry of Science, Technology, and Environment (MOSTE) also encourages projects in the areas of treatment of environmental pollution and waste, production of new or rare and precious materials, application of new biological technology, application of new technology for manufacturing communication and telecommunication equipment, and electronic and informatics technology.

Under the FIL, the standard rate of profit tax is 25 percent, with preferential rates of 10, 15, or 20 percent for designated project categories. The 20 percent rate, valid for ten years from the initial date of operation, applies to projects meeting the following conditions:

- Export at least 50 percent of production;
- Cultivate or process agricultural, forestry, or aquatic products;
- Utilize advanced technology or invest in research and development;
- Utilize substantial amounts of materials available in Vietnam, process Vietnamese natural resources, or utilize high local content in production.

The 15 percent profits tax rate is valid for twelve years from commencement of operations and applies to the following projects:

- Export at least 80 percent of production;
- Investment in metallurgy, chemicals, petrochemicals and fertilizers, and manufacture of machinery, electronics components, automobile and motorcycle spare parts;
- Construction and operation of infrastructure projects;
- Cultivation of perennial industrial crops;
- Investment in regions with difficult natural, economic, and social conditions;
- Assignment of assets to the state of Vietnam without compensation after the project license expires;
- Projects satisfying two of the conditions listed for the 20 percent category.

The 10 percent profit tax rate is valid for fifteen years and applies to projects involving the following:

- -- Construction of infrastructure in regions with difficult natural, economic, and social conditions, or mountainous or regions;
- -- Reforestation;
- -- Projects in sectors where investment is specifically encouraged.

Depending on the sector, foreign invested enterprises and foreign parties to a BCC may be exempted from a profit tax for a maximum period of two years. This period commences from the first profit-making year and may be allowed a 50 percent reduction of a profit tax for a maximum period of two consecutive years. Certain “encouraged” projects may be exempted from a profit tax for up to four years from their first profitable year and may be allowed a 50 percent reduction of the profit tax for a further four years. Where the investment is “especially encouraged”, the maximum period of tax exemption shall be eight years.

The Law on Export and Import Duties specifies the rates which FIE's and parties to BCC’s must pay on exports and imports. Equipment, machinery, specialized means of transportation, components and spare parts for machinery and equipment, raw materials and inputs for manufacturing, and construction materials that cannot be produced domestically, which are imported to Vietnam to form fixed assets of an FIE or a BCC are exempted from import duties. Other exemptions or reductions of import and export duties can be stipulated by the Vietnamese government for “encouraged” projects.

Other special incentives are available to foreign investors in build-operate-transfer (BOT), export processing zone (EPZ), and industrial zone (IZ) projects. BOT's may be joint ventures or 100 percent foreign-owned. They are exempt from land tax and from payment of duties on goods imported to implement the contracts. They enjoy a lower profits tax rate (10 percent), a 5 percent withholding tax rate (the lowest normal rate), an eight-year tax holiday starting from the first profitable year, and a government guarantee for conversion of revenue from local to foreign currency. The term of a BOT can extend to fifty years, after which project ownership reverts to the government.

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

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

F. Transparency of the Regulatory System

Although the Vietnamese government has begun to streamline and rationalize the investment licensing process over the past year, the Ministry of Planning and Investment and other national, provincial, and local government agencies retain a great deal of discretionary authority. Furthermore, U.S. and other investors frequently encounter the need for further negotiation and administrative processes after the licensing process has been completed. In the context of negotiations of a Bilateral Trade Agreement, the Vietnamese Government has indicated it would clarify which sectors of Vietnam's economy are open to foreign investment, which are partially open, and which are closed. Furthermore, U.S. negotiators have proposed replacement of the investment licensing system with a registration system that does not entail approval of investment projects.

G. Corruption

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

H. Labor

One of Vietnam's principal attractions for foreign investors has been its large, relatively well educated (the literacy rate is approximately 80 percent), and inexpensive labor force. Now estimated at 40 million, the labor pool continues to increase by 1.1-1.3 million workers annually due to the post-war population explosion.

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

A requirement to denominate the salaries of Vietnamese employees of foreign-invested enterprises (FIE's) in U.S. dollars rather than Vietnamese dong has exacerbated this problem, although a 1999 decree partially remedied the problem for some foreign-invested firms. In many localities this requirement was not enforced even before the 1999 decree.

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

Employers are required by law to establish labor unions within six months of establishment of the company. All labor unions are members of the Vietnam General Confederation of Labor, a quasi-governmental organization. In 1999 approximately sixty-three labor strikes occurred, including thirty-four at FIE's, compared to a total of sixty-two in 1998. Strikes took place in SOE's, Vietnam-foreign joint ventures, and Vietnamese private companies. There were no known strikes at U.S.-invested companies. Most of the strikes involved labor-management disputes over health, safety, or other working conditions, work hours, or late payment of wages, and were settled quickly.

Vietnam is a member of the International Labor Organization (ILO). As of January 2000, it had ratified two of the seven core labor conventions: 100 (Equal Remuneration) and 111 (Non-discrimination in Employment). Vietnam ratified both conventions on 7 October 1997. Vietnam has not ratified the ILO Convention on Freedom of Association and Protection of the Right to Organize. However, as an ILO member it is required to comply with ILO association and collective bargaining standards. A number of technical assistance projects in the labor field sponsored by foreign donors are underway in Vietnam, including work by the ILO.

I. Efficient Capital Markets and Portfolio Investment

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

Raising capital for development is one of Vietnam's main economic priorities. Foreign investors generally meet their credit needs offshore or with foreign bank branches, although convertibility of dong assets to cover dollar liabilities is uncertain. The State Bank and the Ministry of Finance have conducted sales of state bonds denominated in local currency, but Vietnam only has an informal secondary market for such instruments.

The banking industry in Vietnam is characterized by its small size (about 25 percent of GDP, or US $6-7 billion) and by the relatively large number (80-90) of banks, both foreign and domestic. The four state-owned banks -- the Vietnam Bank of Foreign Trade (Vietcombank), the Vietnam Industrial and Commercial Bank (Vietincombank), the Bank for Agriculture and Rural Development, and the Vietnam Investment Bank -- still dominate domestic banking activity, providing an estimated 70-80 percent of all lending. Although the combination of foreign technology and capital with local knowledge and networks should be a source of strength, in practice its full potential has not been realized. Most local banks are under-capitalized, particularly when non-performing loans are taken into account, and most also are weakened by state-directed lending under non-commercial criteria.

In 1997 the government introduced a new accounting standard, the "Vietnamese Accounting System", although as yet it has not forced foreign banks and companies to comply fully with its parameters. A number of major international accounting firms have opened offices in Vietnam and, unlike foreign law firms (which are subjected to some restrictions under Vietnamese law regarding the nature of the advice they can provide directly to clients), can provide advice on accounting and business issues directly to foreign clients in Vietnam. Nonetheless, a general lack of financial transparency and compliance with internationally accepted standards among Vietnamese firms continues to pose problems for the government's plan to open stock and securities markets to raise capital internally. That said, after a number of delays, the Vietnamese State Securities Commission has announced plans to open the country's first official exchange on a trial basis in late July 2000.

A few regional and Vietnam-specific investment funds have been actively engaged in Vietnam in recent years, but their results have been at best mixed. After promising beginnings in 1995, by 1998 shares in some of the funds were trading at an average discount of nearly 50 percent, and some were forced to write down the value of their portfolios. The continuing lack of a stock market means funds do not have access to portfolio investment. Foreign firms are not allowed to invest in local companies without a license, and licenses to invest in non-state-owned enterprises have been difficult to obtain.

J. Conversion and Transfer Policies

Various articles of the Foreign Investment Law (FIL) require foreign-invested enterprises to "balance" their requirements for foreign currency, to open Vietnamese and foreign currency accounts at Vietnamese or foreign banks in Vietnam, and to convert Vietnamese currency into foreign currency at the official exchange rate. Conversion of Vietnamese dong into hard currency requires a foreign exchange license, which at times of high demand for foreign exchange can present a problem for foreign businesses. No information on average delays in remitting investment returns is available, in part because few foreign investments thus far have been profitable.

Although vaguely worded, a potentially important change in the FIL that will take effect 1 July 2000 may improve the foreign currency conversion procedure. All businesses and parties to business cooperation contracts (BCC's) will be allowed to purchase foreign currency for the purpose of making payments for current transactions and for other purposes permitted by law. "Support for foreign currency balance" will be provided to infrastructure projects and some other essential projects. The "foreign currency balance" of extremely important projects may be ensured by the Vietnamese government on a case-by-case basis.

Foreign businesses are allowed to remit profits in hard currency, subject to availability. Foreigners also are allowed to remit abroad royalties and fees paid for the supply of technologies and services, principal and interest on loans obtained for business operations, and investment capital and other money and assets under their legitimate ownership. Approval by MPI is needed to increase or decrease the capital of a foreign-invested business.

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

The requirement for companies dealing in foreign exchange to sell 80 percent of their forex holdings to the state banking system was eased to 50 percent in September 1999. Firms subject to this provision include domestic enterprises, foreign-invested JV's, and foreign contractors that are eligible to buy foreign exchange from the banks. The change reportedly was due to improved availability of foreign exchange in Vietnam.

K. Expropriation and Compensation

The U.S. Embassy knows of no recent instances of expropriation of a foreign investment by the government of Vietnam. However, if the government should refuse to renew an investor's visa, or impose fines for alleged infraction of laws or regulations, the result could be similar to an expropriation.

L. Dispute Settlement

Vietnam's legal system, including dispute and claims settlement mechanisms, remains under-developed. The current bankruptcy law was enacted in 1994, although the government reportedly is preparing a new law or amendments to the existing law for submission to the National Assembly. At present the bankruptcy law applies to all domestic and foreign-invested companies except national defense and public service organizations. Since enactment of the law, sixty-four enterprises have been declared bankrupt, including ten SOE's and twenty-five private companies. In 1999, twenty-two firms applied for bankruptcy, seven of which were approved.

A firm can be deemed bankrupt if it suffers losses for two consecutive years and is unable to meet its financial obligations to creditors as they become due, and/or pay the full salaries of its employees for three consecutive months. Persons permitted to petition for bankruptcy include creditors who have not received payment for more than thirty days (this occurs in about 90 percent of bankruptcy cases), unions or labor representatives of employees who have not been paid for three months, and the owner or legal representative of a business in financial difficulty. The latter is permitted to petition only if it has exhausted all means for settlement or rescheduling of its debts and obligations. Once a bankruptcy petition is filed, creditors must meet to consider settlement proposals before bankruptcy is declared. The government encourages voluntary settlements.

The bankruptcy process can be quite complicated and often takes more than one year to complete. Provincial People's Courts receive bankruptcy petitions, which thereafter are handled by the Economic Courts. A judge may declare a business bankrupt if it has no cohesive business strategy, the owner does not propose a resolution or goes into hiding, creditors cannot agree on a reorganization plan, the allowed time for restructuring expires, or the firm violates its agreement with the creditors. Once bankruptcy is declared, an "asset realization committee" is empowered to settle debts in the following order: fees and costs of bankruptcy proceedings, wages and social insurance payments, taxes, and debts to creditors. If funds available for creditor repayment are insufficient, they are allocated proportionately.

Negotiation between the concerned parties is the most common and preferred means of dispute resolution. Although contracts are difficult to enforce in Vietnam, particularly if one party to a dispute is a foreigner, investors generally should negotiate and include contract resolution procedures in their contracts. Vietnam has acceded to the New York Convention on Foreign Arbitral Awards, but as yet there have been no disputes between a foreign and a Vietnamese entity settled under this multilateral agreement.

Economic Courts, in addition to hearing bankruptcy cases, also have jurisdiction over cases involving business disputes. Administrative Courts hear cases that concern alleged infractions of administrative procedures by government authorities. In such cases the plaintiff must pay to the court a bond, half of which is forfeited if the dispute is resolved before the beginning of court proceedings. Also, the court proceedings must begin within six months of the date of the dispute.

Outside the court system, dispute resolution also can be pursued through the Economic

Arbitration Centers. Each Center must include at least five arbitrators licensed by the Ministry of Justice, and each arbitrator must be "ethical, honest, impartial, and objective" as well as "wise and experienced in the fields of law and economics".

The "Vietnam International Arbitration Center" (VIAC) operates in close coordination with the Vietnam Chamber of Commerce and Industry (VCCI). It has authority to settle all disputes arising from international economic transactions, including contracts in foreign trade, investment, tourism, international transport and insurance, technology transfers, and international credits and payments. The decisions of VIAC are final and cannot be appealed to any other domestic court, but it has no means of enforcement.

M. Political Violence

The long-standing policy of the government of Vietnam has been not to tolerate political dissent. From time-to-time the Vietnamese government has detained or arrested overseas Vietnamese, Buddhist monks, and other Vietnamese citizens for engaging in allegedly subversive activities, including religious proselytizing. Small, spontaneous demonstrations protesting specific policies or actions by local governments occasionally have been observed. The most recent demonstration occurred during the May 2000 session of the National Assembly, but are not known to have resulted in damage to projects and/or installations. Political risk for foreign investors is more likely to arise from shifts in internal party politics rather than from political violence.

N. Bilateral Investment Agreements

Vietnam has Bilateral Investment Agreements with the following countries and territories: Algeria, Argentina, Armenia, Australia, Austria, Belarus, Belgium, Bulgaria, China, Cuba, Czech Republic, Denmark, Egypt, Finland, France, Germany, Hungary, India, Indonesia, Italy, Laos, Latvia, Lithuania, Luxembourg, Malaysia, Netherlands, Philippines, Poland, Romania, Russia, Singapore, South Korea, Sweden, Switzerland, Taiwan, Tajikistan, Thailand, Ukraine, and Uzbekistan. The U.S. Bilateral Trade Agreement includes investment provisions.

O. Overseas Private Investment Corporation and Other Investment Insurance Programs

According to U.S. Law, the Overseas Private Investment Corporation (OPIC) may not operate in Vietnam until the President determines the country is in compliance with the emigration standards of the Jackson-Vanik Amendment to the 1974 Trade Act, or waives compliance as being in the national interest, and until OPIC certifies that Vietnam is making adequate progress toward protection of workers' rights. In March 1998 the President executed a Jackson-Vanik waiver and OPIC and Vietnam signed a bilateral agreement to enable OPIC to begin operations in Vietnam. The waiver was renewed annually thereafter in June. As of July 2000, OPIC has approved two applications for projects in Vietnam, with six others pending.

In the event OPIC should pay an inconvertibility claim in the future, the U.S. Embassy estimates its total annual local currency disbursements to be approximately ten billion Vietnamese dong (VND), or about US $715,000 (May 2000). The May 2000 exchange rate was about 14,070 VND/$. The value of the Vietnamese dong has depreciated 1-2 percent over the past year, and is expected to gradually depreciate at approximately the same rate over the next year.

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

P. Capital Outflow Policy

Under Article 22 of the Foreign Investment Law, foreign entities investing in Vietnam shall be permitted to transfer abroad the following:

-- profits derived from business operations;
-- any payments received from the provision of technology or services;
-- the principal and interest of any foreign loan made in the course of business operation;
-- their invested capital;
-- other sums of money and assets lawfully owned by them.

The practical application of these provisions is subject to implementing regulations issued by the Ministry of Planning and Investment, the State Bank, and other agencies, which at times have been unclear or contradictory. For the most part, however, those foreign-invested enterprises that have become profitable have been able to repatriate their hard currency earnings.

An amendment to the FIL to take effect 1 July 2000 will permit a foreign-invested business to open an offshore bank account, even if it is not related to a foreign loan. This will, however, be subject to approval by the State Bank of Vietnam.

Q. Major Foreign Investors

Year	Capital per Project (million $)	Number of New Project	Licensed Capital (Billion $)	Actual Inflows (Billion $)
1992	10.5	193	2.027	0.394
1993	9.5	272	2.588	1.099
1994	10.3	362	3.746	1.946
1995	16.4	404	6.607	2.671
1996	23.5	367	8.640	2.646
1997	14.0	333	4.654	3.250
1998	15.0	260	3.897	1.956
1999	5.6	298	1.548	1.536

Note: The Licensed Capital statistics for 1997 and 1998 may be unrealistic. One large project each year, a Singapore-invested resort complex in 1997 worth US $700 million and a Russia-invested petroleum refinery project in 1998 worth US $1.3 billion, are unlikely to be completed in the foreseeable future. With these projects absent, the decline in new FDI after 1996 would appear even sharper.

Total FDI (as of 4/2000):

--	Licensed Projects:	2,927 (US $36.63 billion)
--	Revoked/Expired Projects:	522 (US $5.8 billion)
--	Disbursed Capital:	US $14.4 billion (35percent of licensed capital)

Licensed Foreign Direct Investment, by Sector:
(as of 4/2000)

Sector	Number of Projects	Licensed Capital (billion $)
1. General Industry	1,514	12.10
2. Hotels & Tourism	305	8.09
3. Construction	278	7.21
4. Transp./Commun.	135	3.20
5. Oil & Gas	60	3.05
6. Agri. & Forestry	260	1.07
7. Services	151	0.85
8. Fisheries	92	0.34
9. Finance & Banking	34	0.23
10. Other	94	0.49
Total	2,927	36.63

Total licensed capital of foreign investment is equivalent to 10.4 percent of GDP (1999).

Foreign Direct Investment by Country (1999):

Country	Number of Projects	Licensed Capital (million $)
1. France	13	303.4
2. South Korea	29	173.6
3. Taiwan	91	170.8
4. Malaysia	7	161.9
5. Singapore	18	151.6
6. Brit. W. Indies	1	143.5
7. United States	17	120.2
8. Japan	14	62.1
9. Hong Kong	16	41.4
10. Brit. Virg. Isl.	11	27.1
11. China	21	23.7
12. Australia	12	20.8
13. Russia	2	20.7

Foreign Direct Investment by Country:
(cumulative, as of 3/2000)

Country	Number of Projects	Licensed Capital (million $)
1. Singapore	244	5.76
2. Taiwan	578	4.77
3. Japan	316	3.50
4. Hong Kong	317	3.34
5. South Korea	275	3.09
6. France	152	2.15
7. Brit. W. Indies	85	1.70
8. Russia	61	1.52
9. United States	112	1.30
10. United Kingdom	30	1.11
11. Malaysia	80	1.09
12. Thailand	122	1.00
13. Australia	95	0.97

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

Protecting Your Product From Intellectual Property Right (IPR) Infringement

R. Intellectual Property Rights in Vietnam

1. Copyright Regulations: Copyright regulations are contained in the Civil Code that was enacted 1 July 1996. Under these provisions, a foreign work must be published for the first time in Vietnam to enjoy protection. However, the U.S.-Vietnam Copyright Agreement further spells out the rights of U.S. copyright holders on a bilateral basis, and it is hoped that this agreement will serve as an adequate foundation to protect covered works.

Registration of copyrights is made to the Ministry of Culture and Information. Computer software is protected under copyright (but not patent) regulations in Vietnam. Foreign works qualify for copyright protection if 1) Vietnam is the first place of publication; or 2) Vietnam follows within thirty days after first publication elsewhere. This means, in effect, that most foreign works cannot enjoy copyright protection under the Civil Code and the Copyright Regulations. However, the United States and Vietnam signed a bilateral copyright in June 1997, which provides significant protection to U.S. works. It should be noted that the bilateral agreement does not provide "grandfather" protection:

i.e., U.S. firms cannot seek redress for actions, which occurred prior to the implementation of the agreement. To date, Vietnam has not joined the Berne or the Universal Copyright Convention.

2. Patents: In the area of patents, Vietnam has acceded to the Patent Cooperation Treaty (PCT), allowing patent holders from other PCT signatory nations to file for patent protection in Vietnam. It is also a signatory to the Paris and Stockholm Conventions. However, U.S. companies should be aware that Vietnam has a first-to-file regime, as well as compulsory licensing provisions. Patent protection is granted for a 20-year period, although the clock may start ticking as of the date of the first overseas patent, rather than that of a later Vietnamese patent. The appearance of a product may also be protected by registration of its “industrial design.” Industrial design registrations are valid for five years, and are renewable. The provisions of the Madrid Agreement (to which Vietnam, but not the United States, is a signatory) supplement Vietnam's Trademark Law.

Despite the foregoing formal systems, IPR infringements are pervasive in Vietnam. These range from software and compact disk piracy to photocopied comic books and English dictionaries, replicated name brand tennis rackets and the sale of counterfeit pharmaceuticals. The problem stems from many sources: insufficiencies in the code of law, inadequate enforcement of those regulations which are on the books, the public’s lack of understanding of the concept of private ownership of IPR, and the powerful price advantage of counterfeit, versus genuine, merchandise. Although foreign firms may seek remedies through Vietnam’s courts (and some measure of trademark enforcement has been achieved this way), in general this is not a satisfactory approach given the realities of the local judicial system. The experience of several major international companies indicates that informal negotiation and settlement, supported by educational campaigns, constitute a more effective approach in some instances. Others have opted to appeal to authorities to move against counterfeit goods through raids on outlets handling them. The latter approach may be more feasible in cases where the fraudulent goods were smuggled into the country in the first place. U.S. firms with IPR questions are urged to contact one of the many foreign law offices in Vietnam with expertise in this area as a first step.

3. Trademarks: Under Vietnam’s law on trademarks, a trademark needs to be registered with the National Office of Industrial Property (NOIP) in Hanoi, which is under the Ministry of Science, Technology and Environment (MOSTE). Vietnam’s law grants title protection based on the “first to file” rule, and unregistered trademarks are not protected. Trademark protection is granted for ten years. Unlimited renewals are available for additional periods of ten years. Trademark registration may be challenged if the party registering a mark does not use it. While Vietnam is a party to the Madrid Agreement on International Registration of Marks, the U.S. is not, with the effect that U.S. firms cannot enjoy its benefits in Vietnam.

4. Inventions (Patents) and Industrial Designs: The procedure for registration of patents (called “inventions” in Vietnam) and industrial designs are similar to that for trademarks. For patents, an application must be filed with NOIP in Hanoi. Patent

protection is valid for twenty years (either from the date of registration in Vietnam, or first registration overseas). The Industrial Property Department will grant protection to industrial designs up to five years (renewable twice). Vietnam is a signatory to the Paris Convention, Stockholm Convention and the Patent Cooperation Treaty.

CHAPTER VIII - TRADE AND PROJECT FINANCING

A. Brief Description of the Banking System

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

The central bank, the State Bank of Vietnam (SBV) was broken up in 1988 with the State Bank assuming the enhanced regulatory role and commercial activities being shifted to other institutions. SBV now supervises four state-owned banks, fifty-two joint-stock banks, four joint-venture banks and fifty-eight rep offices of foreign banks, as well as twenty-six branches of foreign banks. Five of the twenty-six foreign banks have branches in both Hanoi and Ho Chi Minh City.

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

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

The opening of the economy has placed new demands on a financial sector that until the early 1990s operated largely in isolation from international standards and practices. The World Bank (WB), the International Finance Corporation (IFC), and the Asian Development Bank (ADB), among others, are investing in training and infrastructure to develop a modern banking system, which should better equip policy-makers to deal with market forces being introduced into the economy. Policy reforms that have been implemented over the last decade include: separating policy lending from commercial activities, re-capitalizing the state-owned banks, consolidating small and less viable institutions, formulating resolution of non-performing loans, raising consumer confidence

through the institution of deposit insurance, and taking a more rigorous stance towards asset classification provisioning and prudential capital.
The Vietnamese banking system continues to experience credibility problems in the international financial community. Over the last two to three years it has made serious attempts to address these problems. A series of banking mishaps has created concern among domestic and foreign firms alike. There were instances when payments on L/C's were held up due to ongoing fraud investigations within the banks, liquidity problems within join-stock banks and sometimes for no apparent reason.

These issues brought about close scrutiny of the Vietnamese banking sector by both domestic regulators and foreign investors. This has resulted in an increased paring back of credit facilities and the drying-up of the secondary market for trade paper. Though internal problems have subsided and L/C's are now being paid on time, the banking sector is still suffering from past regressions.

The current Moody's Investors Service rating for Vietnam's country sovereign risk is B1 with a negative outlook. The downgrade of its rating in early 2000 brought Vietnam's paper to sub-investment grade.

These latest developments will hopefully bring more rationality into the financial sector, with local banks adopting international credit standards and due diligence practices. In addition, it is hoped that several of the recent fraud trials, involving state-owned enterprises and private companies will discourage fraudulent activities involving local commercial bankers, notaries, accountants and company managers.

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

The first foreign bank to open a representative office in Vietnam in the Doi Moi era, the Banque Francaise du Commerce Exterieur (BFCE), arrived in 1989. Several other European, as well as Asian banks, rapidly followed. In 1995, foreign banks were allowed to open full commercial branches with required local operating capital of US $15 million.

Foreign banks are focusing on traditional wholesale banking services, such as correspondent banking, cash management, international payment and foreign exchange services. Automatic Teller Machines (ATMs) are now available in Hanoi and HCMC, and electronic banking is slowly coming on-line.

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

Investors in Vietnam face similarly face bureaucratic and institutional challenges when doing business in Vietnam. For many investors, the implementation process of privatization (called equitization in Vietnam) of state-owned enterprises (SOE's) has been extremely slow. Determining the value of assets held by an SOE, and auditing its accounts has proven most difficult. Other government concerns include determining which SOE's should be equitized and maintaining employee's job security. The development of a stock market, based on SOE shares, is a key government-planning objective, which has proven even more difficult and protracted than first anticipated.

While the government has continued to announce large-scale equitization programs involving thousands of SOE's, only approximately companies have completed the process. Of the State-owned enterprises that are in the equitization process, few of them are enterprises that outsiders would want to invest in as most are under-capitalized and loss-making. Until Vietnam starts to equitize desirable companies such as Vietnam Airlines, Vietnam Post and Telecommunications, Electricity Vietnam, PetroVietnam and others, many experts feel that the positive effects of equitization will be limited. Similarly, if loss-making SOE's are shielded from the discipline of equitization, efficiency and competitiveness will remain low. While an effective equitization of viable Vietnamese enterprises would provide a major stimulus to foreign investors who prefer portfolio investing and, thus, would significantly expand the domestic capital market, it is unclear whether the Vietnamese government will be able to move the process forward significantly in the near future.

The Vietnamese government, while recognizing the positive role a stock market could play in mobilizing domestic capital, is approaching this subject with deliberate care. A pilot exchange will be operational starting 20 July 2000 but it will concentrate only on the secondary trading of government debt instruments, T-bills and limited corporate bonds. To date only two companies, both private entities, have been approved for listing on the exchange. Experts believe that Vietnam will not open a fully functioning stock market before the year 2002. Various bilateral, multilateral and international financial institutions have conducted related technical studies and have advised the government on its development. These efforts will help develop the required regulatory framework, among other steps, necessary to launch a stock market.

B. Foreign Exchange Controls Affecting Trading

The Vietnamese dong, a non-convertible currency, has in recent years depreciated at a rate of 5 percent per annum, with a regulated exchange rate and relatively low inflation.

While the balance of payments situation is not yet in crisis--foreign exchange reserves are state secrets and estimated to be roughly equal to US $2.5 to US $3.5 billion by the World Bank and International Institute of Finance in Washington--concerns raised by debt obligations have led the government to limit access to additional debt.

Comprehensive foreign exchange control regulations were first issued in late 1988, giving centralized control over all aspects of foreign exchange to the State Bank of Vietnam. These regulations, while largely ignored, required Vietnamese organizations and individuals to place their foreign exchange receipts from the export of goods or from the provision of services into foreign-exchange bank accounts. However, in February 1998, SBV issued Decree 37, which mandated stricter control over depositing foreign exchange in banks. Whether this will have the effect of de-dollarizing the economy and pushing more foreign exchange into the banking system remains to be seen.

SBV regulates the official exchange rate of the dong by allowing it to fluctuate within a set range. Though the SBV wants to limit the trading of dong within 10 percent of its official rate, this rate has been high and the market tends to trade at the extreme end of the range, pushing the dong towards a more realistic rate that reflects the overvaluation of the currency. Currently, the official rate is maintained at approximately 14,000 VND/US$.

Legislation passed in 1994 required that all foreign exchange transactions be conducted at foreign exchange banks and official foreign exchange booths. Public and private enterprises are no longer authorized to transact business in foreign currency, with the exception of select enterprises in the hotel, tourism, shipping, petroleum, transport and telecommunications sectors. To a wide extent, these regulations are also ignored by businesses.

Companies with foreign exchange operations must open accounts at local or foreign banks licensed to deal in foreign exchange and are allowed only one account. The State Bank of Vietnam must approve the conversion of currency on behalf of foreign businesses, which do not have the automatic legal right to convert currency. The State Bank of Vietnam can limit convertibility and frequently does not give permission to convert currency to foreign-invested companies. In fact, with regard to foreign invested enterprises (FIE's), the government has adopted a principle of self-sufficiency in foreign exchange ("currency balancing") as the governing principal of FIE foreign exchange policy.

Foreign exchange is regulated by the Foreign Investment Law of Vietnam (FIL). While the self-sufficiency rule has been in effect for some time, the State Bank has, in the past, been flexible as to currency conversion. The recent trade imbalance in Vietnam has induced the State Bank to enforce this regulation, thus requiring foreign-invested companies to meet their foreign exchange needs by operating on a self-sufficient basis. The FIL provides that currency exchange of local to foreign currency can only be accomplished by investments in import-substitution and infrastructure projects. Infrastructure projects are, in principle, permitted to buy foreign exchange, though no formal list categorizing projects that would qualify has yet been published. BOT projects are governed by a separate BOT law, which permits certain foreign currency conversion privileges and assures greater success in securing permission to buy foreign exchange.

Prior determination of convertibility rights or 'availability' for a proposed project is advisable for all investors in Vietnam who will not be able to generate their own foreign exchange for profit repatriation or other hard currency debt obligations.

In general, it may be assumed that a foreign invested enterprise does not have a right to convert dong to foreign exchange unless this right is expressed in the company's investment license agreement issued by MPI. Moreover, even though the "right" to convert exists, there is no implied assurance of availability.

C. General Availability of Financing

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

In the past, most Vietnamese companies have requested deferred payment L/C's, with extensions of up to 360 and even 540 days. Most lenders have stopped this practice until the banking system's liquidity status improves. At present, sight L/C's and L/C's up to 180 days are most common.

U.S. exporters should make sure that Vietnamese banks opening L/C's are located in Hanoi or Ho Chi Minh City. Many exporters have found a general lack of expertise in dealing with L/C problems at Vietnamese bank branches situated outside of these principal commercial centers. Care should also be taken as to which bank will open the L/C. Foreign banks have greater capacity, but costs will be lower if the L/C is opened by one of the four state-owned banks. Costs will be higher if a foreign bank confirms the L/C, but L/C confirmation will shift risk from the Vietnamese bank and account party to a foreign bank, which can be a high quality risk. After establishing a commercial relationship with and the financial credibility of a local importer, U.S. exporters have offered goods against less restrictive forms of payment, including consignment, but this is risky and should rarely be instituted.

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

D. Availability of GSM Credit Guarantees

Agriculture commodities qualify for GSM-102/103 credit guarantees in Vietnam. Vietnam is classified under the Southeast Asia region along with its Malaysian, Philippines, Singaporean, and Thai neighbors. Announced allocations for FY-2000 was US $90 million for the region. Information on GSM credit guarantees in Vietnam can be accessed at http://www.fas.usda.gov/excredits.

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

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

F. Insurance and Project Financing from the Export-Import Bank of the U.S., OPIC, and the IFIS

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

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

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

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

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

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

Bilateral government tied aid, commonly offered by the governments of our competitors, provide non-US companies with a comparative advantage that affects American trade performance in Vietnam. Sometimes these are actually soft loan programs designed to support a particular country's exporters. American firms, otherwise competitive on price and quality, sometimes lose contracts because they cannot compete with the low interest rates and/or soft repayment terms offered by the government of a competing company. The introduction of U.S. EXIM and OPIC has somewhat offset this advantage. It is important to note that U.S. multinational firms with manufacturing operations located in the countries that offer Vietnam tied financing can participate in supplying equipment to the projects supported by bilateral tied loans. An U.S. exporter that can bring financing to the table will also enhance its competitiveness.

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

Vietnam secures a substantial portion of its development funding from Official Development Assistance (ODA) including the multilateral development banks (primarily the World Bank (WB) and Asian Development Bank (ADB), the Japanese Bank for International Cooperation (JBIC) and the United Nations Development Program (UNDP). American firms can participate in and take advantage of projects funded by these agencies. Numerous U.S. companies have been successful in securing large procurements for both goods and services financed by ODA.

The World Bank maintains a relatively large funding program for Vietnam. Projects focus on macro-economic policy, financing policies and infrastructure projects in the power, energy, transportation and environmental sectors. The World Bank conducts its procurement by the rules of international competitive bidding.

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

Both the World Bank, through the International Finance Corporation (IFC) and the ADB, through the Private Sector Group, offer both debt and equity for private sector projects in a wide variety of business sectors. Financing through these agencies can have long lead times (12 months or more), so U.S. firms need to apply early should they desire access to its support for investment projects.

The Japanese Bank for International Cooperation (JBIC) is a merger of The Overseas Economic Cooperation Fund (OECF) and the Japanese Export Import Bank (JEXIM). JBIC is a general untied funding agency, which provides financing for infrastructure projects. American firms are eligible to compete for JBIC loan projects in accordance with procurement notices published by the recipient government or government related agencies. Opportunities can include prime contractor and sub-contractor roles. U.S. firms can also receive financing of up to 85 percent of an international trade transaction, if the sale contains at least 30 percent of Japanese goods.

The United Nations Development Program (UNDP) provides funding for industrial and agriculture development. UNDP in Vietnam is active across a broad front of industry and social sectors and sponsors numerous public sector, social, agricultural and refugee assistance programs. Project tenders are conducted in the same manner as World Bank tenders.

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

Over the past years, several domestic and international leasing companies have received licenses to conduct business in Vietnam. While the initial capitalization is small (US $5-10 million), these companies could play a significant role as alternative financiers in the future, focused on the leasing of capital equipment. At present, their ability to transact business is limited because credit insurance for lessors is not available in Vietnam. The lessor must therefore carefully scrutinize potential clients. There are also certain legal constraints to the ownership of leased goods.

G. Financing and Methods of Payment to Export from the Local Economy to Another Market

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

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

H. List of Banks with Correspondent U.S. Banking Relationships

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

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

I. Contact Information for Locally or Regionally Used MDB or Other IFI Offices

Asian Development Bank (ADB)
U.S. Liaison to ADB: Mr. Denny Barnes

Fax: (632) 890-9713
Email: Denny.Barnes@mail.doc.gov
Asian Development Bank (ADB) in Hanoi

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

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

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

United Nations Development Program (UNDP)
Resident Representative: Mr. Edouard Wattez
25-29 Phan Boi Chau
Hanoi, Vietnam
Tel: (84-4) 825-6188
Fax: (84-4) 825-9267

World Bank (WB)
Chief of Mission: Mr. Andrew Steer
63 Ly Thai To
Hanoi, Vietnam
Tel: (84-4) 934-6600
Fax: (84-4) 934-6597

The Washington External Affairs Office
Contact person: Lucy Oh/ Melissa Fossberg
Tel: 202-472-2561/1967
Fax: 202-522-3405
Email: loh@worldbank.org / sgoldsetin@worldbank.org

CHAPTER IX: BUSINESS TRAVEL

A. Business Customs

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. Business visitors to Vietnam will find a climate that appears to be built on formality. However, as one gains more experience in the market and one's relationship with business contacts progresses, formality often gives way to familiarity and then to substantive interaction (which often takes place in social surroundings). However, this transition can be a long and tortuous process and is often frustrating to American businesspeople used to quick familiarity and getting right to the point.

Equally challenging are aspects of the dynamics and world-view underlying Vietnam's society reflected in the business climate. These include such matters as: 'face', consensus building, and the zero-sum game assumption. A few words about each follows below.

'Face' is extremely important to many Vietnamese. It is very important to try not to put your Vietnamese counterparts in an embarrassing situation or one that calls for public back tracking. You should be careful not to cause your Vietnamese contact embarrassment in front of superiors, peers, or subordinates. Fear of losing face often makes Vietnamese wary of spontaneous give-and-take, unscripted public comment, or off-the-cuff negotiation. Tact, sensitivity and discretion are considered the most effective approach in dealing with disagreements or uncomfortable situations. Westerners often view the idea of face as quaint, but to many Vietnamese it matters a great deal, and the loss of face by your contact could very well mean the loss of your contact.

Consensual decision making is very deeply ingrained in Vietnamese social and political behavior. "Consensus" means different things in different societies. In Vietnam, it often means that all parties with a voice can wield a veto and must be brought on board. In building a consensus, it may prove impossible to "steamroll" the minority opposition, 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 unrelated ministries oppose it. Unless the latter can be won over the result is a stalemate.

Western businesspeople sometimes become frustrated with the apparent inability of the person across the table from them to make a decision (even if the counterpart is quite senior), or the fact that decisions once made are inexplicably reversed. This is indicative, not of the person's ability or willingness to work with foreign businesspeople, but of complexities behind the scenes and the fact that the apparent decision-maker does not always have the only say in negotiations.

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

1. Introductions: When initiating contact with a Vietnamese entity, it is often best to be introduced through a third party. The Vietnamese social structure is based on family, clan and village, and outsiders may be regarded with suspicion. An introduction from a mutual friend or acquaintance before initial contact can help alleviate some of the problems that arise in first correspondences.

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

2. Names: Businesspeople are often unsure what to call those they meet overseas as customs vary throughout the world. Vietnam it is no exception and is, in fact, sometimes more confusing than other countries in the region. Vietnamese names begin with the family name, followed by the middle name and finally the given name. For example, in the name Nguyen Anh Quang, Nguyen is the family name. Nguyen also is the family name of over half the population of Vietnam. To distinguish individuals, Vietnamese, contrary to Western custom, address each other by their given names. Therefore, Mr. Nguyen Anh Quang would be addressed Mr. Quang.

The Vietnamese language has a wide range of pronouns that augment one's given name. These pronouns identify the personal relationship between two people and are used in conversation and correspondence. They are always used in polite Vietnamese when using someone's name. The pronouns are largely based on kinship terms and do not have adequate translations into English and, to be safe, 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 unsure how to address someone, just ask advice.

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

4. Continuing the relationship: If your business relationship continues through correspondence, you should continue to include introductory and closing pleasantries in your letters. Vietnamese are typically used to the formality of corresponding in

Vietnamese and the abruptness of some Western business correspondence can make them uncomfortable.

5. Business Meetings: Establishing operations 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. It may be helpful to submit a meeting agenda and issues to be discussed prior to the actual meeting, but one should be flexible if the Vietnamese side departs from the agenda once the meeting starts. Name card exchange and tea drinking prior to discussing business are typical business rituals. A general business call lasts no more than one hour. Usually, the visitor is expected to initiate or signal the closure of the meeting.

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

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

B. Travel Advisory and Visas

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

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

3. Advisory: Petty crime, such as pick pocketing and purse snatching, has become increasingly prevalent in Hanoi and HCMC, particularly in major tourist areas and hotels. A good rule is to carry with you only what you can afford to lose, and leave the rest in the hotel safe deposit box or in-room safe. Vietnamese internal security personnel may place foreign visitors under surveillance. The Vietnamese Government has seized passports and blocked the departure of foreigners involved in commercial and legal disputes in

Vietnam. There has been a recent move by the Vietnamese Government to address the needs of returning overseas Vietnamese. As these policies are rapidly evolving, specific questions may be directed to the Embassy of Vietnam, Washington D.C., or to the Office of American Citizens Services and Crisis Management, Department of State, Washington, DC 20520.

C. Business Hours and Holidays

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

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

2. Official Holidays:

January 1:	New Year’s Day
January 23-26:	Tet (Lunar New Year)
April 30:	Reunification Day
May 1:	Labor Day
September 3:	Independence Day

D. Business Infrastructure

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

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

2. Selected hotels in Hanoi:

DAEWOO HOTEL
(5 star hotel, close to the U.S. Embassy)
360 Kim Ma Street

Tel: 84-4-831-5000, Fax: 84-4-831-5010

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

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

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

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

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

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

MERITUS WESTLAKE HANOI
1 Thanh Nien Road
Tel: 84-4-823-8888, Fax: 84-4-829-3888

Selected hotels in Ho Chi Minh City:

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

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

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

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

EQUATORIAL HOTEL
(5 Star Hotel in District 5)
242 Tran Binh Trong St., Dist.5
Tel: 84-8-839-7777, Fax: 84-8-839-0011

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

SAIGON PRINCE HOTEL
63 Nguyen Hue St., Dist.1
Tel: 84-8-822-2999, Fax: 84-8-824-1888

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

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

4. Labor Costs: Labor costs in Vietnam can be low. However, when looking at Vietnam as a potential business destination, one should pay particular attention to labor issues and costs. There are many hidden costs to employing people in Vietnam.

Currently, the minimum wage in Vietnam for foreign-invested enterprises is approximately US $45 dollars a month in Hanoi and HCMC and slightly lower in the suburbs and outlying provinces. Most foreign-invested organizations pay their laborers well over the minimum wage. Skilled office professionals earn, on average, US $300 per month; managers earn between US $400 and US $800 month; some highly skilled professionals, such as sales and marketing or finance experts, can command even higher salaries. It is common practice in Vietnam for employees to be paid a net salary with the employer being responsible for income taxes and insurance. This can greatly increase the bottom line cost of an employee, especially in the professional ranks, as Vietnam has a complicated taxation system that increases income taxes exponentially as salaries increase above VND 2,000,000 per month (approximately US $143). If the company is paying an employee on a net basis, then the PIT (personal income tax) and full mandatory social (20 percent) and health care (3 percent) premiums will be absorbed by the company.

However, if the employer provides a gross package to the employee, the employers are required to pay 2 percent of the employees salary to an authorized health insurance provider (the employee's contribution is 1 percent) and 15 percent of the salary as social insurance benefits (the employee's contribution is 5 percent). The personal income tax will be paid directly by the employees in this scenario.

Additionally, there are mandatory severance payments under the Vietnamese labor code whether an employee voluntarily resigns from the company or the company terminates the employee's contract. These factors are additional labor costs that need to be considered by foreign organizations with a presence in Vietnam.

As labor laws and compensation issues change readily in Vietnam, it is a good idea to enlist the services of a professional Human Resources Consultant to ensure that one understands the full costs of labor in Vietnam and that negotiated contracts abide by Vietnamese labor laws. A list of consulting firms is in the appendices.

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

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

6. Telecommunications: International Direct Dial (IDD) and fax services are available at post offices and most business standard hotels. Communication costs in Vietnam are among the highest in the region (over US $3 per minute to the U.S.), as the government has been funding a countrywide expansion and upgrade of the network. Additionally, international calls originating from Vietnam can be three times the cost of calls originating from overseas. Hotels also tend to add high surcharges to telephone and fax service. Check the fee structure prior to placing any calls overseas.

There are no local access numbers for international calling through US long distance carriers (AT&T, MCI, Sprint, etc.). Travelers are required to place calls through the

Vietnamese long distance carrier. There are also no dial-up numbers for international Internet Service Providers (AT&T, AOL, CompuServe, etc.). Internet services can be accessed through hotel business centers or from a growing number of Internet cafes.

7. Domestic Transportation: Travel within Vietnam is becoming easier with more domestic flights to the major cities. As a matter of government policy, Vietnam Airlines and other common carriers charge higher fares to foreigners than to Vietnamese citizens. For foreigners, a round trip ticket between HCMC and Hanoi is about US $260 for economy class and US $350 for business class. Domestic departure tax is VND 20,000 and US $10.00 for international departures. Vietnam Airlines (fax: 84-4-976-0220) and the semi-private Pacific Airlines (fax: 84-4-733-2158) are the only carriers allowed to fly domestically.

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

In major cities, metered taxis are plentiful and relatively inexpensive, especially in HCMC where numerous taxi companies compete for passengers. A car with a driver is also an option in major cities and can be rented for between US $25 and US $100 per day. For destinations outside major cities a car and driver is the recommended means of transport. Cars can be booked through most major hotels or tour companies.

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

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

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

11. Housing/Schools: Housing ranges from one-bedroom apartments in the middle of town to palatial villas out in the suburbs. Most expatriates live in serviced apartments in the central district, urban villas or large houses in suburban compounds. In Hanoi and HCMC, it is generally possible to find housing built and maintained to international standards. There are a number of international-standard educational options in Hanoi and Ho Chi Minh City.

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

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

The U.S Commercial Service in Hanoi can be reached by telephone at: (844) 831-4650, fax at (844) 831-4540 or email at Hanoi.Office.Box@mail.doc.gov.

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

E. Requirements for Temporary Entry of Personal Laptops, Software, Exhibit Materials and Related Items.

There are no known regulations governing the temporary entry of laptop computers into Vietnam. That said, the authorities are always sensitive to the import and export of information, such as that on a hard disk. Visitors are strongly advised not to have any information on their computers which the authorities of Vietnam might deem pornographic or politically sensitive.

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

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

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

CHAPTER X: ECONOMIC AND TRADE STATISTICS

APPENDIX A: COUNTRY DATA

Population:	80 million
Population Growth Rate:	1.65 %
Religions:	Buddhism, Confucianism, Cao Dai, Christian (Roman, Catholic and Protestant), Animism,
Languages:	Vietnamese (official), Chinese, English, French, ethnic minority languages
Workweek:	Monday-Friday (government employees) Monday-Saturday (non-government employees)

Source: World Bank

APPENDIX B: DOMESTIC ECONOMY

	1998	1999	2000
Nominal GDP (US $ bn)	26.0	27.9	29.8
Real GDP Growth (percent)	4.0	4.0	4.5
GDP Per Capita (US $)	350	370	395
Government Spending (percent of GDP)	21	19	21-22
Consumer Prices (percent change)	7.8	0.1	1.0-2.0
Unemployment (percent, urban area)	6.85	7.4	N/A
Foreign Exchange Reserves, Excluding Gold (US $ bn)	N/A	3.4	3.6
Average Exchange Rate (Dong/US $)	13980	14008	14600
Foreign Debt (US $ m)	10.8	11.1	13.4
Debt Service Ratio	7.1	7.7	7.4

Source: World Bank Estimates July 2000

APPENDIX C: TRADE

(US $ MILLION)	1998	1999	2000
Total Country Exports	9338	11520	13450
Total Country Imports	11494	11620	13800
Exports to United States	469	504	550
Imports from United States	326	335	370

Source: World Bank Estimates July 2000

APPENDIX D: INVESTMENT STATISTICS

Year	Capital per Project (million $)	Number of Project (million $)	Licensed Capital (million $)	Actual Inflows (million $)
1988	9.9	37	366	620
1989	7.7	70	539	(1998
1990	5.4	111	596	through
1991	9.0	155	1,388	1991)
1992	11.8	193	2,271	463
1993	11.0	272	2,987	1,002
1994	11.2	362	4,071	1,500
1995	16.4	404	6,616	2,000
1996	22.9	367	8,411	2,150
1997	16.6	333	5,540	2,900
1998	15.6	260	4,059	1,900
1999	5.08	308	1,566	691

- Newly licensed capital, from Jan-June 2000: US $346 million
- New projects, from Jan-June 2000: 136
- Realized capital, from Jan-June 2000: US $600 million

Foreign Direct Investment by Sector for 1999:

Sector	Number of Projects	Licensed Capital (thousands $)
Heavy Industry	57	370,745
Oil and Gas	5	46,300
Light Industry	127	237,724
Food Processing	24	195,934
Agriculture & Forestry	23	52,403
Real Estate/Tourism	7	153,045
Services	35	121,350
Transportation & Tele.	4	136,827
Construction	12	198,372
Culture, Health and Education	6	7,010
Fisheries	3	7,080
Finance & Banking	5	40,000
Total	308	1,566,790

Source: Ministry of Planning and Investment Statistics July, 2000

CHAPTER XI: U.S. AND COUNTRY CONTACTS

APPENDIX E: U.S. AND VIETNAM CONTACTS

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CHAPTER XII: MARKET RESEARCH AND TRADE EVENTS

APPENDIX F: MARKET RESEARCH

The following Industry Sub-sector Analyses (ISA) and Agricultural Reports will be available in 2001. A complete list of market research is available on the Internet and can be accessed through the U.S. Commercial Service website at www.usatrade.gov. Contact Valerie Evans at 202 482-1192 for the current status.

1. Industry Sub-sector Analysis (ISA) Reports:

Oil & Gas Machinery & Services
Medical Equipment
Computers Hardware
Computer Software
Computer Services
Telecommunications Equipment
Education & Training
Electric Power Systems
Power Transmission Equipment

2. Agricultural Reports:

Trade Policy Monitoring Report
Annual Coffee Report
Promotion Opportunities Report
Exporter Guide
Employee Performance Award Nominations
Retail Foods Sector Report
Semi-Annual Coffee Report
Annual Livestock Report

APPENDIX G: TRADE EVENT SCHEDULE

A list of the significant trade events to be held is provided below. Firms should consult the Export Promotion Calendar on the NTDB or contact the US & Foreign Commercial Service or the Agricultural Affairs Office in Hanoi, for the latest information.

HANOI

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

31 Trang Tien Street
Hanoi, Vietnam
Tel: (844) 934-2208/1512
Fax: (844) 826-4696

2000

International Exhibition on Bio-technology and Products	Sep. 14–17
International Exhibition on Material Products and Technology	September
1st Exhibition on CODEX Standard's Products	Sep. 6-9

2nd Exhibition on Food Processing and Preserving	Sep. 6-9
International Exhibition on Telecom, Computer, Office Equipment, and Broadcasting Technology (Vietnam Telecom ‘2000, Vietnam Broadcasting 2000)	Sep. 19-23
3rd Exhibition on Measurement and Weather	Sep. 26-29
Exhibition on Electricity – Construction	Sep. 26-29
Exhibition on 990 Years Hanoi	Oct. 1-10
International Exhibition on Footwear and Cosmetic	Oct. 30 - Nov. 4
International Exhibition on Automobile – AUTO Vietnam	October
International Exhibition on Telecom, Informatics, Office Equipment, Broadcasting & Television Technology (Vietnam Telecom 2000, Vietnam Broadcasting 2000)	December
International Exhibition on Transportation Means & Fuels	Nov. 29 – Dec. 2
Exhibition on Electronic & Informatics	Dec. 11-14
4th International Exhibition on Broadcasting Equipment & Technology	Dec. 11-14
International Exhibition on Electrical, Electronic, Sound, Lighting, Audio, Video Cabinetwork, Satellite Technology & Equipment (VIEL 2000)	IV Quarter 2000

HO CHI MINH CITY

Private Trade Exhibitions

The following exhibitions are sponsored by Trade Fair Company of HCM City – Trafac Saigon

Contact: Ms. Tran Thi Le Chi
97-101 Nguyen Cong Tru St., Dist.1, Ho Chi Minh City
Tel: 848-822 2173
Fax: 848-829 4248
E-mail: trafac@hcm.vnn.vn

2000

VietFish 2000	Jan 15-18
Consumer Goods Trade Fair 2000	Feb 6-12
Green Week	March 2000
Int’l April Trade Fair 2000	Apr.27-May 3
Exhibition on Vietnam Economic-Business-Cultural Exchange	May 26 – June 4
VietBuild Saigon Furniture & Décor Show 2000	July 2000
New School Year Fair 2000	August 2000
Thai Exhibition 2000	September 2000
Vietnam Consumer Goods Fair 2000	Aug. 28 – Sep. 3
Vietnam AgroFood 2000	September 2000
Fair on Hi-Tech and Quality Products and Successful Businessmen Introductions	Oct. 24 – 30
Vietbex’2000	October 2000
International Autumn Trade Fair	November 2000

The following exhibitions are sponsored by Chamber of Commerce & Industry of Vietnam

Contact: Ms. Bui Thi Thuc Anh
171 Vo Thi Sau St., Dist.3
Ho Chi Minh City
Tel: (848) 823-0339
Fax: (848) 820-1789
E-mail: btta-vcci@hcm.fpt.vn

2000

International Textile and Garment	March 21-23
Best Promotion Products	March 28-Apr.9

Progress of Businesswomen	May 2-12
Trade for Education	May 30-June 4
Vietnam Computer World Expo	August 2000
Electricity Expo	Oct. 25-28

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

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

2000

Exhibition on Developing Infrastructure

VN 2000	April 5-9
Agromart	May 18-20
Marine Economic VN 2000	July 2000
Quality Products and New Technology	October 2000