Doing Business in Vietnam: 2014 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Vietnam

Market Overview Return to top

- Despite a slowdown in recent years, Vietnam still offers growing opportunities for U.S. exporters and investors. Vietnam's economic growth rate has been among the highest in the world in the past decade, expanding at an average of seven percent per year during the period 2002-2010. Since 2011, annual economic growth has averaged around five percent.

- Inflation was a major risk for the economy up to 2011 when it hit 18.8 percent. But, inflation has remained below seven percent the last few years as the Government of Vietnam (GVN) tightened macroeconomic policy and balanced growth targets with price stability measures.

- The momentum and direction generated by the U.S.–Vietnam Bilateral Trade Agreement (BTA) in 2001 transformed the bilateral commercial relationship between the United States and Vietnam and accelerated Vietnam's entry into the global economy with Vietnam joining the WTO in January of 2007. Since the BTA, bilateral trade increased from $2.9 billion in 2002 to almost $30 billion in 2013.

- U.S. goods export to Vietnam grew by nearly 8.4 percent to $5 billion in 2013. During the same period, Vietnam's exports to the U.S. increased almost 22 percent to $24.6 billion resulting in a $19.6 billion bilateral trade deficit with Vietnam.

- In 2013, U.S. exporters saw significant growth in agricultural products sector, which accounted for over 30 percent of U.S. exports to Vietnam. Industrial inputs also continued to see steady growth as Vietnam continues to import machinery, chemicals, instruments and software to support its growing industrial sector.

- Registered foreign direct investment (FDI) in Vietnam saw a 36 percent jump in 2013 reaching $22 billion according to government figures. Over 1500 new foreign invested projects were licensed during the year. The two largest projects each with registered capital of $2 billion is a Samsung electronics assembly facility and a Chinese invested thermal power plant, Vinh Tan No 4.

- The bilateral trade and investment momentum has continued with the United States and Vietnam signing a Trade and Investment Framework Agreement (TIFA) in 2007. Under TIFA, the United States and Vietnam continue to address trade and investment issues with the aim of advancing the BTA and Vietnam's WTO commitments.

- Foreign exchange reserves increased to $35 billion as of April 2014, up from an estimated $9 billion in 2011. However, a weak banking system fraught with non-performing loans is an ongoing concern for those doing business in this country.

- In November 2010, Vietnam joined the United States, Peru, Chile, Malaysia, Singapore, Brunei, New Zealand, and Australia to participate as a full member in the Trans-Pacific Economic Partnership (TPP) negotiations to conclude a high-standard, 21st century Asia-Pacific free trade agreement. Canada and Mexico have since joined as full members in the negotiations, and in March 2013 Japan announced its intention to join. The conclusion of the TPP with Vietnam as a member will provide an increasingly favorable environment for American businesses to enter and expand in the market.

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

Market Challenges

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

- While Vietnam's anti-corruption law is considered amongst the best legal frameworks in Asia for anti-corruption, implementation remains problematic. Corruption and administrative red tape within the Government has been a vast challenge for Governmental consistency and productivity and for foreign company doing business in Vietnam. Vietnam ranks 116 (out of 177) on Transparency International's Corruption Perceptions Index (China 80, Malaysia 53, Indonesia 114, and Philippines 94).

- Many firms operating in Vietnam, both foreign and domestic, found ineffective protection of intellectual property to be a significant challenge. Piracy rates for software are estimated to be 81 percent.

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

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

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

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

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

Market Opportunities Return to top

- Continued strong economic growth, ongoing reform and a large population of 92.5 million—half of which are under the age of thirty—have combined to create a dynamic and quickly evolving commercial environment in Vietnam.

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

- Per capita GDP surpassed $1,000 in 2009 and was estimated to be $1,960 at the end of 2013. With disposable income levels in major urban areas four to five times this level, significant opportunities in the consumer and services sectors are fast emerging.

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

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

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

Market Entry Strategy Return to top

- U.S. companies preparing to enter the Vietnamese market must plan strategically, and be persistent and consistent with face-to-face follow-ups. It can take up to one or two years to make a successful sale into this market.

- For the most part, U.S. companies entering the Vietnamese market will need to consider two marketing efforts; one for targeting the northern part of the country, which has a higher concentration of government ministries and regulatory agencies, and one for the south, which is the dominant industry hub.

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

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

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Chapter 2: Political and Economic Environment

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

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

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

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

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

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

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

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

Establishing an Office

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

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

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

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

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

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

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

Primary forms of direct investment include:

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

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

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

> a) Enterprises organized and operating in accordance with the Law on Enterprises; credit institutions, insurance enterprises, investment funds and other financial organizations in accordance with various laws;
>
> b) Medical service, educational, scientific, cultural, sports and other services;
>
> c) Establishments which conduct investment activities for profit-making purposes;
>
> d) Other economic organizations in accordance with law.

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

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

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

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

Franchising

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

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

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

Direct Marketing

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

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

Joint Ventures/Licensing

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

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

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

Selling to the Government

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

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

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

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

Distribution and Sales Channels

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

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

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

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

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

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

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

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

Wholesaling: According to Vietnamese law, "wholesaling" means the activity of selling goods to other business entities and organizations. This activity does not include the activity of selling goods directly to the final consumer or end user. Foreign companies engaging wholesalers in Vietnam should examine the investment certificate or business registration certificate of each reseller or distributor to make sure that the reseller is properly licensed to engage in wholesaling or retailing of the products sold to them.

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

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

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

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

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

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

Current Foreign-investment Caps for Distribution and Related Industries:

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

Selling Factors/Techniques

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Development of Consumerism: Foreign brands have proliferated in Vietnam over the past decade. This is a sign that urban incomes have risen and integration with the global economy has also increased. Market observers speak of the growth of "consumerism" in Vietnam, but it must be kept in mind that per capita GDP is relatively low, at approximately $2,000. The market for most imported consumer goods is concentrated in a handful of large cities where incomes are considerably higher than the national average, and in some parts of the Mekong Delta.

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

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

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

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

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

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

Electronic Commerce Return to top

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

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

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

Trade Promotion and Advertising Return to top

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

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

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

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

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

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

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

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

Pricing Return to top

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

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

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

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

Sales Service/Customer Support Return to top

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

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

Protecting Your Intellectual Property **Return to top**

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

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

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

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

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

IPR Resources

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

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

provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: **http://apps.americanbar.org/intlaw/intlproj/iprprogram_consultation.html**

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

IPR Climate in Vietnam

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

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

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

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

Due Diligence

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Any firm establishing a new business venture in Vietnam should develop business relationships in a positive, but cautious manner. It is imperative that relationship building include adequate due diligence prior to entering into contracts or other commercial arrangements: check the bona fides of every business, be it agent or customer or consultant, before entering into a business arrangement.

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

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

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

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

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

Local Professional Services

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

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

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

Web Resources

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Commercial Sectors

- Power Generation, Transmission and Distribution
- Telecommunications Equipment and Services
- Oil and Gas Machinery and Services
- Information Technology Hardware and Software Services
- Airport and Ground Support
- Environmental and Pollution Control
- Medical Equipment
- Safety and Security
- Education and Training Services
- Franchising
- Architecture, Construction and Engineering

Agricultural Sectors

- Cotton
- Wheat
- Soybeans & Soybean Meal
- Hides and Skins
- Corn & Corn By-Products
- Red Meats
- Poultry Meat
- Fresh Fruits
- Wine
- Forest Products

Power Generation, Transmission and Distribution

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Overview

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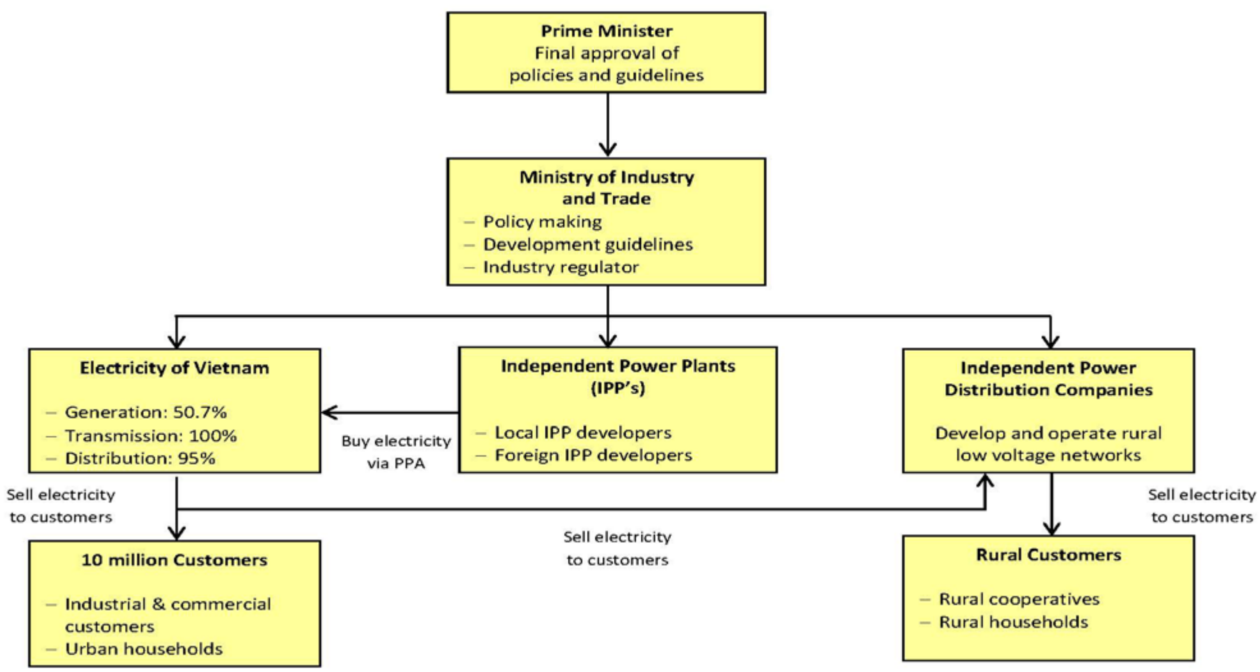
Unit: USD thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	3,700,000	4,255,000	4,900,000	5,630,000
Total Local Production	1,665,000	1,915,000	2,200,000	2,530,000
Total Exports	N/A	N/A	N/A	N/A
Total Imports	2,035,000	2,340,000	2,700,000	3,100,000
Imports from the U.S.	203,000	233,000	330,000	430,000

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

Industry Structure: The electric power sector represents one of the most promising areas for U.S. commercial prospects in the Vietnamese market. At present, Electricity of Vietnam (EVN), a state owned enterprise which reports directly to the Prime Minister, is the biggest buyer of electricity from power plants and holds a monopoly on electricity transmission and distribution. The electric power industry is under the jurisdiction and management of the Ministry of Industry and Trade (MOIT).

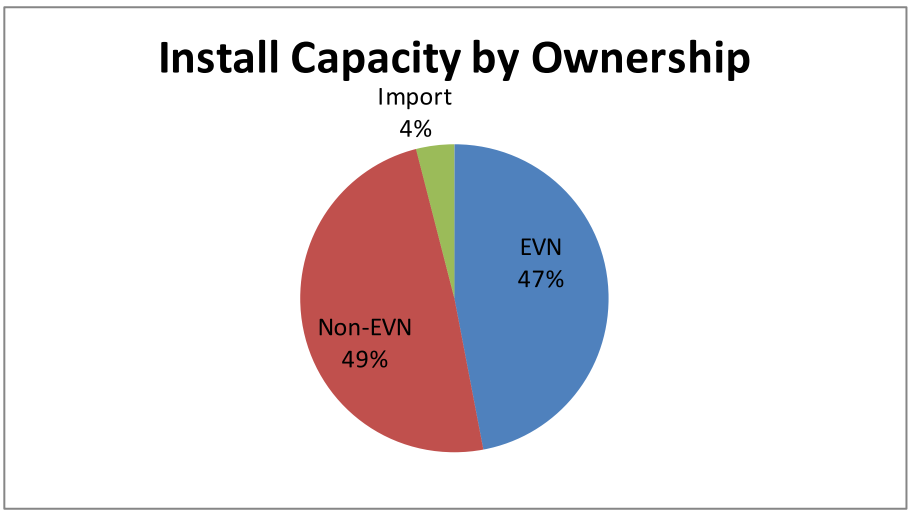


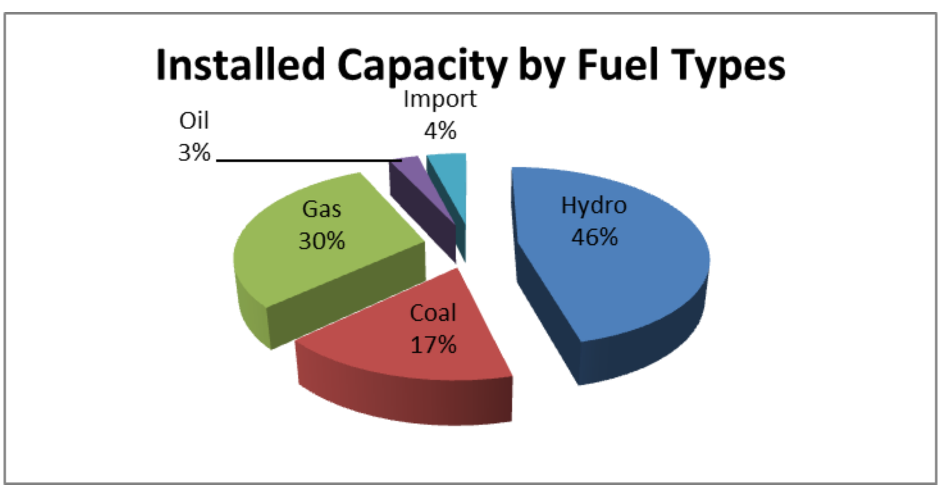
The Vietnamese government relies on the national power development plans to advance the development of the electric power sector. These plans forecast growth in demand

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

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

Power Generation: According to EVN, by the end of 2013, the total installed capacity was approximately 26,000 MW and power generation was approximately 130 billion kWh. Below is the installed capacity by ownership and by fuel sources:



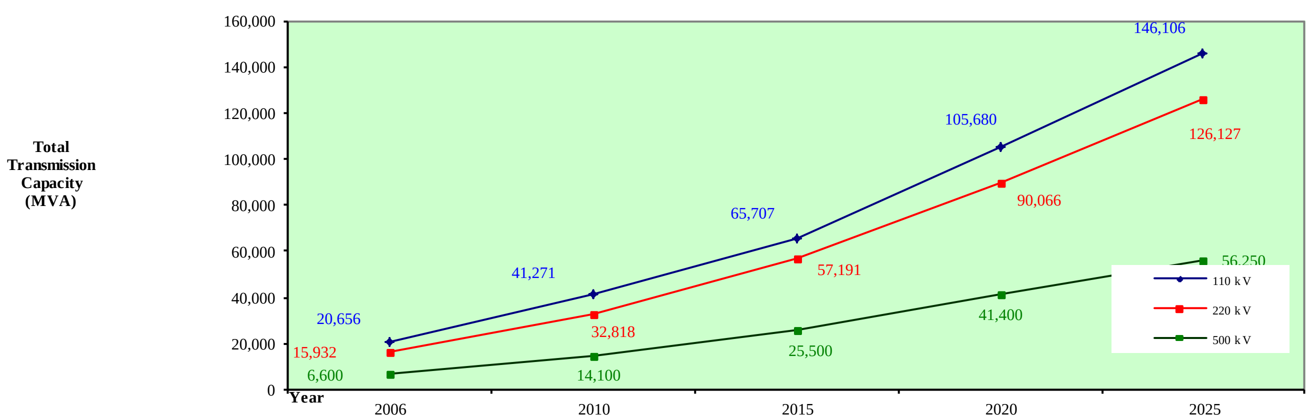


Source: EVN

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

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

Transmission and Distribution: By the end of 2013, the rural electrification rate in Vietnam was 97.26 percent and is expected to reach nearly 100 percent by 2020. The following chart
shows the current transmission system as well as its projected development to 2025.



Projected Expansion of the Power Transmission System to 2025

Source: EVN

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

Vietnam has developed an investment plan for the period 2010-2015 with the total capacity of 48,900 MVA for substation (S/S) and 8,219 km of transmission lines (T/L) corresponding to the total investment of $4.3 billion. With such major investments, Vietnam is expected to have an increased demand for control and protection equipment and devices such as power transformers, circuit breakers, disconnect switches, capacitors, calculated software, telecommunication and information technology equipment, etc. for transmission grid.

Power Master Plan VII

On July 21, 2011, the Prime Minister approved the seventh power development plan for the period 2011-2020 with a vision towards 2030 (the Power Master Plan VII). The Power Master Plan VII emphasized EVN restructuring, power market liberalization, energy efficiency (smart grid), and renewable energy development. The Power Master Plan VII envisions that with forecasted GDP growth at 7- 8 percent over the period 2011-2030, the demand for electricity will grow by 12.1 percent per year (low-case scenario), 13.4 percent per year (base-case scenario) or 16.1 percent per year (high-case scenario) during the period 2011- 2015. In early 2013, MoIT began a process to revise Master Plan VII to reflect slower economic growth and delays in current power plant constructions.

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

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

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

While still considering thermo-power very important in securing the energy for nation development, GVN has a plan to develop clean renewable energy and nuclear power. Up to 2020, the overall capacity of gas-fired thermo-power (combined/open cycle plant) will reach 10,400 MW, producing about 66 billion kWh and accounts for 20 percent of the total output of the electric industry. The overall capacity of coal-fired thermal power shall be 36,000MW, producing 156 billion kWh and accounts for 46.8 percent of total output for the electric industry.

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

Source: Mayer Brown JSM

Renewable Energy: Master Plan VII prioritizes developing renewable energy resources such as wind power, solar power, and biomass power. Projections are to increase the percentage of renewable energy power to 4.5 percent by 2020 and 6 percent by 2030.

Specifically, the plan aims to increase the combined capacity of all wind power plants to about 1,000 MW by 2020 and 6,200 MW by 2030 so as to raise the percentage of wind power from almost zero percent at present to 0.7 percent by 2020 and 2.4 percent by 2030.

Recently, the Government promulgated Decision 37/2011/QD-TTg regarding incentives for wind power development, to which EVN will pay US$6.8 cents per KWh and the State will contribute US$1 cent per KWh to investors (investors get total US$7.8 cents per KWh) currently. At this moment, there have been 50 wind power projects in 15 provinces with total capacity of 5,000 MW which have been registered. However, only three projects with a total of 50 MW have been put into the national grid due to a lack of appropriate feed-in-tariffs and investment capital.

GVN has recently increased the feed-in-tariff for renewable power generated from solid waste power plants to US$10.5 cents per KW/h, effective from June 2014.

Nuclear Power: In June 2008, the National Assembly adopted the Atomic Energy Law to regulate the safe, secure, and peaceful use of atomic energy, which include participation in and implementation of international nuclear treaties, as well as strengthen international cooperation. In 2009, the National Assembly approved the construction of two nuclear power plants in Ninh Thuan province. GVN awarded the construction of Vietnam's first nuclear power plant to Rosatum of Russia (2,000MW); and the second one to a Japanese consortium (2,000MW). Vietnam's goal is to have the first nuclear power plant to be put into operation by 2020. However, with a high concern on the safety of nuclear power, GVN has delayed the construction of the first nuclear power plant until 2020 (instead of 2014).

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

Investment Requirements: According to EVN's estimates, around $123.8 billion will be channeled into national power system development within the next two decades. Spending will average $6.8 billion per year. From 2013-2015, this amount will average nearly $5 billion per year. Of this, 66 percent will be spent on power plants and the remaining 33.4 percent on network development.

In detail, Vietnam plans to invest in up to 98 power plants with total capacity of 59,444 MW, of which EVN would build 48 power plants with 33,245 MW, with an estimated total investment of $39.6 billion (including $26.8 billion for power generation.)

Best Prospects/Services

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

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

According to *Renewable Energy Top Markets for U.S. Exports 2014-2015* report, Vietnam's wind power generation market ranks in the top ten. The country is regarded to have an unmatched supply of wind resources in Southeast Asia.

Opportunities

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

- Equipment sales opportunities for ongoing and upcoming power generation projects, especially gas-fired and renewable power(*)
- Investment opportunities in IPP projects (in the form of BOT, BT, BTO and JV) (*)
- EVN/NPT-funded power transmission and distribution projects(*)

Ongoing and upcoming thermal power projects

NO.	PROJECT NAME	OWNER/DEVELOPER	PROFILE	CONST_START	CONST_END
1	**NAM DINH THERMAL POWER PLANT**	1. Hashinco - Hoang Anh Shipbuilding Industry JSC 2. Tae Kwang Vina Industrial JSC	2 x 600 MW, coal	2014	2020
2	**KIM SON THERMAL POWER PLANT - NINH BINH**	KOWEPO - Korean Western Power Co., Ltd	2 x 600MW, coal	2014	2020
3	**THAI BINH 2 THERMAL POWER PLANT - THAI BINH**	PV Power - PetroVietnam Power Company Limited	2 x 600 MW, coal	2011	2014
4	**MONG DUONG NO 1 THERMAL POWER PLANT - QUANG NINH**	EVN - Vietnam Electricity Corporation	1080 MW, coal	2011	2016
5	**DUYEN HAI 2 THERMAL POWER PLANT - TRA VINH**	Janakuasa Sdn Bhn - Vietnam Reprentative Office	2 x 600 MW, coal	2013	2016
6	**LONG PHU 1 THERMAL POWER PLANT - SOC TRANG**	Project Management Board Of Long Phu - Song Hau Petro	2 x 600 MW, coal	2014	2018
7	**SONG HAU 2 THERMAL POWER PLANT - HAU GIANG**	Toyo Ink Group Berhad	2,000 MW, coal	2014	2019

8	**THERMAL POWER PLANT HAI DUONG**	1. EVN - Electricity of Vietnam Corporation' 2. VINACOMIN - Vietnam National Coal - Mineral Industries Group 3. JAKS Resources Berhad 4. Wuhan Kaidi Electric Power Engineering Co.,Ltd	2 x 600 MW, coal	2011	2017
9	**DUYEN HAI THERMAL POWER PLANT 3 - TRA VINH**	EVN - Vietnam Electricity Corporation	1,244 MW, coal	2012	2015
10	**NGHI SON 1 THERMAL POWER PLANT - THANH HOA**	1. EVN - Vietnam Electricity Corporation 2. Project Management Board of Thermal Power No.2	600 MW, coal	2010	2014
11	**VUNG ANG 1 THERMAL POWER PLANT - HA TINH**	PVN - PetroVietnam	2 x 600 MW, coal	2009	2013
12	**THAI BINH 1 THERMAL POWER PLANT - THAI BINH**	EVN - Vietnam Electricity Corporation	600 MW, coal	2010	2014
13	**VUNG ANG 2 THERMAL POWER PLANT - HA TINH**	VAPCO	2 x 660 MW, coal	2012	2015
14	**VINH TAN 2 THERMAL POWER PLANT - BINH THUAN**	EVN - Vietnam Electricity Corporation	1,244 MW, coal	2010	2014
15	**VINH TAN 1 THERMAL POWER PLANT - BINH THUAN**	1. Southern Power Network Co 2. China International Power Company. 3. Vinacomin	1,200 MW, coal	2014	2019
16	**THANG LONG THERMAL POWER PLANT - QUANG NINH**	Thang Long Thermal Power JSC	2 x 300 MW, coal	2011	2015
17	**VINH TAN 4 THERMAL POWER PLANT - BINH THUAN**	EVN - Vietnam Electricity Corporation	2 x 600 MW, coal	2013	2017
18	**CONG THANH THERMAL POWER PLANT - THANH HOA**	1. Cong Thanh Cement JSC 2. GE Energy Vietnam Co., Ltd.	2 x 300 MW, coal	2011	2014

19	**VINH TAN 3 THERMAL POWER PLANT - BINH THUAN**	1. Pacific Services & Investment Corporation 2.EVN - Vietnam Electricity Corporation	2 x 1,000 MW, coal	2013	2016
20	**DUNG QUAT THERMAL POWER PLANT - QUANG NGAI**	SembCorp Industries Pte Ltd	1,200 MW, coal	2013	2016
21	**MONG DUONG THERMAL POWER PLANT 2 - QUANG NINH**	1. VINACOMIN - Vietnam National Coal - Mineral Industries Group 2. AES Power Corporation - Vietnam Representative Office 3.Posco Power	1,240 MW, coal	2011	2015
22	**DUYEN HAI 1 THERMAL POWER PLANT - TRA VINH**	EVN - Vietnam Electricity Corporation	2 x 622 MW, coal	2011	2014
23	**QUYNH LAP 2 THERMAL POWER PLANT - NGHE AN**	Song Da Corporation	2 x 600 MW, coal	2014	2017
24	**QUANG TRI THERMAL POWER PLANT - QUANG TRI**	EGAT - Electricity Generating Authority of Thailand	2 x 600 MW, coal	2014	2019
25	**O MON 1 THERMAL POWER PLANT - CAN THO**	EVN - Electricity of Vietnam Corporation'	600 MW, gas	2006	2015
26	**O MON 4 THERMAL POWER PLANT - CAN THO**	EVN - Vietnam Electricity Corporation	750 MW, gas	2013	2016
27	**SON MY THERMAL POWER PLANT 1**	1. GDF (France) 2. Sojitz (Japan)	2,000 MW, gas	2015	2019
28	**DOOSAN BIOMASS THERMAL POWER PLANT - BINH PHUOC**	DOOSAN VINA - Doosan Heavy Industries & Construction Co., Ltd	19 MW	2013	2015

EVN's higher priority transmission and distribution projects for Period 2013-2016*

No	List of projects	Capacity	Total Investment (mil. USD)	Equipment (mil. USD)	Commence time	Complete time
I	**500kV network**					
1	The 500kV Western Hanoi - Thuong Tin	2x24 km	39	5	2014	2016
2	500kV Dong Anh SS	900MVA	32	14	2014	2016
3	500kV Western Hanoi	900MVA	60	26	2014	2016

4	500kV My Phuoc SS and connection of 220kV-110kV behind SS	1x900MVA	65	25	2014	2016
5	500kV Viet Tri and connection	2x450 MVA & 2x1,3km	44	17	2015	2017
II	**220kV Nerwork**					
1	220kV Western Hanoi	250MVA	30	8	2013	2014
2	220kV Dong Anh SS	250MVA	14	8	2013	2014
3	220kV Long Bien SS and connection	2x250MVA	19	9	2013	2014
4	220kV Bac Ninh 2SS (Tien Son)	250MVA	14	6	2013	2014
5	220kV Bac Ninh 3 SS (Yen Phong)	250MVA	19	5	2013	2014
6	220kV Hoa Binh TL - Western Hanoi	2x65km	40	1	2013	2014
7	220kV TL Branch of 220kV Western Hanoi SS	6x4,76km + 4x8km	27		2013	2014
8	220kV ground cable Mai Dong - Tay Ho TL	2x15km	65	1	2014	2016
III	**Other**					
1	Improvement of experiment capacity of Power Transmission Companies		19	19		
	Total		**487**	**144**		

Source: Vietnam National Power Transmission Corporation (NPT)

(*)List of power projects potential for U.S. exports are available upon request.

Resources

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

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

Electricity of Vietnam Group (EVN)

http://www.evn.com.vn

PetroVietnam Power Corporation (PV Power)
http://www.pv-power.vn

Vinacomin
www.vinacomin.vn

Vietnam National Power Transmission Corporation (NPT)
http://www.npt.com.vn

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

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

Tran My, Commercial Specialist
U.S. Consulate General in HCMC
E-mail: My.Tran@trade.gov

Telecommunications Equipment and Services Return to top

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	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	4,600	5,000	5,750	6,600
Total Local Production	1,650	1,750	2,000	2,300
Total Exports	65	75	85	95
Total Imports	3,000	3,250	3,750	4,300
Imports from the U.S.	380	480	580	650
Exchange Rate: 1 USD				

(The above statistics are in US$ millions and are unofficial industry estimates)

Driven by growing income per capita of sophisticated customers and Government of Vietnam's plan to develop its e-government and e-commerce, the country's telecommunications market is forecast to grow at 15.5 percent in 2014 and 2015. To meet this continued market growth, Vietnam imports a huge amount of telecommunication network equipment and terminal devices as Vietnamese manufacturers are still relatively new and may not be able to offer the same range of solutions and services as foreign suppliers. This trend is expected to continue to offer good sales opportunities for U.S. suppliers for many years to come.

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

According to Vietnam's Ministry of Information and Communications (MIC), as of December 2013, Vietnam has approximately 105 million telephone subscribers (88 million cell phone subscribers and 17 million landline phone subscribers), recording a teledensity of 1.16 lines/inhabitant.

The major technologies used in Vietnam include cable, satellite, and wireless cable. Major broadband networks are deployed via ADSL (asymmetric digital subscriber line), VDSL (very high rate digital subscriber line), and leased lines. Wi-Fi is deployed in the major cities. In terms of network convergence, voice/data networks are available nation-wide, while "triple play" networks (voice/data/video) and broadband services have been growing in the big cities. VoIP (Voice over Internet Protocol) services are expanding. Telecommunications companies own the Internet infrastructure and provide VoIP services. There are also several privately owned VoIP providers, all of which lease lines from major telecom carriers.

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

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

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

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

Best Prospects/Services Return to top

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

Fixed Telephone Networks:

As of December 2013, Vietnam has approximately 17 million fixed telephone lines. Telephone access is currently available to all communities nationwide. State-owned VNPT was the major landline telephone carrier in this market with market share of nearly 70 percent in 2013 .Ministry of Defense-owned Viettel was second with 22.31 percent market share. As the traditional PSTN (public switched telephone network) fixed telephone service is no longer a "cash cow" subsector, Vietnam's telcos are instead developing wireless fixed telephone service solutions.

Mobile Phone Networks:

At present, there are five licensed cell phone network operators in Vietnam. Nearly 90 percent of the mobile phone market share in Vietnam is currently divided amongst three major network operators: Viettel Mobile, MobiFone, and Vinaphone. According to official figures reported by network operators to MIC, as of 2013, with a population of 90 million, the total number of actual mobile phone subscribers in Vietnam was nearly 88 million, of which more than 90 percent were pre-paid subscribers. A VNPT senior representative recently announced that Vietnam is listed in the top 10 countries in the world that have the highest number of cell phone subscribers, ranked 7th, even above Japan and Germany.

In terms of the technologies used in Vietnam's mobile phone networks, all 5 licensed mobile network operators (VinaPhone, MobiFone, Viettel, Vietnamobile, and GMobile) adopt global systems for mobile communications (GSM) technology.

At present, Viettel, Mobifone, Vinaphone and VietnamMobile provide 3G (third generation) wireless technology service. According to industry estimates, Vietnam had approximately 5.17 million 3G subscribers in 2013. In terms of 4G technology, after one-year of pilot tests of 4G LTE (long term evolution) by five service providers namely VNPT, Viettel, FPT Telecom, CMC and VTC, MIC announced that 3.5G and 4G would only be considered for licensing after 2015 and 2018 respectively.

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

By the end of 2013, the number of Internet subscribers in Vietnam stood at 31 million, with 34 percent of the population using the Internet regularly. Presently, the country's total international and domestic connection bandwidth are 390,720 Mbps and 500,910 Mbps, respectively. However, Internet density is not equally spread throughout the country and is concentrated in the urban centers, especially Hanoi and HCMC. Broadband market demand has increased so rapidly that current market supply is not sufficient to meet demand. The broadband market is shared among 3 major ISP's: VNPT, FPT and Viettel.

Satellites: Vietnam's first communications satellite called Vinasat-1 (http://www.vinasat.com.vn) was launched in 2008, providing roughly 15 years of service. This satellite was designed and manufactured by Lockheed Martin. Vinasat is a geostationary satellite, employing eight extended C-band channels and 12 Ku-band channels to provide broadcast and telecommunications service (video, data, voice) to countries in the Asia-Pacific region such as Vietnam, Laos, Cambodia, India, Australia, Japan, Korea, part of China, and other East Asia countries. It has the capacity to provide around 120 digital television channels and tens of thousands of Internet data transmission and telephone channels.

In November 2010, VNPT and Lockheed Martin signed a contract for the package of providing satellite, control station and launch services under the Vinasat-2 project. In May 2012, the second satellite Vinasat-2 was launched into orbit from French Guiana's Kouru launch pad. Vinasat-2 applies state-of-the-art technology that takes advantage of the Vinasat-1 but will have a larger capacity of 24 MHz Ku-band (36MHz bandwidth). This satellite will cover the Southeast Asia and some neighboring countries. The satellite is designed to be in service for 15 years.

Vietnam is also expected to launch Vinasat-3 as Vinasat-2 is expected to reach 70-80 percent of its capacity 2-3 years after launch. However, these future projects will depend on actual market demand. According to industry experts and top executives of Vietnamese telcos, Vinasat-3 will not be launched by 2017.

Apart from communications satellites, Vietnam also has plans for a natural resource, environment and disaster monitoring small satellite (referred to as VNREDSat-1) satellite. VNREDSat-1 would be a small-sized earth observation satellite, 150 kilograms in weight with a five-year life expectancy. The satellite and has been funded by French official development assistance (ODA).

Opportunities Return to top

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

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

Telecommunications service providers:

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

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

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

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

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

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

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

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

- CMC Telecom Service Joint Stock Company (CMC Telecom)

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

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

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

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

For further information, please contact the following persons:

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

Huynh Triet, Commercial Specialist
U.S. Consulate General in Ho Chi Minh City
Email: Triet.Huynh@trade.gov
Website: www.buyusa.gov/vietnam

Oil and Gas Machinery and Services

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Overview

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Unit: USD thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	2,880,000	3,456,000	3,800,000	4,200,000
Total Local Production	1,440,000	1,728	1,900,000	2,100,000
Total Exports	N/A	N/A	N/A	N/A
Total Imports	1,440,000	1,728,000	1,900,000	2,100,000
Imports from the U.S.	425,000	600,000	660,000	720,000

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

Organization

Vietnam has great potential in oil and gas reserves. Oil and gas is one of the top priority sectors for development by the Government of Vietnam since it is viewed as central to national economic growth and energy security. The oil & gas industry is the country's biggest foreign currency earners and a major procurer of imported technology, services and equipment. PetroVietnam (also known as PVN), the national oil and gas group, is a leading state-owned economic group with revenue accounting for 20 percent of the nation's GDP and contributing to 25-30 percent of the state budget.

PVN holds a monopoly in the upstream, mid-stream and downstream areas of the industry. In 2013, PVN and its affiliates produced 16.71 million tons of crude oil and 9.75 billion cubic meters of natural gas, generating a combined $36 billion in revenue. Out of 16.71 million tons of crude oil produced in 2013, PVN exported about 8.4 million tons with a turn-over of $7.2 billion, a decrease of 11.9 percent compared to 2012. In 2014, PVN aims to produce 16.83 million tons of crude oil, 9.8 billion cubic meters of gas with total revenue of about $32 billion.

PVN, in the restructuring scheme, plans to focus on the five crucial areas including petroleum exploration, exploitation and oil refining, gas and electric industries, and high quality petroleum services. PVN has applied state-of-the-art technologies to its projects to enhance output, increase oil and gas recovery factors, and protect the environment and natural resources.

Industry

<u>Upstream and Midstream</u>

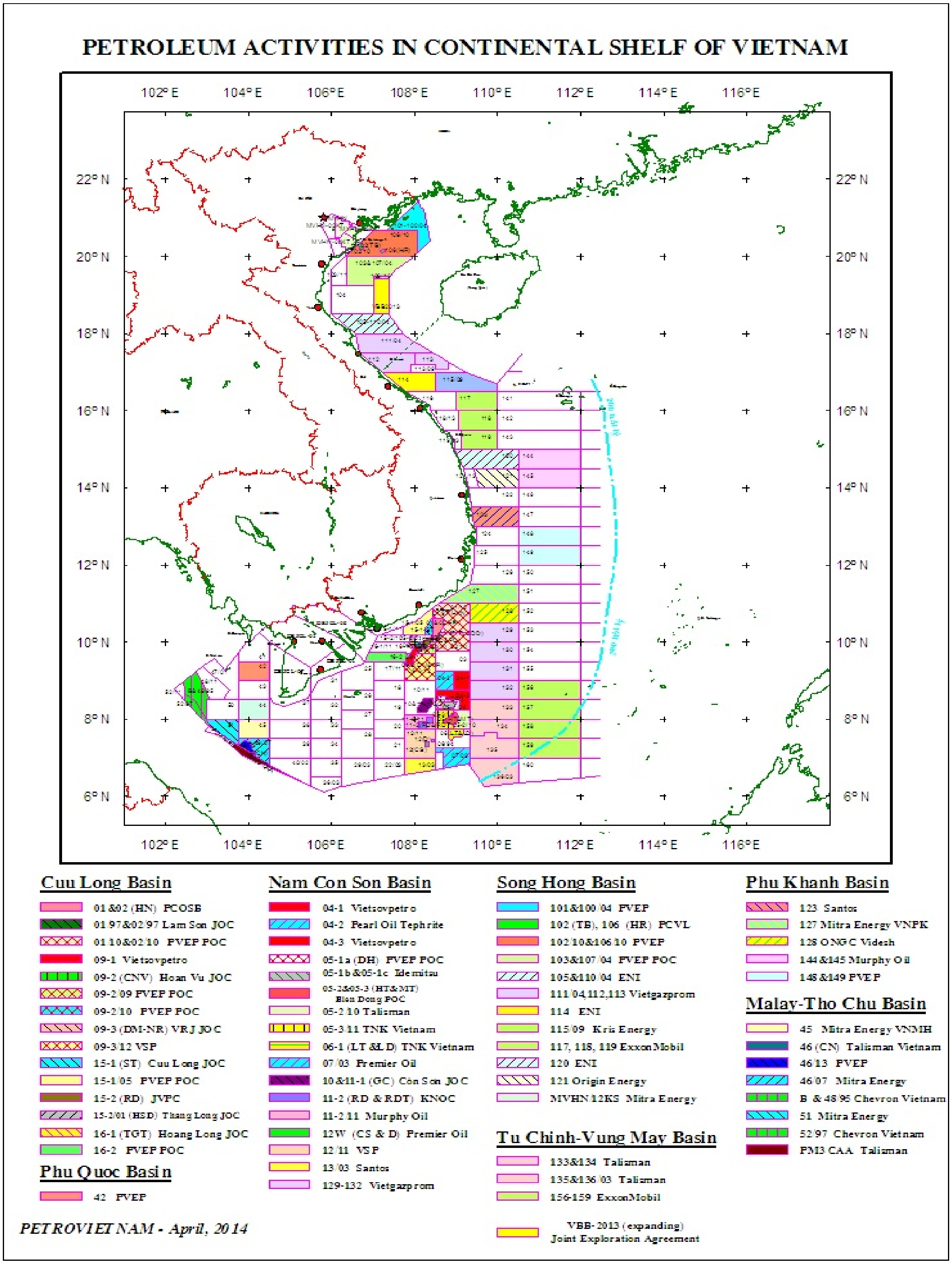
Map 1: Major Tertiary Basins in Vietnam
Source: PVN (http://www.pvn.vn)

Vietnam's range of activity covers about one million sq km offshore, comprising six major tertiary basins including Song Hong, Phu Khanh, Cuu Long, Nam Con Son, Malay-Tho Chu, and Tu Chinh-Vung May (See Map 1). Of these, the Cuu Long and Nam Con Son basins have shown the most hydrocarbon potential.

To date, about 100 hydrocarbon-bearing prospects have been found in almost 50 fields, with estimated reserves of approximately 643 million tons of crude oil and 680 billion cubic meters (bcum) of natural gas (23 trillion cubic feet -Tcf). Among the 50 fields with oil and gas discoveries, there are 30 commercial fields. In 2013, five new oil and gas discoveries were found and nine fields were put into exploitation (See Map 2). The year 2013 marked Vietnam's exploitation of the 310 millionth ton of oil and the 90 billionth cubic meter of gas.

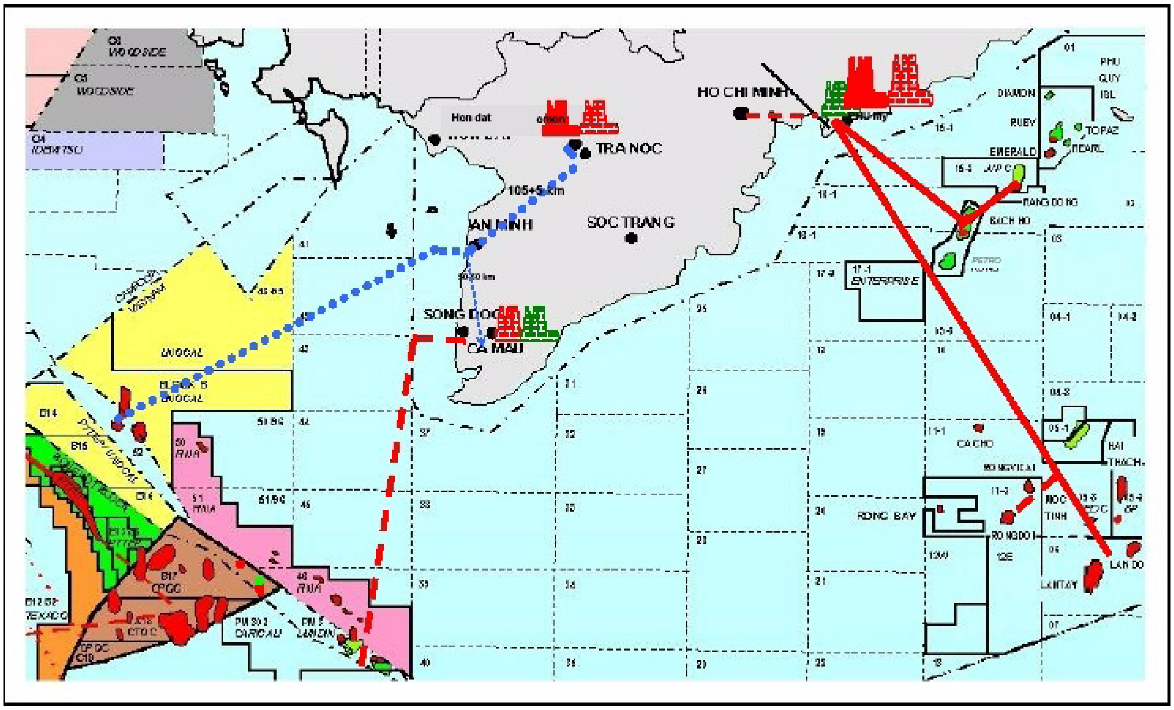
PetroVietnam has signed about 80 oil and gas exploration and production contracts with foreign companies in the form of Product Share Contracts (PSC), Business Cooperation Contracts (BCC), Joint Ventures (JV) and Joint Operation Companies (JOC).

In the medium term, oil production is expected to decline gradually due to the deteriorating performance of existing oil fields while other new discoveries will not offset this loss in production. PVN has been expanding exploration to boost reserves, including in foreign countries.



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

Gas production, however, is expected to rise significantly since several gas fields will be put in production in the near future. At present, about 85 percent of the natural gas produced in Vietnam is used for power generation, 10 percent for fertilizer and the remaining five percent for industries and households. Gas is transported via a network of gas pipelines from offshore gas fields to onshore processing facilities and power complexes (See Map 3.)



Map 3: Gas Pipelines (in red lines) and Projects (in blue lines) in Vietnam
Source: PVN (http://www.pvn.vn)

Along with three gas pipelines, Bach Ho, Nam Con Son and Ca Mau, PVN is building the fourth pipeline from the Gulf of Thai to O Mon in Can Tho Province, as well as the second Nam Con Son pipeline from the West Ocean and the Nam Con Son basin.

In 2011, PV Gas, Chevron Vietnam (U.S.), Mitsui Oil Exploration Company (MOECO) (Japan) and PTT Exploration and Production Public Company Limited (PTTEP) (Thailand) signed a Business Cooperation Contract (BCC) for the Block B Gas Pipeline Project. The Project, when completed, will transport natural gas from Block B&48/95 and Block 52/97, off the Southwest coast of Vietnam, with a capacity of 18.3 million cubic meters per day (equivalent to 6.4 billion cubic meters per year) to power plants at the O Mon Power Complex of Can Tho City (total capacity of 3,000 MW). This pipeline will also supply power plants and fertilizer plants in southernmost province of Ca Mau Province. However, the project has been delayed for years as Chevron and PVN have been unable to agree on the feed-in-tariff price.

PVN has mapped out a five-year plan from 2011-2015 with a combined revenue estimated at $144.8 billion, producing a total of 90 million tons of crude oil and 51 billion cubic meters of natural gas. Vietnam's domestic demand for crude oil in the future is expected to increase, especially as the country expands refinery capacity. The demand for natural gas is expected to continue to rise by 12.1 percent per year during the period 2011 – 2020, reaching 24.8 bcm in 2020. Southern provinces are expected to show above average growth due to new gas-fired power plants, fertilizer factories as well as industrial and commercial households. The completion of the gas industry infrastructure in the South and the formation of the infrastructure for the gas industry in the North and Central regions will ensure sufficient gas supply to the industries and public consumption. PVN's objective is to produce 17-21 billion cubic meters of gas a year by 2015, 22-29 billion cubic meters of gas and 3-4 million tons of LPG by 2025.

Downstream

PVN plans to expand the refinery and petrochemicals capacities and build supporting storage and supply systems. In the coming years, PVN will make more investment in expanding of the Dung Quat Refinery and construct Nghi Son and Long Son refineries and petrochemical complexes to bring up the total refining capacity to 16-17 million tons per year by 2015 and 30 million tons per year by 2025.

PVN started construction of its first oil refinery in 2005 at a cost of US$3 billion with a capacity of 6.5 million tons per year in Dung Quat, Quang Ngai Province (Central Vietnam). PVN owns 100 percent of this refinery with French Technip as the EPC contractor using UOP technology. In 2013, the country's first refiner Dung Quat refinery produced 6.5 million tons of gasoline, liquefied petroleum gas, kerosene, diesel, jet fuel, fuel oil and polypropylene (PP). At present, Dung Quat Refinery supplies approximately 30 percent of the total country's petroleum demand. PVN plans to raise the capacity of Dung Quat Refinery from 6.5 million tons to 10 million tons at a projected cost of about $3 billion. In order to execute its expansion plan, PVN has signed a framework agreement with the Russian Gazprom Neft for the expansion program.

A joint-venture (JV) amongst Kuwait Petroleum International (KPI, 35.1%), Japanese refiner Idemitsu Kosan Co. (35.1%) and Mitsui Chemicals (4.7%), and PVN (25.1%) was established in April 2008 to build an oil refinery and petrochemical complex in Nghi Son, Thanh Hoa Province in northern Vietnam. The EPC contract was signed in January 2013 and the construction started in October 2013. EPC Contractor is the consortium of JGC Corporation (Japan), Chiyoda Corporation (Japan), GS Engineering & Construction Corporation (Korea), SK Engineering & Construction CO., Ltd (Korea), Technip France (France) and Technip Geoproduction (M) Sdn.Bhd (Malaysia). The $9 billion Nghi Son Refinery and Petrochemical complex will be able to process 10 million tons of crude oil per year when it is commercialized in quarter 3 of 2017. Its main products are liquefied petroleum gas (32 thousand tons/year), gasoline RON 92 (1,131 tons/year) and RON 95 (1,131 tons/year), diesel (2,161 tons/year), kerosene (1,441 tons/year), jet fuel (580 thousand tons/year), polypropylene (238 thousand tons/year), para-xylene (670 thousand tons/year), benzene (238 thousand tons/year) and solid sulfur (244 thousand tons/year).

Vung Ro Petroleum, a JV between Technostar Management Ltd (UK) & Telloi Group (Russia) will build Vung Ro refinery (in Phu Yen Province) - a $3.18 billion oil refinery capable to refine eight million tons of crude oil per year. The investor has signed a technology copyrights and engineering design contract with UOP LLC Corporation (a Honeywell company). JGC Corporation (Japan) was awarded the EPC Contract in October 2013. The project is expected to start the construction in the third quarter of 2014 and will be completed in 48 months after the construction commencement. Basic products are polypropylene (275 thousand tons/year), benzene (98 thousand tons/year), toluene (72 thousand tons/year), xylene (442 thousand tons/year), propane (54 thousand tons/year), LPG (90 thousand tons/year), gasoline RON 92 (487 thousand tons/year), gasoline RON 95 (1,559 thousand tons/year), jet fuel (325 thousand tons/year), diesel (2,295 thousand tons/year), FO (1,401 thousand tons/year) and sulfur (67 thousand tons/year).

Map 4: Oil refineries in Vietnam
Source: PVN (http://www.pvn.vn)

Best Prospects/Services Return to top

Vietnam's expanding offshore exploration and production has created a steadily growing market for oil and gas equipment and services, which is estimated at $3.8 billion in 2014. American equipment and services have captured a significant share of the market and this share is expected to expand over the next few years. In the local market, American companies are well known as world leaders for advanced technologies, quality, and experience in the offshore oil and gas sector. These U.S. firms are currently the most successful in the oil and gas sector in Vietnam. In general, U.S. suppliers of oil and gas equipment and services are quite competitive in the upstream and midstream sub-sectors where advanced technologies and reliability are strict requirements. Sales opportunities are promising in the following areas:

- Oil & gas equipment, accessories, chemical, services for the upstream, midstream and downstream segments
- Offshore enhanced oil recovery
- Deep-water development

Opportunities

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Under its WTO commitments, the Vietnamese government has opened its oil and gas sector to foreign companies, which it hopes will bring in capital, expertise and technology to help achieve the country's major industry goals. According to Vietnam's Oil and Gas "Master Plan Toward 2015 and Vision to 2025", the industry will require an investment of US$203 billion to achieve the goals set forth by the government for the 2006-2025 period. PVN is working to promote key projects below:

New offshore oil & gas exploration and production projects:

Song Hong Basin – Blocks 102/10 & 106/10
Song Hong Basin – Blocks 108/04 & 116
Song Hong Basin – Block 104
Phu Khanh Basin – Blocks 148 & 149
Onshore Mekong Delta – Blocks DBSCL-01, 02, 03 & 04
Nam Con Son Basin – Blocks 06/94, 22/03
Nam Con Son Basin - Blocks 19, 20
Nam Con Son Basin Blocks 28,29
Nam Con Son Basin - Block 05-2/10
Nam Con Son Basin - Block 10 & 11-1
Malay – Tho Chu – Phu Quoc Basin - Blocks 31, 32, 33, 34, 35, 36/03, 37, 38, 41, 43, 44, 47/01

Nam Con Son 2 Gas Pipelines: The Nam Con Son-2 gas pipeline project includes a 334 km offshore pipeline and 30 km onshore pipeline connecting gas fields in the Nam Con Son Basin, offshore southern Vietnam, with an onshore gas processing plant in the southern province of Ba Ria - Vung Tau. The gas plant will take 20 million cubic meters of natural gas per day from Hai Thach - Moc Tinh and Thien Ung – Dai Hung fields in the Nam Con Son basin to process condensate and liquefied petroleum gas (LPG). The pipeline is also planned to transport imported gas from other ASEAN countries to response to demand in the Southeast area of Vietnam. The EPC contract was signed between PVN and Vietsovpetro (VSP) in May 2014. This $1.3 billion project is expected to be operational in 2015.

Long Son oil refinery and petrochemical complex: This oil refinery and petrochemical complex in Ba Ria-Vung Tau Province needs an investment capital of $8 billion and will be able to refine 10 million tons of crude oil per year. A consortium was set up in 2008. After many changes, it now comprises of PVN, Vinachem, Thailand-based SCG and Qatar Petroleum. Long Son oil refinery complex has a designed capacity of 1.4 million tons of olefins with a flexible grinding technology using ethane, propane and naphtha as input materials. It includes many other auxiliary components like a port, a wharf, warehouses and a power plant. Partners in the consortium are expected to secure capital for the $4.5-billion project by the end of next year. Four hundred hectares of cleared land area was handed to project owner in August 2013. The expected time of commercial operation would be after 2020.

Van Phong Oil Refinery: After six year having investment policy, this project has restarted the call for investment. The oil refinery in Khanh Hoa Province is developed with the investment of $8 million to refine 10 million tons of crude oil per year.

Nhon Hoi Oil Refinery: The $27.5 billion project based in the Nhon Hoi Economic Zone of Binh Dinh Province is invested by Thai state-owned oil & gas company PTT Public Company Limited to refine 30 million tons of crude oil per year. PTT has picked U.S. firm McKinsey Company as the consultant for project strategy management while Switzerland's Foster Wheeler is the consultant for technology and design. IHS Company is the consultant for trade, input crude oil sources and final products. Construction is expected to last five years and the project will be launched into operation in 2020.

Thi Vai LNG receiving and re-gasification terminal: This facility will be built in Cai Mep Industrial Zone, Ba Ria-Vung Tau province using utilities of LPG storage project and Jetty of Thi Vai Port with the capacity of one million mtpa. This project developer is working on the Front End Engineering Design (FEED) and additional geological survey for FEED. The investment capital is of approximately US$246 million and the project is expected to come into operation in late 2017. PV Gas is working on the project's feasibility study. PetroVietnam offered foreign investors to buy up to a 49 percent stake in the Thi Vai LNG terminal.

Son My LNG receiving and re-gasification terminal: This facility will be built in Binh Thuan province. The project is expected to be completed in three phases. In the first phase, PV Gas will build a 1.8 million mt/year terminal by 2018 and start receiving gas in 2019 or 2020. The terminal capacity can be doubled to 3.6 million mt/year by 2020. In the second phase, the project capacity would be raised to 6 million mt/year by 2023 and to 9.6 million mt/year by 2026-2030 in the third phase. The total investment for the project is estimated to be more than $1.3 billion. PV Gas is offering foreign investors up to a 49 percent stake in its second LNG terminal.

Trade Events Return to top

Oil and Gas Vietnam (OGAV) 2014
www.oilgasvietnam.com

Ho Chi Minh City, Vietnam, 22-24 October 2014
Organizer: Fireworks Vietnam Co., Ltd
Email: viet@asiafireworks.com
Tel: (+84-8) 3911-7400 | Fax: (+84-8) 3911-7401

Resources Return to top

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

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

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Information Technology (IT) Hardware and Software

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IT Hardware Market (in million US$)

	2011	2012	2013 (estimated)
Total Market Size	1350	1550	1780
Total Local Production	70	75	90
Total Exports	0	0	0
Total Imports	1280	1475	1690
Imports from the U.S.	510	670	760

IT Software Market (in million US$)

	2011	2012	2013 (estimated)
Total Market Size	580	665	760
Total Local Production	220	265	305
Total Exports	0	0	0
Total Imports	360	400	455
Imports from the U.S.	160	180	205

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

The IT hardware and software markets of Vietnam, which are driven by continued higher IT demand and outlay from the public sector, private sector and households, have grown at an average rate of 15 percent for the last five years. To meet its dynamic market growth, Vietnam has been importing the lion's share of IT hardware and software as Vietnamese manufacturers are still relatively new and may not be able to offer the same range of solutions and services as foreign suppliers. This trend is expected to continue to offer good sales opportunities for U.S. suppliers for many years to come.

A recent International Data Corporation (IDC) report shows that the hardware market grew at 15 percent in 2012 and is forecasted to grow at a similar rate in 2013. Key players in the hardware market include suppliers from Taiwan, China, the U.S., and Japan. According to the IDC, the software market grew at 14.5 percent in 2012 and is estimated to grow at virtually the same rate in 2013. Major players in the software market include suppliers from the U.S., Germany, China, Russia, and Vietnam. Software market revenues would be significantly greater without the use of counterfeit software. Protection of software copyright is an issue; industry experts reported that Vietnam had a software piracy rate of 79 percent in 2012, down from 81 percent in 2011.

Best Prospects

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

Hardware: According to the IDC, Vietnam's personal computer (PC) market grew at roughly 15 percent in 2012. As the Vietnamese economy is forecasted to grow at about 5-6 percent over the next few years, this growth trend in PC market is expected to continue at a strong pace and offers good potential for U.S. suppliers. Major suppliers of PCs in Vietnam include Taiwan (Acer and Asus), the U.S. (Dell, Hewlett-Packard and Apple), China (Lenovo), Japan (Sony and Toshiba) and Korea (Samsung).

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

Network equipment, including access points, ADSL equipment, hubs, switches, and network adapters, is also a best prospect for U.S. suppliers. Cisco Systems and Juniper Networks are two major U.S. network equipment suppliers in Vietnam.

In addition, the information security equipment sub-sector offers good potential for U.S. suppliers as the Government and businesses in Vietnam are conducting more business transactions via the Internet and local and wide area networks.

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

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

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

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

Trade Events:

1. CommunicAsia, 18-21 June 2013, Singapore, http://www.communicasia.com/
2. Vietnam Telecomp, 20-23 November 2013, HCMC, Vietnam, http://www.vietnam-telecomp.com/VNC13/Main/lang-eng/Information.aspx

Resources:

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

Vietnam Ministry of Information and Communication**:** http://www.mic.gov.vn

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

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Overview

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	2011	2012	2013(estimated)
Airport and Ground Support Equipment			
Total Market Size	27	32	35
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	27	32	35
Imports from the U.S.	11	14	16
Air Traffic Management Equipment			
Total Market Size	22	26	29
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	22	26	29
Imports from the U.S.	12	15	17
Engines, Engine Parts and Aircraft Parts			
Total Market Size	250	295	325
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	250	295	325
Imports from the U.S.	200	240	265

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

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

According to the CAAV, Vietnam's overall aviation market in 2012 has a total of 25.3 million passengers, a year-on-year increase of 6.5 percent and a total throughput of 527,000 tons of cargo, a year-on-year increase of 10.9 percent. CAAV projected that the market would grow at 9.8 percent for passenger volume and 9.9 percent for cargo load in 2013. Continued strong market growth presents opportunities for U.S. companies as Vietnam makes large investments in airport construction and upgrades, aircraft fleet expansion, air traffic service enhancements, aircraft maintenance, and overhauls service development.

Market Demand and Trend

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CAAV estimated that Vietnam would require an investment of about $15 billion to fulfill its aviation sector development plan by 2020. Of this, $8 billion is needed chiefly for aircraft fleet expansion, $5 billion for airport construction and upgrades, and the remaining $2 billion for airport operations and air traffic management.

Air Fleet Development

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

According to VNA's fleet expansion plan approved by the Vietnamese Prime Minister in October 2007, VNA is expected to purchase 43 aircraft including twenty A321s (150 passengers), eight B787-8s (280 passengers), five ATR72s (70 passengers), and ten A350s (300 passengers) between 2006 and 2015.

Airport Development

At present, the government budget can only meet about 20 percent of the total investment required for airport development. Raising sufficient funds for this development is an immense challenge for Vietnam now and in the future. During the period 2012 – 2020, several other airports are planned to be constructed or upgraded including Long Thanh (International), Chu Lai (Cargo), Cat Bi /Hai Phong (International), Quang Ninh (International). The lion's share of the investment in airport projects is expected to come from Official Development Assistance (ODA) loans from foreign governments such as Japan as well as financing from the private sector. Currently, Airport Corporation Vietnam (ACV) operates and manages a total network of 22 airports, 8 international and 14 domestic, in Vietnam.

Air Traffic Management

Vietnam Air Navigation Service Corporation (VANSCORP) will spend over $67 million on its 46 new and ongoing air traffic management projects from 2012 to 2015. Funding for these projects comes mainly from VANSCORP's own budget accumulated from its business activities

Maintenance, Repair, and Overhaul (MRO) Services

Market demand for MRO services is expected to increase significantly as there are currently limited local MRO capabilities in Vietnam and all the aircraft operators in Vietnam are planning to expand their fleets considerably in coming years. Vietnam Airlines currently operates a fleet of 70 airplanes and is planning to expand its fleet to 105 by 2015 and 150 by 2020. Jetstar Pacific, Air Mekong and Viet Jet Air currently operate seven, four, and one aircraft respectively and are planning to expand their fleets to fifteen, twelve, and three by 2014.

Best Prospects/Opportunities

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

Web Resources Return to top

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

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

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

Vietnam Airlines
www.vietnamairlines.com.vn

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

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Environmental and Pollution Control Equipment and Services Return to top

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	2011	2012	2013 (estimated)
Total Market Size	790	825	860
Total Local Production	435	455	475
Total Exports	0	0	0
Total Imports	355	370	385
Imports from the U.S.	29.5	31	32.5

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

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

Sub-Sector Best Prospects Return to top

Water Supply

The lack of clean water is one of Vietnam's most pressing environmental concerns. At present, it is estimated that only about 70 percent of the Vietnamese population has access to potable water. A high rate of water loss, averaging 30 percent, further aggravates the problem. In order to improve upon this situation, the Prime Minister issued Decision 1929/QD-TTg on approval of the "Orientation for Development of Water Supply in Vietnam's Urban Centers and Industrial Parks Leading to 2025, and Vision for 2050". The Decision sets a target of supplying clean water to all urban cities, towns, and limiting the rate of water loss in these cities to be less than 15 percent by 2025. By 2050, all urban cities, towns, and industrial parks will be supplied in a stable manner with high quality of services.

To this end, the GVN is using Official Development Assistance (ODA) funding to develop water distribution networks. The ODA funds are used for three major water supply programs: (i) World Bank water supply projects for small and medium cities, (ii) Finnish water supply projects for the northern mountainous areas, and (iii) Agence Francaise de Development (AFD) water supply projects for Mekong Delta provinces. However, it is estimated that ODA will be gradually reduced, since Vietnam GDP per capita reached $1,400 as of 2011. In that context and in view of the enormous demand, the GVN strongly encourages private participation in the development of water supply facilities and has created policies to encourage investments including Decrees No. 117/2007 and No. 124/2011 on Water Supply and Environmental Sanitation; Decree No. 88 on Drainage System Management; and Decree No. 59 on Solid Waste Management.

Currently the over 240 water treatment plants in Vietnam produce 5.8 million cubic meters per day for urban consumption, but only meet about 77 percent of demand.

Waste Water

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

Currently, there are 17 centralized wastewater treatment plants in six cities in Vietnam with total capacity of 565,000 cubic meters per day. Thirty-one wastewater treatment plants with total designed capacity of over 1.5 million cubic meters per day are under design or construction in urban areas. Both storm water and household wastewater are commonly discharged through combined and outdated drainage systems into canals and rivers without treatment. The development of wastewater treatment facilities in industrial parks has also become a pressing need.

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

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

Municipal Waste Water

According to the Hanoi Drainage Company, the city discharges about 600,000 cubic meters of wastewater per day into lakes and rivers. Over 90 percent of the city's wastewater is discharged directly into lakes and rivers without treatment, making these watercourses seriously polluted. Currently, Hanoi has only one wastewater treatment plant (Bac Thang Long - Van Tri) and two small wastewater treatment units (Kim Lien and Truc Bach). The Yen So wastewater treatment plant, the largest one in Vietnam with total designed capacity of 200,000 cubic meters per day, is expected to commence its operations in 2013. Additionally, there are an ongoing Bay Mau wastewater treatment plant project and two other Phu Do and Yen Xa projects in the pipeline, with fund from Japan.

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

- The interception and Cat Lai Centralized Waste Water Treatment plan. This plant is used to treat the whole city. The project will be implemented in 2015-2019 with a total investment of $470 million to complete the collection and treatment of wastewater for the Nhieu Loc-Thi Nghe Canal Basin and District 2. It comprises of an eight- kilometer drainage component connecting the Nhieu Loc-Thi Nghe Canal with the treatment factory with a daily capacity of 480,000 cubic meters of water in District 2's Thanh My Loi Ward.
- The collection system and the waste water treatment plant for Western area of the city and Binh Tan District. Scope of project consists of the interceptor and wastewater transmission, 1 wastewater treatment plant with daily capacity at 180,000 cubic meters. The investment value is $250 – 300 million. This project is looking to start a feasibility study and for financial support.
- The interception and Tan Hoa Lo Gom waste water treatment plant. The daily capacity is 300,000 cubic meters per day Total estimated value is $350 – 400 million.

According to HCMC's 2020 master plan for wastewater drainage, which was approved by the Prime Minister, the City will need to develop 12 centralized wastewater treatment systems for nine regions; only two of which already operated with a total operating capacity of less than 200,000 cubic meters per day with a total investment of up to $4 billion to resolve its wastewater drainage problem. The remaining are still in the process of feasibility study, design, or seeking investors. These projects are under the management of the HCMC Steering Center for Urban Flood Control.
(http://ttcn.hochiminhcity.gov.vn/web/guest/gioi-thieu1)

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

Industrial Waste Water

Vietnam is going through an industrialization and modernization process aimed at developing Vietnam into an industrial country with a modern technological and physical infrastructure. The country's industrial production grows at around 14-15 percent per year during the last decade. Statistics show that as of June 2012 there are 334 industrial parks and export processing zones. Industrial wastewater treatment has emerged as a critical need because 75 percent of wastewater is being discharged into lakes and rivers without treatment.

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

Industrial parks (IPs) represent an attractive market for wastewater treatment plants since the government is pushing industries harder on environmental compliance.

Solid Waste

According to the recently released “2011 National Environment Report” of Vietnam Ministry of Natural Resources and Environment (MONRE), around 28 million tons of solid wastes are discharged nationwide each year. The annual solid waste volume would rise to 44 million tons in 2015. According to the report, 46 percent of this solid waste is being discharged from urban areas, 17 percent from industrial production zones and the remaining from rural areas, trade villages and the medical sector.

Solid waste material from industrial zones, urban and rural areas in Vietnam is increasing by 10 percent each year, with its components becoming more unidentifiable. In particular, solid waste discharged in urban areas is forecasted to increase in volume by up to 51 percent by 2015 with toxic waste accounting for 18-25 percent of the solid waste discharged from each respective area. Similarly, industrial solid waste would increase by 22 percent in 2015.

Another concern is waste separation and collection. Most of solid waste produced in urban areas is not classified at its source. Organic and inorganic wastes are often times mixed together. Waste collection in urban areas, industrial parks and processing zone are only at 80-82 percent and only 40-55 percent in rural area. Additionally, there is very little recyclable material left once wastes reach treatment plants because scavengers and garbage collectors had already pulled all recyclable material including the vast majority of cans, PET bottles, scrap metal, wiring, plastic bags, paper and others.

Recycling only accounted for only 20-25 percent of the collected waste, according to Mr. Nguyen Hong Tien, Director of the Ministry of Construction’s Department of Infrastructure and Urban Technology. Treatment and recycling of solid and toxic waste has yet to meet standard requirements. The report also puts forward some proposals to improve collection and treatment of both solid and toxic waste. One suggestion is that an authorized organization builds solid waste treatment plants in every locality.

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

Over the past decade, commendable efforts have been made to develop a policy and legal framework for environmental protection, particularly for the management and disposal of waste streams, specifically the Strategy for the Management of Solid Waste (SWM) in Vietnam Cities and Industrial Parks (1999), the National Strategy for Environmental Protection (2003), the government's Decree 59/2007/ND-CP on Solid Waste Management (2007), the approved by Prime Minister 'National Strategy for solid waste management until 2025, with a vision toward 2050, and the Decision No. 798/QD-TTg to approve the national solid waste treatment program for the period of 2011 to 2020. According to that, 85 percent of urban and 40-50 percent of rural solid waste is set to be processed by the end of 2025. Reducing landfill level to below 10 percent by 2015 is also another important target of the program.

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Funding for water supply and wastewater projects comes mainly from Official Development Assistance (ODA) sources with major donors being the World Bank and Asian Development Bank with billions of dollars committed to Vietnam water projects. In 2012, the total World Bank (WB)'s commitment for Vietnam is $2.6 billion while Asian Development Bank's (ADB) is approximately $1.4 billion. Foreign donors pledged $6.45 billion in official development assistance for Vietnam in 2013.

In April 2013, the World Bank Board of Directors approved a $ 202.5 million credit to support the sustainable development of Da Nang City, Vietnam. Provided under the Da Nang Sustainable City Development Project, the credit will help expand access of city residents to improved drainage, wastewater collection and treatment services, the arterial road network, and public transport in selected areas of Da Nang City, the fourth largest city in Vietnam.

In October 2012, World Bank funded $50 million to support the enforcement of wastewater treatment regulations for industrial zones in the four most industrialized provinces including Nam Dinh, Ha Nam, Dong Nai, and Ba Ria Vung Tau.

In 2011, ADB has approved a Multi-tranche Financing Facility (MFF) in water supply and sanitation sector with total amount of one billion USD within the next ten years. This investment program will help water supply companies in Vietnam improve their performance. It will support capital investment in water companies and co-finance the National Nonrevenue Water (NRW) Program. The program will utilize an MFF to provide longer-term support for institutional reform in the Vietnam water sector until 2020. The MFF will be used as seed money to leverage parallel co-financing and, importantly, gain access to commercial finance and increased private sector participation. Four pilot cities—Da Nang, Hai Phong, Ho Chi Minh City (HCMC), and Hue—were identified for project preparation in 2008. The first periodic financing request (PFR) will cover HCMC.

Subsequent tranches will finance part of the National NRW Program and investment subprograms consisting of water supply infrastructure for provincial water companies, duplicating the model established with HCMC in PFR1. Several cities have initiated discussions with the government to finance future tranches totaling over $300 million for water production plants, transmission and distribution networks.

The Vietnamese government plan on investing $2.78 billion in the Vietnam water sector by 2020. It has requested an MFF of up to $1 billion from ADB's ordinary capital resources to help finance the investment. The MFF will have several tranches, subject to the government's submission of PFRs; execution of loan and project agreements; and fulfillment of terms, conditions, and undertakings set forth in the framework financing agreement. The indicative investment plan for the MFF is in following table:

Indicative Investment Program (MFF: 2011–2020)

($ million)

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

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

Source: Asian Development Bank

There are also ADB's ongoing Technical Assistances (TA) including $2 million Capacity Development Technical Assistance (CDTA) support to Central and Local Governments to Implement Urban Environment Programs, which is approved in 2011; $1.1 million CDTA Improving Operational Performance for the Water Supply Sector, which is approved in April 2013; and a number of pipeline TA including $1.5 million Project Preparatory Technical Assistance (PPTA) Industrial Wastewater Treatment; and $1.5 million PPTA Provincial Water Supply and Sanitation, which are expected to be approved during 2013 – 2015 period.

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

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

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

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

Web Resources

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

World Bank
www.worldbank.org

Asian Development Bank
www.adb.org

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

Vietnam Environment Administration
www.nea.gov.vn

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

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Ms. Doan Van, Commercial Specialist
U.S. Commercial Service, U.S. Consulate General
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Medical Equipment

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Overview

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	2011 (actual)	2012 (actual)	2013 (actual)	2014 (estimated)
Total Market Size	192	195	250	265
Total Local Production	7	8	9	10
Total Exports	0	0	0	0
Total Imports	185	187	241	255
Imports from the U.S.	39.4	42	60	65

Source: U.S. Census and Euro Cham Report
The above statistics are in $ million and are unofficial estimates.

Vietnam represents a potentially large healthcare, medical equipment and device market. Identified as one of the national development priorities, the Vietnamese public healthcare sector has received increasing government budget allocations as well as interest from the private sector. Healthcare experts estimated that the market size was $265 million in 2014. The market growth was approximately 12 percent during 2009-2011; but is currently only growing at 5-6 percent.

The Vietnam healthcare sector is currently facing the following challenges:

1. Most of them were constructed long ago and face chronic overcrowding. Hospitals in major cities like Ho Chi Minh and Hanoi often do not have the capacity to serve both local patients and those from other provinces.
2. Much of the existing medical equipment in public hospitals in Vietnam is outdated and needs replacement. Many hospitals lack sufficient equipment for surgery and intensive care units.
3. Vietnamese public hospitals rely largely on State budget to upgrade their facilities, equipment and services. The total budget for the health sector has increased, but it is still too low to meet the demands in the country.
4. A shortage of qualified medical staff is common in many hospitals. Doctors and nurses work under stressful conditions and wages are relatively low.

Due to low quality service on the ground, around 30,000 Vietnamese people go abroad for better check-ups and treatment, spending more than $1 billion every year, an indication that domestic consumers are keen to seek out higher quality services, out of pocket.

Best Products/Services

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The Vietnamese healthcare system currently has an estimated 1,062 state hospitals, 100 local private hospitals and 15 foreign invested hospitals with a total of 145,000 beds. There are over 200 new hospitals at some stage of the planning process with slightly over half of these projects located in Southern Vietnam.

The best opportunities for medical devices in Vietnam are those which help fight liver cancer, diabetes, orthopedics and cardiovascular diseases. Devices which will be strong areas of growth include operating theaters, emergency equipment, sterilizing equipment, patient monitoring equipment and imaging diagnostic equipment such as CT scanners, color ultrasound machines, MRIs and X-ray machines.

Over 95 percent of the market is made up of foreign goods. The main sources are from the U.S., Germany and Japan. In addition, Taiwan, Italy, France and South Korea also account for significant shares. Local production is extremely limited in terms of value, but volume levels suggest the foundation for ascent up the value chain. There are presently 50 domestic firms making approximately 600 products officially licensed by MOH. They tend to produce products such as hospital beds, scalpels, cabinets, scissors, and disposable supplies. They also tend to offer limited or no warranty or after-sales services, especially in isolated areas.

Opportunities

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

There are four main classes of medical device purchasers. The largest are government-funded hospitals, which accounts for 70 percent of the market. Foreign-owned hospitals and clinics are also large purchasers; however, these facilities usually purchase supplies from their sponsoring country. Local private hospitals will exhibit the strongest growth, while research and educational institutions will also account for some demand. A number of medical education and research institutions are open to experimenting with new, innovative methods and systems. These end-users present an excellent strategic opportunity to develop partnerships, given their desire to explore new technologies.

Vietnam receives a large amount of international aid in the form of loans and donated medical equipment. A number of small projects are currently taking place in Vietnam, including those funded by the World Bank and the EU.

Market Access

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

MOH determines the guidelines for medical device purchase for all health systems in Vietnam. Within the MOH, the Department of Medical Equipment and Health Works ("DMEHW") is in charge of medical devices. The Ministry of Science and Technology ("MOST") performs some regulatory functions for domestically made medical devices.

Import License
MOH determines the guidelines for medical device purchase for all health systems in Vietnam. Within the MOH, the Department of Medical Equipment and Construction is in charge of medical devices. The Ministry of Science and Technology ("MOST") performs some regulatory functions for domestically made medical devices.

The registration process for medical devices manufactured within Vietnam is different than those that are imported. Devices which are imported are not required to be registered. Instead, a product specific import license is utilized. In June 2011, the MOH issued the Circular 24 to provide updated guidance on import of medical equipment in Vietnam. U.S. exporters should be aware of Article 5 that requires a Certificate of Free Sale to be copied and certified by the embassy of Vietnam in producing countries.

Most imports of used and refurbished medical equipment are strictly controlled by the MOH. Decision 2019/1997/QD-BKHCNMT dated December 1, 1997, stipulates that the Ministry of Science, Technology, and Environment (MOSTE) must inspect and certify all imports of used medical equipment. Because of the restriction, local companies are generally not willing to deal with foreign suppliers of used and refurbished equipment. In practical terms, MOH accepts used equipment for donation purposes only.

However, regulations remain loose. Many enterprises can easily import used or refurbished machines to make a profit. The Vietnam Medical Association reported that except for central hospitals, many healthcare centers were using out-of-date medical devices for check-ups and treatment. A legal base is, therefore, needed to tighten control over medical products which stipulated the responsibilities of those involved.

Recently, MOH has submitted the Draft Decree on importing medical equipment to the Government Office. The Decree, which is expected to come into effect in Jan, 2015, is aimed to tighten inspections and supervision of medical devices imported into Vietnam. All devices imported into Vietnam are required to be new, and importers need a license to operate in the field. The MOH will also build a center in charge of supervising the quality of foreign-made medical equipment before it is imported into Viet Nam.

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

VIETNAM MEDI-PHARM EXPO 2014. The 14th Vietnam International Hospital, Medical and Pharmaceutical Exhibition will be held from 21 – 23 Aug., 2014 at Tan Binh Exhibition & Convention Centre (TBECC), 446 Hoang Van Thu Str., Tan Binh Dist., and Ho Chi Minh City, Vietnam.

Vietnam's healthcare information and projects are available at the following websites:
- Vietnam's Ministry of Health: www.moh.gov.vn
- The World Bank: www.worldbank.org.vn
- The ADB: http://www.adb.org/VietNam/projects.asp
- [1]Circular 24/2011/TT-BYT: Circular guide to the import of brand new medical devices http://asemconnectvietnam.gov.vn/lawdetail.aspx?lawid=1969

Ministry of Health
Department of Medical Equipment and Construction
138 Giang Vo St. Ba Dinh. Hanoi, Vietnam
Tel: (84)-4-846-4050. Fax: (84)-8-846-8051
Contact: Mr. Nguyen Minh Tuan, Director General
Ngmtuan_ttbvn@yahoo.com
Website: www.moh.gov.vn

HCMC Department of Public Health
59 Nguyen Thi Minh Khai St. District 1. HCMC
Tel: [84-8]-3930-9912/3930-9762. Fax:[84-8]-3930-9088
Contact: Dr. Nguyen Tan Binh, Director
Dr. Le Anh Tuan, Chief of Administration Office
Email: tuanicmi@yahoo.com
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Safety and Security
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Safety and Security Equipment (not including defense)	2012	2013	2014 (estimated)
Total Market Size	133	137	143
• Safety equipment (60%)	79.8	82.2	85.8
• Security equipment (40%)	53.2	54.8	57.2
Total Local Production	7.9	8.2	9
Total Exports	0.4	0.41	5
Total Imports	125.1	128.8	134
Imports from the U.S.	27.5	32.2	33.5

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

Vietnam's safety and security market is formed by two main factors: civil engineering and key national projects and national defense projects. Government projects have relied on substantial assistance from outside sources, particularly Official Development Assistance (ODA), to improve and upgrade the country's infrastructure systems. ODA-funded projects help initiate safety and security upgrades in many government dominated sectors such as banking, maritime, power, oil and gas, and transport. The demand for safety security equipment / technology in Vietnam is also tied to the development of foreign-invested construction and property projects. The growth of foreign businesses and government infrastructure development has stimulated the safety and security equipment market. A surging retail outlet sector and increasing cyber-crimes have also defined market demands for safety and security equipment.

Access control security is a growing market in Vietnam with good sales potential for U.S. companies in the medium and long-term future. In Vietnam, access control equipment covers fire, anti-theft/burglary, and anti-intrusion monitoring systems, as well as entry control and surveillance systems. Buyers often seek multi-functional products to maximize their investments. For example, fire alarm systems are also incorporated with surveillance or door-entry systems. In addition, due to the recent surge of fire disasters that occurred in recent years, the government has enforced tighter laws and regulations with regards to fire prevention and suppression at the work place and in buildings. Therefore, firefighting equipment is in demand, especially in big cities and for the foreign business community. Because most fire alarm systems are incorporated with monitoring and access control devices, an expanding fire safety market will be accompanied with an increase in sales of access control and monitoring equipment.

Security services are another growing sector in Vietnam. These services include providing security equipment, guards, bodyguards, and lifeguard monitoring services. Only local companies with police support are licensed to provide these services, and the government currently does not allow foreign companies to provide security services. Furthermore, private investigator services are not permitted. Importation of certain types of security equipment that serve police operations must be approved by the Ministry of Public Security. U.S. exporters must also comply with any applicable export control regulations.

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

Best Products/Services

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By sectors

The installation of safety and security systems usually account for 3 to 5 percent of the total investment in construction works or project development. This rate is higher in large projects where safety and security issues are critical during operation such as power plants, oil & gas complexes, airports and heavy industries.

By products

Access control systems

Given the current significant development of industrial zones, retailing, mixed-use buildings in Vietnam, there is significant sales potential for access control security equipment. The technological advancement that U.S. companies have achieved in this area has allowed them to secure a significant market share in the Vietnamese market. European and Japanese products are also competitive in areas where less advanced technology is required.

X-Ray Machines

Considered as high-value equipment, most of the X-ray machines in Vietnam are installed at airports. In preparation for expected increase in tourists and to develop more air traffic to the economic development zones, the Vietnam Airport Authorities have announced plans to upgrade the airports of Phu Quoc, Nha Trang, Can Tho, Cam Ranh, Ca Mau, Chu Lai, and Buon Ma Thuot. Additionally, there are also plans to expand the existing international airports which include Noi Bai, Tan Son Nhat, and Danang. With the long list of airport development projects, there will be an increase in demand for the X-ray market in Vietnam in the medium and long term.

Biometrics

Biometric fingerprinting has been introduced into the Vietnamese access control market recently. There are more upscale end-users in Vietnam turned from conventional access control systems to biometric fingerprinting for entry and management control. In the long-run, foreign invested companies that want to protect their intellectual properties will use biometric systems. U.S. biometric suppliers should keep a close eye on the rising demand of the Vietnamese market for this type of product.

Opportunities

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More than 90 percent of Vietnam's security safety equipment/systems are imported. Domestic production is small. Locally produced products include simple entry alarm systems, burglar alarm, integrated fire systems, locks, safes, safety gloves and ropes.

The development of the following sectors contribute to the growth of the security and safety market:

Airport & Aviation

Airports Corporation of Vietnam (ACV) operates and manages a network of 21 airports, of which 8 are international and 13 are domestic. ACV plans to equip its airport with necessary equipment to ensure safe, secure and efficient operations. Some of the necessary equipment includes Instrument Landing Systems, lighting systems, X-ray machines, firefighting vehicles, ambulance vehicle, lifting vehicle, power vehicle, etc. In addition, ACV is expected to call for investment in several airport projects, including Phase 1 of Long Thanh International Airport ($5.6 billion required), Cam Ranh International Airport ($212 million required), and Quang Ninh International Airport ($244 million required).

Power Generation

According to the National Power Development Plan VII, the Vietnamese government still considers thermo-power very important in securing energy for the country's development and also has a clear plan to develop and construct thermo-power plants for the period of 2011-2020.

Up to 2020, the overall capacity of gas-fired thermo-power (combined/open cycle plant) will reach 10,400MW producing about 66 billion kWh and account for 20 percent of the total output of electric industry. The overall capacity of coal-fired thermal power shall be 36,000MW producing 156 billion kWh, accounting for 46.8 percent total output of the electric industry.

In order to secure the above targets, Vietnam has to build and construct an additional 45 thermo-power plants from now to 2020. The construction of these power plants presents significant opportunities for the sales of safety and security systems, which is estimated to account for two or three percent of the total investment required for power plant developments. In addition, existing power plants also add to the demand for fire and security systems due to either the need to replace old or purchase new equipment.

Information Technologies (IT)

The IT market in Vietnam is developing rapidly and is considered a priority sector to the government. Major companies such as IBM, Cisco and Microsoft have introduced their products and services into Vietnam, which is proving to be increasingly receptive to new software and hardware, the Internet, and other e-applications. The concept of intelligent buildings that incorporate security system with other automatic monitoring and control has also been introduced in Vietnam. This will drive the demand for system integration that connects local systems with local area network (LAN) and/or wide area network (WAN).

In general, U.S. products find greater success in the high-end market, both commercial and residential. Foreign-invested enterprises are also much less price-sensitive and do prefer the brand name recognition and quality of American safety and security equipment and services. Targets for this market include foreign-invested, luxury, high-rise buildings, and Western companies in Vietnam that must abide by Western safety and security standards. The market also includes residential compounds for foreigners and overseas Vietnamese population. Brand name, price and quality are generally the most important factors in determining a buyer's preference for a safety and security products.

Trade Events

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Security & Fire Vietnam 2014
www.construction-vietnam.com
(Security & Fire Vietnam 2014 is incorporated and concurrently held under the "VICB 2014" – Vietnam International Construction & Building Exhibition 2014)
June 26-28, 2014
Saigon Exhibition & Convention Center (SECC)
799 Nguyen Van Linh Street, District 7
Ho Chi Minh City, Vietnam

Secutech Vietnam 2014
www.secutechvietnam.com
August 20-22, 2014
Saigon Exhibition & Convention Center (SECC)
799 Nguyen Van Linh Street, District 7
Ho Chi Minh City, Vietnam

Resources

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Education and Training

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Educational exchange is a cornerstone of the U.S. bilateral relationship with Vietnam and a top prospect opportunity for U.S. universities and educational institutions. The number of students from Vietnam fluctuated moderately throughout the 1980s and 1990s with a steady trend of growth beginning in the late 1990s. With 16,098 students studying in the U.S. in the 2012-2013 academic year, a year-on-year increase of three percent, Vietnam topped the Southeast Asia in terms of students learning there. The figure is also the eighth highest among countries having students in the U.S. The mutual understanding between the two countries' students will play a key role in the process of expanding the two countries' bilateral relations and consolidating their comprehensive cooperation.

A significant increase in per capita income in the past ten years, the robust expansion of both the manufacturing and service sectors, and the value Vietnamese traditionally place on education are creating substantial opportunities for education and training services providers.
However, competition will continue to grow as globalization creates more opportunities for study elsewhere. Competitors in Asia (including Australia and Singapore) promote proximity, affordable costs, and the possibility of post-graduation employment.

Currently, there are 234 universities and 185 colleges operating in the higher education system in Vietnam. Vietnamese universities had room for only about 600,000 of the 1.8 million candidates who took university/college entrance exams in 2013.

Improving domestic education is a top priority in various Vietnamese Government plans and initiatives which include ambitious goals, such as a 10 percent annual increase in domestic university enrollment and developing a higher education system more in line with regional and global standards. To this end, recently the Vietnamese Government has increased budget allocations, liberalized private sector involvement, and encouraged foreign participation in developing education and training services in Vietnam. However, many observers find the reform process to be slow, and domestic higher education falls far short of meeting demand.

Demand

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

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

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

Key Trends and Statistics Return to top

With a booming economy, increased global integration and exposure, and a great need for higher education, the Vietnamese are showing an unprecedented level of interest in studying in the United States. According to 2013 Open Doors Report on International Educational Exchange, students from Vietnam studying in the United States have increased by 3.4 percent to 16,098 in 2012/13, making it the eighth leading place of origin.

Academic Level: The majority of Vietnamese students study at the undergraduate level. In 2012/13, their breakdown was as follows:

- 70.7% undergraduate
- 17.3% graduate students
- 5.3% other
- 6.7% OPT (Optional Practical Training)

Historical trends: The number of students from Vietnam fluctuated moderately throughout the 1980s and 1990s with a steady trend of growth beginning in the late 1990s. The number of Vietnamese students has risen significantly since 1998/99, with double-digit growth in many years. Vietnam has been a top 20 place of origin since 2006/07 and remains a top 10 place of origin for international students in the United States since 2010/11.

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

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

ESL and English Preparatory Programs
As Vietnam transitions to a market economy, English skills are becoming essential for

many job seekers. Schools that offer ESL and English preparatory programs are attractive choices for students who need to develop these skills before starting their college programs.

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

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

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

Boarding schools
In the past, few students from Vietnam pursued boarding school in the United States, opting instead to enroll later in community colleges and universities. Recently, there is growing interest among Vietnamese families in sending children to the U.S. to enroll in high school and high school finishing programs (generally grade 9 to grade 12) to better prepare for U.S. college admissions. In addition, parents in Vietnam cite their desire for providing a safe, comfortable environment for their kids as primary criteria for selecting boarding schools. Several education recruiters in Vietnam have expressed interest in representing U.S. boarding schools, reflecting this growing trend.

Market Challenges Return to top

While Vietnam's per capita GDP is climbing steadily, the median income in 2013 was almost $2,000. (Although it is substantially higher in the large cities, like $4,500 in Ho Chi Minh City) Even with assistance, the majority of Vietnamese families cannot afford the costs associated with an overseas education. Providing clear information about available financial aid and payment plans is important.

In the last few years, a number of U.S.-affiliated companies offering unaccredited programs have created a firestorm of criticism about "diploma mills" and "rogue providers" of education in Vietnam. U.S. schools should provide clear information about their accreditation.

Competing school programs from Australia, Singapore, the U.K. and Canada have been very active in Vietnam, and have developed significant reputations and brand recognition while offering competitively priced programs.

Given the high demand for visas to the U.S., a large number of unscrupulous "visa brokers" and consultants promising access to the U.S. have gravitated toward education advising and recruitment. U.S. schools that wish to identify a legitimate recruitment agent need to carefully review and investigate any prospective candidates and avoid the disreputable ones. Schools should avoid agents that are solely motivated by commissions, irrespective of the needs of the student, and those who do not transparently disclose their fee and commission structure to clients.

Marketing Strategies

The following strategies have proven effective in marketing education services to Vietnam. This is not an exhaustive list and should serve as a starting point for American schools that are considering recruitment in Vietnam.

Appoint a Representative
Local representation is essential for the success of any American schools in the Vietnamese market. Local students and parents tend to depend on people who are located in Vietnam, with whom they can communicate about the many issues involved in applying for admission and studying in the U.S. A representative could be an alumnus or someone with ties and familiarity with your school to handle in-country marketing, outreach and serve as a local point of contact.

U.S. education institutions often appoint a professional education agent to market their school. Education agents typically represent other schools - from the U.S. or other countries – and provide a wide range of counseling services directly to parents and students. U.S. schools seeking agents should thoroughly vet prospective partners.

Establish an Alumni Network
One of the most effective and low-cost ways of recruiting students is to establish and support an alumni network in Vietnam. There is no better promoter of your school than a student who achieved success and returned to Vietnam to tell his/her friends and family about their experiences.

Exhibit at Major Education Fairs
There are several education fairs in Vietnam annually, including fall and spring events organized by the Institute of International Education (IIE).

According to IIE's statistics, these fairs are the largest and most-attended events of their kind in Vietnam. IIE's well-established reputation and professional expertise offer U.S. education institutions a convenient and cost-effective method to obtain first-rate exposure in Vietnam. For more information, please visit: http://www.iievn.org

Stand-alone Marketing Events
Universities or university consortia frequently organize outreach visits to local high schools, and hold seminars and counseling sessions, often employing a local partner or representative to organize and handle the necessary paperwork and public event approval process.

Become Familiar with Vietnamese Education-related Organizations
U.S. Schools should familiarize themselves with the many groups in Vietnam that are promoting U.S.- Vietnam education exchange such as the nonprofit organization VietAbroader (http://vietabroader.org) and the recently established Vietnam Education & Training Consortium - VETEC (http://www.vetecusa.org/en/)

Vietnamese Materials and Websites
While many prospective students are comfortable with English, schools will reach a wider audience - and appeal to more parents - with Vietnamese promotional materials and websites.

U.S. Commercial Service Programs

Many U.S. colleges and universities do not have the financial wherewithal to launch expensive recruitment strategies in Vietnam, so the U.S. Commercial Service has designed a series of promotional opportunities to fit every budget.

1) **Targeting the Agent Market, Virtual Agent Fairs**
   Participating schools join these periodic virtual matchmaking fairs that introduce appropriate education agents, school counselors, and other partners via web-based "webinar" meetings. Virtual partner fairs will concentrate on different segments each time, such as the undergraduate, community college, and Intensive English Program segments. The upcoming VEF will be hosted in Oct, 2014. Interested school can contact Greg Thompson, Education Team Leader at Greg.Thompson@trade.gov for more information.

2) **Targeting the Agent Market, Gold Key Matchmaker Programs**
   Participating schools get individually tailored programs and come to Vietnam for face-to-face meetings with prescreened potential partners and important contacts from the southern educational market.

3) **Targeting the Student Market, U.S. Catalog Pavilions in Hanoi and HCMC**
   Participating schools gain market exposure and collect leads at Vietnam's largest student fairs in Hanoi and Ho Chi Minh City. The Commercial Service frequently organizes U.S. pavilions at education fairs that showcase participating schools, and collects and disseminates leads to clients for follow up.

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

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

Institute of International Education
http://iievn.org

Vietnam Education and Training Center
www.vetecusa.com

Viet Abroader
www.vietabroader.org

Vietnam Education Foundation
www.vef.gov

Higher Engineering Education Alliances
www.heeap.org

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

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

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

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Franchising

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

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

The market is still relatively small and competition is increasing as more brands enter the market. However, growth prospects are bright as local investors become more familiar with franchising and are increasingly exposed to successful franchise concepts. This is especially true in the urban centers of Hanoi and Ho Chi Minh City, where incomes are over twice that of the national average. In 2011, the national average income was close to $1,300 per year, but was $2,700 in Hanoi and $3,600 in Ho Chi Minh City.

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

Sub-Sector Best Prospects

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The Vietnam market is open for foreign franchisors in various sectors, such as retail, fast food restaurants, fashion, convenience stores, and education. At present there are more than 90 international franchising systems operating in Vietnam and consumer awareness of American food and beverage franchise brands is quite strong. Food and Beverage brands are by far the most prevalent, with the following key franchises already in the market: KFC, Subway, Starbucks Coffee, Jollibee, Lotteria, Bread Talk, Burger King, Carl's Jr, Pizza Hut, Hard Rock Café, Domino's Pizza, Roundtable Pizza, Z Pizza, Coffee Bean and Tea Leaf, Popeye's Chicken, Illy Café, Baskin Robbins and Gloria Jean's Coffee.

In general, American brands enjoy a reputation for quality. Best prospects for American franchisors include: fast food, quick service restaurants, business services, health and nutrition, education services, health care, children's services, cleaning and sanitation, hospitality, beauty and skincare, entertainment, and convenience stores. In the past two years, a number of famous food and beverage American brands have entered the market, including Subway, Starbucks Coffee, Burger King, Baskin Robbins, Z Pizza.

Several Vietnamese businesses have joined the trend toward franchising, such as Trung Nguyen Coffee, Pho 24, Kinh Do Bakery, AQ Silk, Shop and Go, and Coffee24Seven. Highland's Coffee is one of the most visible franchise concepts, especially in Ho Chi Minh City. A number of local restaurant chains have successfully franchised their winning formulas throughout the country and in overseas markets as well, such as Pho 24 and Trung Nguyen Café.

Opportunities Return to top

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

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

Consumer patterns vary throughout the country: between urban and rural areas, and especially between the northern region with cities such as Hanoi, Danang in the Central Coast region, and Ho Chi Minh City and the Mekong Delta region in the south.

While retail development in Ho Chi Minh City and Hanoi is growing, finding suitable and affordable real estate remains a challenge for retail franchise outlets. However, a big difficulty foreign franchisors face in Vietnam is the high retail premises rents. The rents of retail premises in Vietnam are one among the highest in the world, which have been increasing steadily by 20-30 percent per annum. According to a local franchisee, the rents account for 25-30 percent of the total revenue of franchise shops, which makes it very difficult to maintain profitability.

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

- One of the biggest challenges is identifying and conducting due diligence on partners to determine suitability and financial viability. Many local companies may not have a full understanding of brand value and/or legal regulations relating to franchising. Establishing good communication, setting clear expectations and achieving mutual understanding should not be taken for granted. U.S. franchisors are advised to work with the U.S. Commercial Service in Vietnam to identify potential partners and to conduct basic due diligence.
- U.S. franchisors should register their intellectual property rights and be prepared to take legal action against IP violators. Also, register your URL's and related websites in Vietnam.

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

Legal Environment

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

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

Web Resources

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

Franchising Law Website: www.franchising.com

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

Trade shows and events:

1. International Franchise Expo in New York. The U.S. Commercial Service will organize a Vietnamese business delegation to visit the International Franchise Expo hosted in New York on June 20-22, 2013.

2. Vietnam International Shop and Franchise Show 2013 To showcase your concepts to potential investors in Vietnam, consider taking part in this fair 2011 on October 31st - November 2nd, 2013 at the Saigon Exhibition & Convention Centre in Ho Chi Minh City.

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Architecture, Construction and Engineering

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Vietnam enjoyed an impressive growth and a property boom for a long period from 2000-2010 with an average GDP growth of 7-8 percent every year. Many real estate projects including houses, condos, apartments, office buildings, hotels, resorts, etc. were built, resulting in a surging demand for construction, architecture and engineering services. Many foreign companies in the architecture, engineering consulting, and construction management sectors flocked to Vietnam to gain a foothold in this lucrative real estate market.

Then together with a weak economy, the country faced a property bubble during 2011-2013. This resulted in a large oversupply of real estate assets, amounting to a $4 to $7 billion inventory of apartments and condos by the end of 2012. Real estate projects were stuck and many construction firms were going bankrupt. Bad debts increased and public investment projects were cut off from financing.

Since late 2012, the government and relevant ministries put forward measures to rescue the real estate market. The Ministry of Construction has proposed to reduce taxes for first-time condo buyers. State Bank of Vietnam (SBV) has increased lending to real estate corporations, and pumped $7.2 billion to settle bad debts, and $1.4 billion to support the building and buying of low-income/affordable houses. However, inadequate legal framework is still an obstacle in using this source of money. Many large commercial banks simultaneously gave credit packages for real estate developers and home buyers with preferential rates. There have been signals of recovery in the industry since late 2013.

In the longer term, Vietnam will continue to present opportunities as private developers and local governments address pent-up demand for infrastructure, housing, and industrial facilities throughout the country. While the construction of property projects (houses, buildings, hotels, commercial complexes) has been quiet due to stagnation of the property and tourism markets, the construction of infrastructure and industrial projects has been still been active, due largely to ODA loans and grants from WB, ADB, and from foreign governments. Industrial construction growth is largely associated with the flow of foreign investment in developing industrial projects

Vietnam Ministry of Planning and Investment (MPI) estimates that Vietnam needs to invest $200 billion for infrastructure development during 2010- 2020. Private investment funds, Multilateral Development Banks such as the World Bank and Asian Development Bank, and Overseas Development Assistance by foreign countries such as Japan have spurred investment in infrastructure but financing continues to be a major challenge.

The country is seeking ways to raise funds from other sources for transportation, energy, and water infrastructure projects. In November 2010, the Prime Minister issued Decision 71 on “Promulgating the Regulation on Pilot Investment in Public-Private Partnership (PPP) Form” that came into effect in January 2011. A pilot PPP program was launched in 2013 with projects in water, transportation, energy, and healthcare sectors. GVN has been working to revise the construction law and prepare an architect’s law. Ministry of

Construction is drafting a development plan for green building to the year 2020 with vision to the year 2030 including standards and norms to rate green and energy efficiency projects. Vietnam Green Building Council has established LOTUS rating tools which incorporate international green building rating systems such as LEED, Green Star, GBI, and Green Mark.

The construction industry in Vietnam can be segmented into the following sectors, some of which have positive prospects:

- Civil construction and engineering:

  This sector includes two sub-sectors: (1) construction of commercial projects such as houses, buildings, hotels, commercial complexes, etc.; and (2) construction of transportation infrastructure projects such as roads, railroads, waterways, bridges, tunnels, ports, airports, stations, and other public works.

  Currently, commercial construction is less active, with the majority of it locally funded projects on a small-to-medium scale. This is a result of stagnation in the property and tourism markets. The government is encouraging investment in low-cost apartment projects to solve the housing issue of low-income households. Conversely, the infrastructure sub-sector is still active due largely to official development assistance (ODA) loans and grants from various international institutions (World Bank, ADB, etc.) and foreign governments (Japan, Europe, etc.) as well as investment from the Vietnamese government.

- Industrial construction and engineering:

  The growth of this sector is largely associated with the flow of both foreign and local investment in developing industrial projects. After the world economic downturn in 2010, investment in new industrial projects declined sharply, but positive signs of growth have recently appeared on the horizon.

The Ministry of Construction reported that in 2013, the construction value reached US$36.68 billion, an increase of 5.83 percent from 2012.

Best Prospects/Services Return to top

Competition is intense, and many international architects and construction services companies have set their footholds in the market. A number of U.S. firms such as Black & Veatch, Delta Construction Management, Hall Brothers Int'l, Caterpillar, Hill International, Turner International, and AECOM have been active in construction and related services for a number of years. But their market share is still relatively modest in comparison to that of Japanese, European, and Korean companies.

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

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

Opportunities Return to top

Significant opportunities include Thu Thiem New Urban Area, Long Thanh International Airport project, new national highway No.1 project, metro/monorail projects in Hanoi and Ho Chi Minh City. Given growth projections of the demand for construction and related services in Vietnam, increasing openness toward Build-Operate-Transfer (BOT) and the Public Private Partnership (PPP) schemes by the Vietnamese government, and the high regard for U.S. technology, design, and expertise that is considered world class in this field, this sector offers significant opportunities for U.S. companies in the long run, especially in architecture services, concept design, construction management, project management, and green building technologies.

New Towns: Vietnam is developing a number of “new towns” as satellites of major metropolitan or industrial areas. These master-planned developments often call for investments in industrial parks, commercial areas, residential housing, hospitals, schools, and retail.

In August 2008, the Government decided to expand Hanoi to include neighboring Ha Tay province and part of Hoa Binh and Vinh Phuc provinces, which tripled Hanoi’s area and doubled its population to 6.2 million. This expansion will result in all government offices moving from downtown to the My Dinh area (west of Hanoi). This has created many major residential projects in My Dinh and Ha Dong towns (south west of Hanoi).

There are also major projects being developed in the east and northeast of Hanoi alongside the Hong River on the road to Noi Bai airport and to the Hai Phong port. Further new towns and industrial zones have also been developing in provinces surrounding Hanoi, such as Bac Ninh, and VinhPhuc.

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

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

	PROJECT NAME	OWNER or DEVELOPER	PROFILE	LOCATION	START DATE	END DATE	STATUS
1	Children Hospital	HCMC Department of Public Health	USD $235M; 1000 beds; 8 floors; 12 ha area; two basements;	Binh Chanh District, HCMC, Southern Vietnam	2014	2015	Under Planning
2	Oncology Hospital	HCMC Department of Public Health	USD $235M; 1000 beds, 5 ha area	District 9, HCMC, Southern Vietnam	2014	2016	Under Planning
3	Passenger Terminal No 2 - Phu Bai Airport - Hue	Vietnam Airlines Corporation	USD $167.866M; Development to include: * terminal area * shopping area * restaurant area * check-in counters * escalator * related utilities	Hue, Central Vietnam	Fourth quarter 2014	Fourth quarter 2017	Concept
4	Long Thanh International Airport - Dong Nai	ACV - Airports Corporation of Vietnam	US$10B; 5,000 ha area; Master Planner: Japan Airport Consultants Inc. Vietnam - Rep.;	Dong Nai, Southern Vietnam	First quarter 2018	First quarter 2030	Under Planning
5	Expressway From Cam Ranh Airport	Department of Transport - Ninh Thuan	USD $95.215M; Development to include: * total long: 50-kilometer * asphalted	Ninh Thuan, Central Vietnam	Third quarter 2014	Third quarter 2016	Under constructi on

	To Phan Rang - Ninh Thuan	Province	concrete type * bridges * sidewalk (road kerbs) * ramps * lighting system * road signage * drainage system and culverts * related utilities Building elements to included: * road metal * asphalt * light * decorative plants				
6	Information Technology Park (ITP) No. 1	Danang IT Park Development Co., Ltd.	USD $278M; 341,54ha; 6 functional areas: manufacturing and production, trading info technology products and services; research - development; technology incubators; offices; infrastructure and exhibition hall, along with other functional areas… Phase 1 (2013 - 2017) is planned to finish 131 hectares of operational facilities, with a total investment estimated at 82 million USD. In Phase 2, an additional 196 million dollars will be invested to build infrastructure in an area of 210,54 hectares in 6 years from 2017 to 2023.	Da Nang, Central Vietnam	April, 2013	2023	Under constructi on
7	Information Technology Park (ITP) No. 2	Da Nang Department of Information and Communication s	VND $290 billion; 56ha; high-tech manufacturing; research and development and training, IT incubators; the management of high-tech services; multi-functional complex; villas; green areas, lakes, parks, sport centers; roadway, parking, technical irrigation; key technical infrastructure; power safety corridors; mountains and hills, bordering coronary green belt.	Da Nang, Central Vietnam	2013	2020	Under constructi on
8	Software Park Project No.2	Department of Information and Communication s	USD $230M; 10ha; Conference centers, conference/seminar rooms, IT exhibitions, accommodation for professionals, employees, health care centers, mini supermarkets, high quality training centers, IT vocational schools, commercial centers	Da Nang, Central Vietnam	2013	2023	Under constructi on

			and executive management center...				
9	Vietnam International University Township	Berjaya Land (Malaysia)	USD $3.5B; 925 ha; eight phases	Hoc Mon, TP.HCM, Southern Vietnam	2008	2018	Under constructi on
10	Ninh An Airport	Thanh Dong Real Estate Investment JSC	USD 142.85M; 257 ha	Khanh Hoa, Southern Vietnam	first quarter 2015	first quarter 2018	Competiti on
11	Tuan Chau Golf Course - Quang Ninh	Ha Long T&H JSC	USD $30.055M; 180ha; Development to include: * 18-hole golf course * swimming pool * entertainment area * gymnastics area * park area * related utilities Building elements include: *metal/concrete flat roofing *brick walls with paint finishes *tile, carpet, marble and granite flooring *aluminium-framed glass windows *glass panel and timber doors *decorative lightings	Ha Long City, Quang Ninh Province, Central Vietnam	Third quarter 2014	Third quarter 2016	Competiti on
12	Phu Man 18-Hole Golf Course - Quoc Oai District	Geleximco - Hanoi General Export Import Corporation	USD $302.337M; 461ha; Master Planner: IMG Consulting Company; Development to include: * 18-hole golf course * cafe & restaurant * entertainment area * a training center * parking lot * elevators * related utilities	Ha Noi, Northern Vietnam	Third quarter 2014	Third quarter 2016	Concept
13	Bach Mai Hospital – Branch 2	Hanoi Department of Public Health	USD $235M; 21ha; 1,000 beds	Ha Nam, Northern Vietnam	2014	2016	Planning
14	Viet Duc Hospital – Branch 2	Hanoi Department of Public Health	USD $235M; 21ha; 1,000 beds		2014	2015	Planning
15	Convalescent Hospital	Song Thao Co., Ltd.	USD $150M; 87ha	Thanh Thuy, Phu Tho Province			Calling for investmen t
16	86-story observatory tower in Thu Thiem New Urban Area	Tien Phuoc-Keppel Land (Vietnam-Singapore joint venture)	8.7ha	Thu Thiem District 2, Ho Chi Minh City			Planning
17	Rach Chiec Sports Complex		227ha	District 2, An Phu Ward, Ho Chi Minh City			Calling for investmen t

18	Smart Complex in Thu Thiem New Urban Area	LOTTE (South Korea) and Japanese investors	USD $2B; 10ha; shopping mall, hotel, office and apartments	Thu Thiem District 2, Ho Chi Minh City			Planning
19	International financial and commercial centre in Thu Thiem New Urban Area	Vietinbank	USD $400M; two towers: -1st tower: 68 stories, main office of Vietinbank - 2nd tower: 48 stories including five star hotel, spas, luxury apartments…	Thu Thiem District 2, Ho Chi Minh City			Planning
20	Exhibition center in Thu Thiem New Urban Area	DeSo-Defrain-Souquet (Architecture Consulting Firm)	USD $35M; 1.8ha; 5 stories	Thu Thiem District 2, Ho Chi Minh City	2013	2015	Under constructi on
21	Service complex in Thu Thiem New Urban Area	Vingroup Joint Stock Company	79ha	Thu Thiem District 2, Ho Chi Minh City			Planning
22	Academy of International Finance in Thu Thiem New Urban Area		1.2ha; 4 floors	Thu Thiem District 2, Ho Chi Minh City			Calling for investmen t
23	Sports Complex in Thu Thiem New Urban Area		39ha	Thu Thiem District 2, Ho Chi Minh City			Calling for investmen t
24	Southern Delta Resort in Thu Thiem New Urban Area		7.3ha	Thu Thiem District 2, Ho Chi Minh City			Calling for investmen t
25	The Aquatic Park in Thu Thiem New Urban Area		8.2ha	Thu Thiem District 2, Ho Chi Minh City			Calling for investmen t
26	The Central Square and the Riverside Park in Thu Thiem New Urban Area		30ha	Thu Thiem District 2, Ho Chi Minh City			Calling for investmen t

Ongoing and upcoming construction projects

Web Resources

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

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

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

Vietnam Green Building Council
www.vgbc.org.vn

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

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

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

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

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

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

Trade/Industry Events:

VIETBUILD HANOI 2014, March 26-30, and November 19-23, 2014

VIETBUILD HO CHI MINH 2014, June 18-22, and August 29-September 2, 2014

CONBUILD VIETNAM 2014, December 3-6, 2014, Hanoi

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Agricultural Sectors

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Overview

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

The total bilateral agricultural trade between the United States and Vietnam has grown quickly over the last seven years, but the trade balance remains in Vietnam's favor. U. S. exports of agricultural, fish, and forestry products to Vietnam have grown 732 percent over the past seven years (from $287 million in 2006 to $2.39 billion in 2013), while Vietnamese agricultural exports to the U.S. have grown at a slightly slower rate of 144 percent over the last seven years (from $1.18 billion in 2006 to $2.89 billion in 2012). In fact, U.S. agricultural exports took a big part (47.7 percent) of the total U.S. exports to Vietnam in 2013 ($5.02 billion).

Despite difficulties in both the domestic and international business environments, U.S. – Vietnam bilateral agricultural trade in 2013 continued growing, although at a slower rate than previous years, reaching $5.284 billion -- a year-on-year increase of 19.73 percent.

Growth in U.S. agricultural exports to Vietnam in 2013 reached 27.81 percent over 2012, and occurred in the following product categories – bulk (cotton); intermediate (soybean meal, distillers grains, sweeteners and beverage bases); consumer-oriented products (poultry meats, dairy products, fresh fruits, tree nuts, prepared foods); and forestry products (logs, hardwood lumbers, softwood lumbers, panel products). Key U.S. agricultural exports to Vietnam consist largely of manufacturing inputs such as cotton, soybeans, wheat, animal feed ingredients like soybean meal and dried distiller's grains with solubles (DDGS), hides and skins, hardwood logs and lumber, softwood lumber, food ingredients; and consumer-oriented agricultural products (mainly red meats, poultry meat, dairy products, fresh fruits, nuts and dried fruits, processed fruits and vegetables, wine and beer). Bulk products and Consumer-oriented products took the biggest share of U.S. agricultural exports (35 and 32 percent respectively). The primary U.S. agricultural imports from Vietnam in 2013 were seafood products (shrimp, basa and tra fish fillets, tuna), coffee, tree nuts (cashews), pepper, rubber, rice, and panel products (including plywood).

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

For the most up-to-date information, please contact FAS/Vietnam or visit our website at www.fas.usda.gov for agricultural market reports. A particularly useful report released in 2013 is the Food Service – Hotel, Restaurant, and Institutional Report, which includes valuable information for potential exporters of food products.

Cotton

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Vietnam is now ranked among the world's top five textile, garment, and apparel-exporting countries. Despite the global economic downturn, Vietnam exports of textile, garment, and apparel products continued growing in 2013, reaching a value of $17.9 billion -- an increase of 18.9 percent over the same period of 2012. Vietnam cotton production is small, meeting less than one percent of total cotton demand. Vietnam relies heavily on cotton imports to feed its growing textile and spinning industry. Vietnam is one of a very few countries in Asia that have expanded their yarn spinning sector in recent years. From only 2 million spindles in 2000, Vietnam's spindle capacity reached about 6 million spindles (equivalent) in 2013, creating the situation for voracious demand for imported cotton.

In CY 2013, Vietnam imported 581,000 tons of cotton, a year-on-year increase of 39 percent. U.S. cotton accounted for 37 percent of total imports. For the seventh consecutive year, the United States remained the largest supplier of cotton to Vietnam. India became the second, pushing Brazil to the third largest supplier. Vietnam sourced 214,700 tons (about 37 percent) of its total cotton imports in 2013 from the United States, making it the 4rd largest market for U.S. cotton at a value of $401 million.

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

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

Vietnam Market / Cotton

Unit: 1,000 tons

	2012	2013	2014*	2015*
Total Consumption	348	435	465	480
Total Local Production	5	5	6	6

Total Import	416	633	650	700
Total Export	0	0	0	0
Total Import from the U.S.	126.6	215	240	265

- (*): 2013 and 2014 data are projected based on an estimated lower growth rate of the textile industry of 5 percent and based on the growth in the first 4 months of 2013.
- Source: Vietnam Statistic Office, Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, World Trade Atlas, and Traders Estimates.

Soybeans and Soybean Meal Return to top

Vietnam's soybean production falls well below demand from the food processing, and livestock and aquaculture feed sectors due to low yield and strong competition from other field crops. Vietnam's soybean production in 2013 decreased 3 percent from the previous year to 168 thousand metric tons (TMT) due to unfavorable weather reducing yields and harvested area.

Imports of soybeans in 2013 were 1.26 million metric tons (MMT), a drop of 13.7 percent from the previous year due to lower than expected local crushing demand. U.S. soybean exports to Vietnam in 2013 reached 556 TMT, a drop of 3.7 percent from the previous year, but still an increase of 145 percent over the 2011 level due to rising demand from the two soybean crushing facilities in Vietnam, and from the food and feed industries. U.S soybean export share grew 44 percent in 2013, more than double the U.S. market share in 2011, mainly due to the consistent quality and availability of U.S. soybeans throughout the marketing year. In Fiscal Year (FY) 2013 (October 2012-September 2013), USDA's Export Credit Guarantee Program (GSM-102) continued to support the growth of soybean exports to Vietnam. GSM-102 transactions for soybean exports continued to dominate the GSM-102 program usage overall, accounting for 93 percent of total exports financed by GSM-102.

Under the current tariff structure, soybeans enjoy a zero percent tariff for imports from WTO member countries creating a very favorable environment for further imports from the main soybean exporters. Expectations are that the demand for soybeans will continue to increase due to almost full capacity operation of two industrial-scale crushers that produce soybean meal (SBM) and soy oils locally, as well as increasing demand from the food and feed sectors. Food use domestic consumption of soybean products continues to grow. Most of the soybeans are used for food processing (soymilk beverages, tofu, soy flours, soy sauce, vegetable oil production, and for full-fat soy meal production for the feed industry).

Marketing efforts in Vietnam for soybeans are supported by the U.S. Soybean Export Council's (USSEC) office in Hanoi.

Vietnam Market / Soybeans
Unit: 1,000 tons

	2011	**2012**	**2013**	**2014***	**2015***
Total Consumption	1,399.4	1,636.2	1,430.1	1,526	1,642
Total Local Production	266.9	173.5	168.4	176	192
Total Imports	1,132.5	1,462.7	1,261.7	1,350	1,450
Total Exports	0	0	0	0	0
Total Imports from U.S.A	227.1	576.8	555.5	600	700

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

Vietnam continues to import SBM to offset protein shortages in the country and meet the growing demand of the feed industry, although domestic SBM production, mainly from two industrial scale crushing plants, has grown astronomically and continues to displace a substantial volume of SBM imports. Under the current tariff structure, SBM continues having a zero import duty for imports from WTO member countries.

In 2013, U.S. SBM exports to Vietnam reached a record of 376 TMT, accounting for a 13-percent market share, doubling the market share of the previous year. Approximately 65 percent of U.S. SBM exports to Vietnam were soybean flour (HS code 120810). This large growth is attributed to two factors: (1) the favorable price competitiveness of U.S. SBM via-a-vis other sources during the first quarter of 2013; and (2) the arrival of the first consistent supply of bulk U.S. SBM shipments to Vietnam during the latter part of 2013. However, in general, the United States faces strong competition with Argentina, Brazil and India in this market. When the price differential between U.S. and South American/Indian SBM is large, U.S. exports suffer. Additionally, shorter shipping times from China and India; and the increase in domestically produced SBM have hampered U.S. SBM exports.

Vietnam Market / Soybean Meal*
Unit: 1,000 tons

	2011	2012	2013	2014**	2015**
Total Consumption	3,533	3,274	3,636	3,845	4,010
Total Local Production	490	780	732	825	900
Total Imports	3,043	2,494	2,974	3,100	3,200
Total Exports	n/a	n/a	70	80	90
Total Imports from the U.S.	110	146	376	390	400

-(*): Soybean Meal includes soybean meal and cake (HS code: 2304),
soy flour (HS code 120810), and other residues from soybeans (HS code 230250)
-(*): Estimated data
-Source: Vietnam General Customs Department, U.S. Bureau of the Census Trade Data,
Global Trade Atlas, and Local Traders Estimates.

Wheat

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Vietnam is a net importer of wheat. Current import duties are five percent for wheat and fifteen percent for wheat flour. Australian wheat, however, enjoys duty free access to Vietnam under the Australia – Vietnam Free Trade Agreement.

Vietnam's wheat imports in the calendar year 2013 reached 1.82 million tons, an increase of more than10 percent over that of calendar year 2012, at 1.65 million tons. Vietnam's wheat imports for CY 2011 reached record highs due to a remarkable increase in imported wheat for the animal feed industry. Imports in CY 2012, however, dropped 20 percent due to unfavorable feed wheat prices compared with local corn prices during the second half of CY 2012.

The growth of baked wheat-based products and noodles requires high quality wheat, which possibly favors increased consumption of U.S. wheat. U.S. wheat is also used by Vietnamese mills for blending as a cost-effective way to improve the quality of their flour products. The volume of U.S. wheat exported to Vietnam, however, depends very much on its price competitiveness with Australian high quality wheat. The recent average volume of U.S. wheat exported to Vietnam exceeded 100,000 tons and has gradually increased year on year. Exports of U.S. wheat into Vietnam are expected to reach 150,000 tons in MY 2013/2014, and 200,000 tons in MY 2014/2015. Recent improvements in trade-related infrastructure, such as the expansion of grain handling facilities and new deep water ports, should help U.S. wheat become more competitive, and the growing demand for high-quality flour made from premium-quality U.S. wheat will also increase imports.

Wheat marketing efforts in Vietnam are directed by the U.S. Wheat Associates' regional office in Manila.

Vietnam Market / Wheat
Unit: 1,000 tons

	2012	2013	2014*	2015*
Total Consumption	2,410	2,200	2,500	2,500
Total Local Production	0	0	0	
Total Imports	2,410	2,200	2,500	2500
Total Exports	0	0	0	0
Total Imports from the U.S.	120	130	150	200

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

Dairy Products

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The local dairy industry has grown rapidly in recent years. Data from Vietnam's General Statistics Office and the Ministry of Agriculture and Rural Development (MARD) show that domestic milk production grew about 20 percent in 2013 compared to 2012. Local milk production is projected to continue to increase due to the increasing dairy cow population from year to year and the growing demand for fresh milk. According to MARD, with the projected dairy cow herd in 2014 and 2015 and the current average milk yield, local fresh milk production is expected to reach 560,000 tons and 644,000 tons, respectively.

Local Milk production

	2011	2012	2013	2014*	2015*
Dairy cow population (head)	142,700	166,989	186,388	207,000	240,000
Local fresh milk production (tons)	345,400	381,741	456,392	560,000	644,000

- Source: GSO, MARD
- (*) 2014, 2015, 2020: MARD's projected data

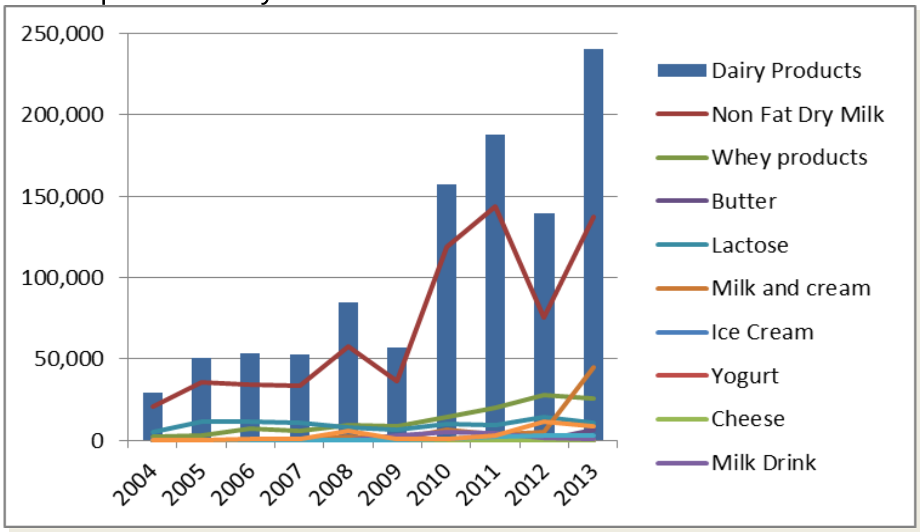
Despite the growth in production, local fresh milk production in 2013 only met about 28 percent of the total consumption demand. In 2013, the ratio of imported dairy products remained high in Vietnam's total dairy consumption. Imports accounted for about 72 percent of Vietnam's total annual dairy demand. The main sources were New Zealand, the United States, and countries in the European Union.

Vietnam imports of Dairy products ($1,000)

	2012	2013	% Market Share in 2013
New Zealand	222,429	271,570	23.9
U.S.A	139,684	239,886	21.1
Singapore	62,922	126,891	11.1
Holland	44,568	76,832	6.8
Thailand	63,341	65,405	5.8
Malaysia	42,634	54,199	4.8
Netherland	29,368	48,529	4.3
Denmark	38,342	45,391	4
Germany	61,346	40,958	3.6
Ireland	21,140	39,085	3.4
France	61,614	37,997	3.4
Australia	21,765	15,838	1.4
Others	70,488	72,908	6.4
Total	879,641	1,135,489	100

Source: Vietnam General Customs Department, GTA

U.S. exports of Dairy Products to Vietnam 2004-2013



Source: FAS BICO

The best-selling U.S. dairy products exported to Vietnam are non-fat dry milk, whey, and lactose, which are used in both the food- and feed-processing industries. Vietnam's imports of dairy products in 2013 totaled $1.136 million, a 29-percent increase over the value in 2012, of which U.S. dairy products made up about $240 million, accounting for 21 percent of the market share in Vietnam. U.S. exports of dairy products to Vietnam in calendar year 2014 and 2015 are projected to increase based on an estimated growth rate of 10 percent.
Current import tariffs on most dairy products range from 0 percent to 10 percent.

Vietnam Market / Dairy Product Imports
Unit: $ million

	2012	2013	2014*	2015*
Total Imports	880	1,136	1,250	1,350
Total Exports	22.1	230	n/a	n/a
Total Imports from the U.S.	139.7	239.9	250	260

- Source: GSO, Vietnam General Customs Department, MARD, U.S. Bureau of the Census Trade Data, Global Trade Atlas, and *Traders Estimates.

Marketing efforts in Vietnam for U.S. dairy products are supported by the U.S. Dairy Export Council's (USDEC) office in Ho Chi Minh City, and the California Milk Advisory Board in California, U.S.A

Corn and Corn By-Products
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In Vietnam, corn is used as the main source of energy for the animal feed industry, for food use as corn starch, and for limited use by other industries like beer, textiles, and the pharmaceutical industry. However, more than 80 percent of corn is used as feed ingredients.

In the animal feed industry, corn is used in both the commercial and home-made sectors, mainly for hog and poultry feeds. Corn use is expected to increase to meet the livestock sector's growth, and predominantly comes from imported sources, at least for the time being and in the near future, because local corn production is not able to keep up with fast growing demand from the animal feed industry. Currently, the feed industry needs about 1.8-2.0 million tons of imported corn to satisfy its demand. However, the real imported volume depends greatly on the availability of alternative products like broken rice, rice bran, cassava, etc., locally, and the price competitiveness of imported feed wheat and DDGS. The annual increase of corn use both for food and feed is about 200,000 – 400,000 tons depending on the above mentioned various factors.

Livestock production is growing fast in Vietnam at over 5% per year. Production of animal feed is also growing fast, at around 10 percent in recent years, to catch up with the growing livestock industry and modernized livestock production practices (shifting from home-made feeds to manufactured feeds). Foreign-invested players are dominant in the feed industry, capturing over 60 percent of the market share. As such, Vietnam has become a big importer of feed ingredients.

According to the Ministry of Agriculture and Rural Development (MARD), Vietnam's calendar year 2013 corn production was 5.19 million tons, due to both a larger planted area and higher crop yields. The production was about 220,000 tons higher compared to CY 2012. The corn planted area in CY 2014 is forecast at 1.2 million hectares. The near flat growth of corn production is likely due to lower profit margins for corn compared with other crops. Corn is Vietnam's second largest annual crop, after rice, in terms of cultivated area. However, corn production area is located only where other better cash crops cannot be grown (such as in the mountainous regions with poor soil fertility) or lack of water for other better cash crops, intercropped after a better cash crop (such as soybean in the upland area, or rice in the lowland area when water supply is short for rice).

Vietnam Corn Production in Calendar Year 2012-2013 and forecast for 2014

	Unit	2012	2013	2014 (est.)
Planting area	1,000 hectares	1,157	1,173	1,200
Yield	mt/ha	4.15	4.43	4.45
Production	1,000 mt	4,801.55	5,196.39	5,340.00

Source: MARD / Post Estimate

According to MARD, Vietnam uses hybrid seed to plant 90 percent of the annual corn area. The local production for hybrid corn seed, however, can only supply up to 20 percent of the total demand. The outstanding 80 percent is imported from other countries. Thailand and Indonesia are the two largest suppliers of hybrid corn seed into

Vietnam. They account for about 62 percent and 19 percent, respectively, of the total hybrid corn seed import volume.

Corn imported volume in calendar year 2013 was 2.2 million tons due to increased importsfrom Brazil. The imported corn volume in 2014 is forecast at 2.2 million tons, unchanged compared with 2013 due to expected high carry-over stocks from 2013.

U.S. corn exports to Vietnam dropped to near zero n 2012 due to strong competitive prices from other suppliers. However, the exported volume hit 190,000 tons due to its attractive prices by end of calendar year 2013. Post forecasts U.S. corn export volume to Vietnam will reach 200,000 tons in 2014. India was the top corn exporter to Vietnam in 2012 with a total volume of 1.26 million tons. Brazil, however, rose to become the biggest supplier in 2013 by supplying over 0.7 million tons in the last three months of the year. The sizable volume of Indian and Brazilian corn exportedto Vietnam resulted in an increase of total corn supply for 2013 by about 13 percent over the 2012 level.

Vietnam Market / Corn

Unit: 1,000 tons

	2012	2013	2014*	2015*
Total Consumption	6,391	7,396	7,540	7,700
Total Local Production	4,801	5,196	5,340	5,500
Total Imports	1,590	2,200	2,200	2,200
Total Exports	0	0	0	0
Total Imports from the U.S.	0	190	200	200

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

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

Vietnam Market / DDGS

Unit: 1,000 tons

	2012	2013	2014*	2015*
Total Consumption	420	520	550	570
Total Local Production	0	0	0	0
Total Imports	420	400	550	570
Total Exports	0	0	0	0
Total Imports from the U.S.	371	356	500	520

- (*): Estimated data.

The import duty for corn is 5 percent, while the import duty for DDGS is zero percent.

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

Forest Products

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Due to its emergence as a major furniture manufacturer, Vietnam has become the second largest market for American hardwood lumber in Asia, after China. Two-thirds of the hardwood shipments to Southeast Asia are typically destined to Vietnam, and the United States was the second biggest supplier of forest products to Vietnam in 2013.

Vietnam's furniture exports reached a new record of $5.56 billion in 2013, a ten-fold increase over a 10-year period and a year-on-year increase of 19.2 percent.

As a result of the rapid growth of its furniture industry and limited domestic supply of wood, Vietnam relies heavily on imports of forest products. From only $250 million in 2002, Vietnam's imports of forest products reached over $1.56 billion in 2013..

Vietnam's imports of U.S. forest products, from a base of $19 million in 2002, jumped to a new record of $211 million in 2013, a more than eleven-fold increase in an eleven-year period and an increase of 13 percent over 2012. Of this total, about 90 percent were hardwoods (lumber, logs and veneers).

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

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

Vietnam Market / Forest products
Unit: $ million

	2012	2013	2014*	2015*
Total Consumption	NA	NA	NA	NA
Total Local Production	NA	NA	NA	NA
Total Imports	1,360	1,560	1,660	1,760
Total Exports	0	0	0	0
Total Imports from the U.S.	187	211	230	250

- (**): 2013 and 2014 data are projected
- Source: Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, World Trade Atlas, and Traders Estimates.

Hides and Skins

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Vietnam is among the top 5 largest exporters of footwear products in the world. According to the Vietnam Statistic Office, Vietnam's exports of footwear and leather products reached $8.3 billion -- a year-on-year increase of nearly 15.2 percent. The annual growth rate for footwear exports for the 2002-2013 period was about 15 percent).

Leathers (from hides and skins) are one of the major raw materials for the footwear industry. Recent Vietnam market reforms, competitive wage rates, and an efficient labor force have led to sharp increases in investment in Vietnam's leather industry. There are 22 tanneries in Vietnam, which produce about 150 million square feet of leather, annually. Vietnam has to rely on imports of hides and skins for its tanning industry. Vietnam's total imports of hides and skins (Harmonized System Code 4101-4102-4103-4301) totaled $114 million in 2013.

U.S. exports of hides and skins to Vietnam rose from $2 million in 2002 to about $103 million in 2011 (50-fold increase in a ten-year period). Exports in 2013 reached $50 million, a decrease of 22 percent from 2011. This drop was due, in part, to the halting of some tanneries due to environment issues, as well as competitive prices of hides and skins from other sources, and also due to imported finished leather.

Marketing efforts are directed by the United States Hide, Skin, and Leather Association in the United States.
The current import duty on hides and skins is zero percent.

Vietnam Market / Hides and Skins

Unit: $ million

	2012	2013	2014*	2015*
Total Consumption	NA	NA	NA	NA
Total Local Production	NA	NA	NA	NA
Total Imports	141	114	150	150
Total Exports	0	0	0	0
Total Imports from the U.S.	65	50	50	50

- (*): 2013 and 2014 data are projected based on the annual growth of the tannery sector estimated at 5 percent.
- Source: Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, World Trade Atlas, and Traders Estimates.

Poultry Meat

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Meat consumption is rising in Vietnam, including that of poultry meat. Local poultry production has risen over the past five years. Poultry meat imports have also increased steadily over the past five years to meet the growing local demand. Vietnam imports poultry meat mainly from the United States and Brazil. U.S. chicken meat exports -- mainly leg quarters and drumsticks -- have been able to address the Vietnamese affinity for dark poultry meat. The biggest constraints for U.S. poultry exports to Vietnam are the Vietnamese standard of zero tolerance for salmonella in poultry meat, and the high import duties of 20 percent and 40 percent on U.S. poultry cuts and whole poultry, respectively.

Vietnam Market / Poultry Meat*

Unit: 1,000 metric tons (MT)

	2011	2012	2013	2014**	2015**
Total Consumption	1,618	1,307	1,291	1,370	1,490
Total Local Production	708	729	747	770	790
Total Imports	910	578	544	600	700
Total Exports	0.1	0.2	0.2	0.2	0.2
Total Imports from the U.S.	95	52	59	80	95

- Source: Vietnam's Ministry of Agriculture and Rural Development, Global Trade Atlas
Note: - (*): All Poultry Meat includes all products with HS codes: 0207, 160231, 160232, 160239
- (**): 2013 and 2014 data are projected.

Red Meats (Beef & Pork)

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Beef**:** Vietnam has limited available pasture land to develop a beef industry large enough to meet the growing demand from its population of 90 million people in the medium-to-long-term. Accordingly, Vietnam's total beef imports have risen in the past three years. However, reported trade likely overstates the amount of imports which are actually consumed in Vietnam, with majority significant quantity of imports transshipped to other countries in the region.

Some Indian beef has been imported into Vietnam in recent years due to affordable prices targeting the low and middle income consumers. India has become the top beef supplier to Vietnam over the last 3 years.

To date, sales of these products have mostly gone to high-end outlets, such as luxury hotels and restaurants aimed at expatriates and high-income Vietnamese, but large-sized wholesale and retail supermarkets and shopping centers have also become prime outlets for U.S. and other imported beef. Vietnam is showing increased sales of frozen sliced chuck at retail, and if the country opens to over 30 months of age beef, other non-loin cuts and variety meats could better penetrate the mass catering sector. Prospects for U.S. beef exports to Vietnam are excellent, especially if full market access for U.S. beef is achieved.

The import duties for Most Favor Nation countries on beef cuts, bone-in and boneless are 20 percent and 14 percent, respectively.

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

Vietnam Market / Beef*

Unit: 1,000 metric tons (MT)

	2011	2012	2013	2014**	2015**
Total Consumption	NA	NA	NA	NA	NA
Total Local Production	375	382	390	400	420
Total Imports	382	416	644	660	680
Total Exports	0.2	0.2	0.2	0.2	0.2
Total Imports from the U.S.	44	40	4	30	35

- Source: Vietnam's Ministry of Agriculture and Rural Development, Global Trade Atlas
Note: - (*): Total Beef includes all beef and offal products with HS codes: 0201, 0202, 020610, 020621, 020622, 020629, 021020, 160250.
- (**): 2013 and 2014 data are projected.

Pork**:** In Vietnam, pork has long been the country's major meat product, which makes up about 70 percent of total meat consumption. The recent increase in feed costs and local pork meat prices have created opportunities for imported frozen pork sales in Vietnam. Major pork suppliers to the Vietnam market are the United States and Canada.

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

U.S. exports of pork to Vietnam in 2013 were 2 TMT, valued at $3.5 million.

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

Vietnam Market / Pork*

Unit: 1,000 metric tons (MT)

	2011	2012	2013	2014**	2015**
Total Consumption	3,272	3,224	3,365	3,460	3,580
Total Local Production	3,200	3,160	3,218	3,300	3,400
Total Imports	78	74	157	170	190
Total Exports	6	10	10	10	10
Total Imports from the U.S.	3.6	2.7	2.0	3.0	3.5

- Source: Vietnam's Ministry of Agriculture and Rural Development, Global Trade Atlas
Note: - (*): All Pork and Offal include all products with HS codes: 0203, 020630, 020641, 020649, 021011, 021012, 021019, 160241, 160242, 160249
- (**): 2013 and 2014 data are projected.

Fresh Fruits (Apples & Grapes) Return to top

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

Although there is no official trade data, Vietnam's estimated imports of apples and table grapes, combined, totaled $150 million in 2013 -- compared to $95 million in 2012, a y-o-y increase of 58 percent. U.S. exports of apples and table grapes, combined, to Vietnam in 2013 totaled $54 million, a year-on-year increase of more than 58 percent. The main competitors for U.S. apples and table grapes are China, New Zealand, and Australia due to their proximity and the lower tariff under the China Free Trade Agreement with ASEAN countries including Vietnam.

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

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

Vietnam Market / Combined Apples and Grapes

Unit: $ million

	2012	2013	2014*	2015*
Total Consumption	NA	NA	NA	NA
Total Local Production	NA	NA	NA	NA
Total Imports	95	150	165	180
Total Exports	0	0	0	0
Total Imports from the U.S.	34.6	54.0	60.0	65.0

- (*): 2013 and 2014 data are projected based on 5 percent growth for the total imports and 2 percent growth for the imports from the U.S.
- Source: Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, and World Trade Atlas.

Wine Return to top

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

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

Official trade data on wine imports is not available. The estimated total value for imported wine in 2013 is $65.2 million. U.S. exports of wine to Vietnam reached $12.7

million in 2013. The main competitors for U.S. wines are French wines and especially the new-world wines from Chile, Argentina, Australia, and South Africa.

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

Current import duties on wine are 50 percent.

Vietnam Market / Wine

Unit: $ million

	2012	2013	2014*	2015*
Total Consumption	NA	NA	NA	NA
Total Local Production	NA	NA	NA	NA
Total Imports	68.4	65.2	68.5	70.0
Total Exports	0	0	0	0
Total Imports from the U.S.	14.4	12.7	14.5	15.0

- (*): 2013 and 2014 data are projected.
- Source: Vietnam General Customs Department, U.S. Bureau of the Census Trade Data, and World Trade Atlas.

Web Resources

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

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

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

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

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Chapter 5: Trade Regulations, Customs and Standards

Import Tariffs

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Vietnam significantly reduced its tariff rates on many products of interest to the United States when it joined the WTO in January 2007. As a result, the majority of U.S. exports now face tariffs of 15 percent or less. However, in recent years, Vietnam has increased applied tariff rates on a number of products, and although the rates remain below its WTO bound levels, foreign businesses have been affected by the increases. Products affected by such tariff adjustments include shelled walnuts, ketchup and other tomato sauces, inkjet printers, soda ash, and stainless steel bars and rods.

U.S. industry has also identified high tariffs imposed on certain agricultural and manufactured products including fresh food, fresh and frozen meats, and materials and machinery, on which tariff elimination would create significant new opportunities. The United States and Vietnam are currently negotiating preferential tariff concessions in the context of the TPP negotiations.

Trade Barriers

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Vietnam eliminated many nontariff barriers under the 2001 United States-Vietnam Bilateral Trade Agreement (BTA) and through its accession to the WTO, including quantitative restrictions on imports, quotas, bans, permit requirements, prior authorization requirements, licensing requirements, and other restrictions having the same effect, that appeared to be inconsistent with its WTO commitments. Nonetheless, many other nontariff barriers remain.

Import prohibitions: Vietnam currently prohibits the commercial importation of some products, including cultural products deemed “depraved and reactionary,” certain children’s toys, second-hand consumer goods, used spare parts for vehicles, used internal combustion engines of less than 30 horsepower, and encryption devices and encryption software.

Quantitative restrictions and import licenses: Vietnam has tariff-rate quota regimes for salt, tobacco, eggs, and sugar.

On September 26, 2012, Vietnam’s Ministry of Industry and Trade (MOIT) issued Circular 27, suspending the import licensing requirement for a range products of covered by Circular 24 (issued in 2010). Imports of iron and steel, however, are still subject to a licensing requirement pursuant to Circular 23, issued on August 7, 2012.

On September 7, 2012, the Prime Minister issued Directive 23, increasing restrictions on certain Imports for Re-Export and the Trans-shipment Trade. The Directive, effective September 30, 2012, banned imports for re-export and trans-shipment of a variety of hazardous waste items, and temporarily banned imports for re-export and transshipment of a variety of products including used consumer goods, frozen animal by-products, and offal. The directive made a third category of items, including yet-to-be specified meat and seafood products subject to MOIT permit requirements. Directive 23 also imposed new conditions on the import for re-export of wine, beer, and tobacco products.

In November 2012, Vietnam issued Decree 94 on "Liquor Production and Trading." The decree imposes a three-tiered system of business licenses and quotas for the distribution, wholesale, and retail sale of liquor.

Price Registration and Stabilization: Circular 122 on price management and registration entered into force in 2010. Circular 122 states that the Ministry of Finance may apply price controls when prices increase or decrease without a "legitimate excuse," and subjects an extensive list of goods to pricing registration, including steel, liquefied petroleum gas, chemical fertilizers, plant protection products, animal drugs and vaccines, salt, milk and nutritional powders for children under six years old, sugar, rice, animal feed, coal, paper, and textbooks. On June 20, 2012, the National Assembly promulgated the Price Law, which became effective on January 1, 2013. While this law supersedes Circular 122, Vietnamese government policy with regard to price stabilization of certain items will not change. The U.S. Government and other foreign governments have repeatedly raised concerns about Circular 122 and the Price Law, and their impact, with the Vietnamese government and will continue to press this issue.

On May 21, 2014 the Ministry of Finance announced Decision 1079 on the application of price stabilization measures for milk products for children under 6 years of age. The decision applies price ceilings and mandates price reductions on a wide range of dairy products for an initial period of 12 months. It also dictates maximum profit margins for retail sales of targeted products. The U.S. Government has actively raised concerns about these measures to the Vietnamese government.

Customs: Vietnam implemented the WTO Customs Valuation Agreement through the 2006 Customs Law and related regulations, significantly improving its customs valuation process. Despite this positive step, U.S. exporters continue to have concerns about other aspects of the customs clearance process, citing inefficiency, red tape, and corruption as issuesThe United States will continue to work with Vietnam to monitor implementation of the WTO Customs Valuation Agreement. A draft revised Customs Law is under discussions at the ongoing National Assembly Session to be passed in June 2014. The revised law aims to push up the customs reform and modernization process, strengthen customs system and enhancen its state management role. The WTO Trade Facilitation Agreement, signed in Bali in late 2013, provides greater transparency in customs measures. The United States is helping Vietnam to implement this agreement.

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

Other Nontariff Barriers: U.S. stakeholders have expressed concern about the impact on foreign firms of product registration requirements for imported pharmaceuticals. The United States will continue to work with the Ministry of Health and other relevant agencies to seek improvements in the transparency of the pharmaceutical regulatory process.

In the area of cloud computing services, stakeholders have raised concerns over a draft decree issued by the Ministry of Information and Communications that would impose licensing and registration requirements on providers of information technology services, including restrictions on the cross-border supply of cloud computing and data center services.

On November 14, 2013 the Government of Vietnam issued Decree 181/2013/ND-CP, titled "Providing Details on the Implementation of a Number of Articles on the Law on Advertising." This decree requires Vietnamese entities to go through a Vietnamese agent to purchase online advertising services from foreign cross-border service providers. There is concern that this requirement may not be consistent with Vietnam's WTO commitments.

U.S. stakeholders also have identified Vietnam's restrictions on advertising of distilled spirits in print, electronic, and broadcast media as an impediment to increased exports of distilled spirits.

In March 2011, MOIT promulgated Decision 1380, which revises an April 2010 list of "discouraged imports," and now covers 3,724 tariff lines of consumer goods. The State Bank of Vietnam, under its Official Dispatch 3215 of April 2010, requires additional procedures and monitoring of foreign currency loans and lines of credit to businesses that purchase imports on the MOIT list. In addition, since Decision 1380 was issued, several new measures have been implemented explicitly referring to Decision 1380, including MOIT's Circular 7 list of consumer goods subject to an import duty payment timeframe, and Ministry of Finance's Circular 91, which increases import tariffs on certain products (see tariff section). The U.S. Government will continue to raise concerns on this issue with Vietnam.

Government Procurement

Vietnam's 2013 Law on Procurement provides for enhanced transparency in procurement procedures; decentralization of procurement decision making among the ministries, agencies, and local authorities; appeals processes; and enforcement provisions.

Vietnam is not a signatory to the WTO Agreement on Government Procurement. However, Vietnam became an observer to the WTO Committee on Government Procurement on December 5, 2012.

On January 19, 2012 the Ministry of Health and Ministry of Finance issued Circular 01/2012/TTLT-BYT-BTC on bidding medicine in health care units. This circular stipulates that domestic medicine should be given preference in procurement orders using state capital for hospitals and clinics. The circular states that domestic medicine should be selected in these procurement orders if the price and quality is the same as the equivalent foreign product. The U.S. government is working closely with industry representatives to raise this issue with the Government of Vietnam.

On April 24, 2010 the Prime Minister issued Directive 494 on the use and supply of domestic goods in projects using state capital. This directive stipulates that large projects using state capital should be divided into multiple smaller projects to ensure that domestic enterprises can bid and carryout the projects. This directive also states that authorities and state business groups should only call for international tenders on projects using state capital when local companies are not be able meet the qualifications to bid.

In 2009 the branch of the Communist Party linked to the state owned Oil and Gas Enterprise PetroVietnam issued a resolution requiring subsidiaries of PetroVietnam to give priority to domestic companies when purchasing goods or services relating to oil and gas projects. PetroVietnam dominates the oil and gas industry in Vietnam so this measure has significant effects on foreign companies seeking to provide goods and services to support the industry.

Services Barriers

In the BTA and in Vietnam's WTO services schedule, Vietnam committed to a high level of liberalization in a broad array of service sectors, including financial services, telecommunications, express delivery, professional services, and distribution services. As part of these negotiations, Vietnam also retained some market access limitations and exceptions to national treatment.

Audiovisual Services: Foreigners may invest in cinema construction and operation only through joint ventures with local Vietnamese partners, subject to government approval. Films are subject to censorship before public viewing, a process which is nontransparent and for which the right of appeal of a censor's decisions is not well established.

Broadcasting: On March 24, 2011, the Prime Minister issued Decision 20, "Regulation on Pay TV Operation Management," which entered into force on May 15, 2013 after postponements. Decision 20 requires foreign pay TV providers to use a local agent to translate in advance all movies and programming on science, education, sports, entertainment and music. Foreign news programs do not require translation, but providers are required to obtain an editing license. Industry contacts report that these requirements are cost-prohibitive and may result in some companies scaling back their operations in the Vietnamese market. The U.S. Government has regularly raised concerns over this decision to the Government of Vietnam.

Express Delivery Services: Foreign participation in joint ventures with express delivery service providers currently is limited to 51 percent of a firm's equity. As off January 2012, 100 percent foreign ownership is permitted in this sector.

Telecommunications: Vietnam permits foreign participation in the telecommunications sector, with varying equity limitations depending on the sub-sector (there are five basic and eight value added sub-sectors). For instance, foreign ownership in private networks is permitted up to 70 percent, while foreign ownership in facility-based basic services (*e.g.*, public voice service where the supplier owns its transmission facilities) is generally capped at 49 percent. As of January 2010, Vietnam allows foreign equity of up to 65 percent for non-facilities-based public telecommunications services (*i.e.*, services provided by a supplier that does not own its own transmission capacity but contracts for such capacity, including submarine cable capacity, from a facilities-based supplier).

In 2011 Vietnam issued Decree 25/2011/ND-CP on the implementation of the Law on Telecommunications. This decree stipulates that an organization or individual owning more than 20 percent of charter capital or shares in telecommunication enterprises shall not be allowed to possess more than 20 percent of charter capital or shares of other telecommunication enterprises in the same market.

Although the Government of Vietnam has officially denied it blocks certain websites, the government also has conceded that it will not allow Internet usage that promotes “anti-social behavior.” This can sometimes results in short-term restricted access to sensitive websites, often including foreign-based social networking sites. The United States Government has raised serious concerns about these Internet restrictions with the Vietnamese government and will continue monitor this issue closely.

The Ministry of Information and Communications issued Decree 72/2013-ND-CP on the management, provision, and use of internet services and online information in September 2013. This decree has raised serious concerns among the online business community and freedom of information advocates. Key concerns are the requirement for online service providers to enforce prohibitions on a broad and vaguely defined range of online activities, and locate server systems inside Vietnam. It remains unclear exactly how Decree 72 will apply to foreign cross-border service providers. The Government of Vietnam is expected to release an implementing circular clarifying this point by the end of 2014, though the release of the circular could be delayed further.

Distribution Services: Foreign participation in this sector, which includes commission agents’ services, wholesale services, retail services, franchising and direct sales activities, is allowed without equity limitations. However, foreign-invested distributors are restricted from trading in a limited number of goods that are excluded from Vietnam’s distribution sector commitments either during a phase out period or for an indefinite time period, as set out in Vietnam’s WTO Schedule of Specific Commitments. The United States continues to urge Vietnam to further reduce or eliminate these product-specific restrictions on foreign-invested distributors, including in the distribution of videos (tapes, VCDs, DVDs) and pharmaceuticals. In addition, the United States will continue to seek greater clarity and transparency in distribution licensing to address issues with licensing procedures.

Banking and Securities Services: Foreign equity in joint venture banks is limited to 49 percent. Though the equity limit on a single foreign strategic investor in a Vietnamese bank has been raised from 15 percent to 20 percent since January 2014, the cap on total foreign ownership in Vietnamese banks remains at 30 percent. Since 2012, 100 percent foreign ownership of securities firms has been permitted.

In 2010, Vietnam made progress in strengthening the country's banking sector by officially promulgating the Law on Credit Institutions and Circular 13 (and subsequent amendment Circular 19) on prudential ratios for credit institutions. While these new regulations are aimed at improving the capital position of the banking industry, they have also introduced new requirements and restrictions, such as those for calculation of capital adequacy ratios, which can cause compliance-related difficulties. Foreign banks have also raised concerns about provisions in the Law on Credit Institutions which limit the lending of foreign bank branches in Vietnam based on their local charter capital, rather than on the global capital of the parent bank.

Investment Barriers: Vietnam's Investment Law sets criteria designating certain sectors in which foreign investment is prohibited and others in which foreign investment is subject to conditions ("conditional sectors"). Vietnam also has specific laws that apply to investment in conditional sectors such as banking, securities, insurance, mining, telecommunications, real estate, ports and aviation. Investments in conditional sectors, and other projects deemed sensitive, are subject to extensive and additional review, sometimes requiring the Prime Minister's approval, which can often delay the approval of investment licenses.

All land in Vietnam is owned and managed by the state and, as such, neither foreigners nor Vietnamese nationals can own land. The 2006 Investment Law permits foreign invested enterprises to rent land for a period of 50 years and up to 70 years in special cases. Investors can obtain land use rights and mortgage both the structures erected on that land and the value of land use rights.

Electronic Commerce: E-commerce remains underdeveloped in Vietnam due to concerns about data protection and data privacy, insufficient Internet infrastructure, limitations in the financial services sector (including few credit cards users), and regulatory barriers. The 2006 Law on Electronic Transactions gave legal standing to electronic contracts and electronic signatures and allocated the responsibilities of parties with respect to the transmission and receipt of electronic data. Some U.S. e-commerce businesses have experienced intermittent blocking of their websites in Vietnam. On July 1, 2013, Decree 52 on e-commerce came into effect, which provides stronger regulations on e-commerce.

Other Barriers

Both foreign and domestic firms have identified corruption in Vietnam in all phases of business operations as an obstacle to their business activities. The lack of transparency, accountability, and media freedom, as well as widespread official corruption and inefficient bureaucracy, remain serious problems.

Competition among government agencies for control over business and investments has created confusing and overlapping jurisdictions and overly bureaucratic procedures which in turn create opportunities for corruption. Low pay for government officials and inadequate accountability systems contribute to these problems. With the assistance of the United States and other donors, Vietnam is in the process of implementing a public administration reform program and continuing to enhance transparency. The United States will continue to work with Vietnam to support administrative reform efforts and promote greater transparency.

Many foreign businesses have expressed concern over new regulations governing work permits for foreign employees in Vietnam. On September 5, 2013 the Government of Vietnam issued Decree 102 regarding the implementation of work permit provisions in the Labor Code. This decree introduced a new pre-recruitment procedure that requires employers to submit for approval an annual report on their need for expatriate employees to the local provincial government. The decree also reduces the length of work permits from three years to two years, and eliminates the possibility of extensions. Decree 102 abolishes the regulation that a foreigner who works less than 3 months does not require a work permit. The U.S. Government and business associations regularly raise concerns about these new requirements to the Vietnamese officials.

Import Requirements and Documentation Return to top

Authorized Importers: Vietnamese traders are entitled to (i) export goods of all kinds, except goods on the list of those banned from export and (ii) import goods according to the business lines stated in their business registration certificates. Foreign-invested enterprises and business cooperation parties, apart from the exportation of their own products, may export goods of other kinds, except those on the list of goods banned from export and a number of goods categories restricted by the Ministry of Industry and Trade (MOIT). (See Prohibited and Restricted Imports for further detail.) The goods imported by foreign-invested enterprises and business cooperation parties must comply with the provisions of their granted investment licenses, the Law on Foreign Investment in Vietnam and other relevant legal documents.

Import Licensing System: Business entities, including foreign invested enterprises with a legally registered business license, may be engaged in direct import and export activities. However, foreign invested enterprises can import materials, equipment and machinery only for the purpose of establishing production lines and producing goods in accordance with their investment licenses. Under Vietnam's WTO commitments, trading rights are now opened to all foreign invested enterprises. Vietnam facilitates an automatic import licensing system which requires importers of a wide category of goods to obtain a license from the MOIT to get their goods through Customs. Distribution rights for these entities are opened to joint venture investment with no limit on capital contribution, and since 2009 have been opened to wholly foreign invested enterprises. (See Trade Barriers for further detail.)

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

U.S. Export Controls Return to top

Exporters of dual-use and certain military equipment need to be aware of U.S.

Government regulations affecting sales of certain equipment to Vietnam and to certain entities within Vietnam. Before initiating marketing activities in Vietnam involving such items or entities, firms should consult with appropriate U.S. Government agencies.

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

Further information with regard to export control matters can be obtained from the following organizations:

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

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

Temporary Entry Return to top

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

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

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

A new Circular No. 165/2010/TT-BTC has been issued by The Ministry of Finance (MOF) on October 26, 2010 that guide customs procedures for export, import, temporary import for re-export and border-gate transfer; import of materials for production and mixture; and import of materials for export processing of petrol and oil. This Circular will be applied for all traders that possess petrol and oil export and import licensed may export, import, temporarily import for re-export and transfer from border gate to border gate petrol and oil and materials (except crude oil).

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

Labeling and Marking Requirements

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

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

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

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

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

- Name of goods
- Name and address of the organization or individual responsible for the goods
- Origin of goods
- Quantity
- Date of manufacture
- Expiry date
- Ingredients or ingredient quantities
- Hygiene and safety information, warnings
- Instructions on use and preservation

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

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

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

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

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

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

The Government issued Decree No 21/2011/ND-CP on March 29, 2011 requiring producers and importers to affix equipment and vehicles with energy labels pursuant to the Law on Energy Conservation. The regulation provides for two types of energy labels: comparative labels, which provide information on energy consumption, efficiency, and other information to help consumers select energy-saving equipment and vehicles; and certification labels, which certify equipment and vehicles which have the highest energy efficiency compared to those of the same type.

Prohibited and Restricted Imports Return to top

According to Government of Vietnam Decree No. 12/2006/ND-CP dated January 23, 2006, Vietnam currently prohibits the commercial importation of the following goods: Military weapons, arms and ammunition, explosive materials (not including industrial explosives); Firecrackers; Second-hand consumer goods; Reactionary, depraved or superstitious cultural products or those harmful to aesthetical or personality education; Right-hand drive motor vehicles; Used spare parts for vehicles, Used internal combustion engines of less than 30 horsepower; Discarded materials and waste;

Asbestos materials under the amphibole group; Toxic Chemicals of Table 1 (under international treaties); Narcotics; Certain types of children's toys; Various encryption devices and encryption software; Polluting waste and scrap; and refrigerating equipment using chlorofluorocarbons.

Restricted imports include imports subject to import licenses from the Ministry of Industry and Trade (MOIT), and are subject to special management and oversight by various ministries and agencies such as the Ministry of Health; Ministry of Culture and Information; Ministry of Information and Communications; The State Bank; Ministry of Agriculture and Rural Development and others. U.S. exporters should confer with their Vietnamese customer, agent or distributor to determine whether an MOIT import license is required for their restricted goods.

Customs Regulations and Contact Information

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

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

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

Standards

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Overview

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Vietnam's standards system currently consists of over 6,800 national standards (TCVN—based on the Vietnamese language). The first TCVN was developed in 1963. The Directorate for Standards, Metrology and Quality (STAMEQ) of the Ministry of Science and Technology is Vietnam's national standards body. Vietnam's weights and measures standards are based on the Metric system. The electric current is AC 50-60 Hz and voltage ranges are 220/380 volts. The electric distribution system of Vietnam is being standardized at three phase, four wires.

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

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

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

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

- Prepare rules and regulations on standardization, metrology and quality management and submit them to appropriate authorities for approval.
- Organize the supervision and implementation of approved rules and regulations.
- Establish an organizational system on standardization, metrology and quality management and provide methodological guidance for these activities.

- Organize the formulation of national standards and maintain national metrology standards. Develop policies and management documents on conformance activities: accreditation; certification, testing and inspection
- Provide product quality and system certification.
- Implement state supervision on quality of goods and measurement.
- Conduct studies on standardization, metrology and quality management.
- Carry out informational and training activities related to standardization, metrology and quality management.

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

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

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

In recent years, most of TCVNs developed by way of adoption of relevant international and regional standards (e.g. ISO, IEC, Codex), The process of national standards development is supposed to be transparent to the public, from the incipient stages of development up until the standard is issued and published. According to the Law on Standards and Technical Regulations and the Government Decree No. 127/2007/ND-CP, and the Government Decree No. 67/2009/ND-CP dated 3 August 2009, existing mandatory standards should be reviewed for appropriate conversion into technical regulations or withdrawn by 31 December 2011.

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

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

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

The National Assembly adopted the Law on Goods and Product Quality in November 2007, taking effect on July 1, 2008. In line with the law, the Government issued Decree 132/2008/ ND-CP on 31 December 2008. As of this writing, the Law on Metrology is in draft form and is scheduled to be ratified by the National Assembly in 2011. On March 25, 2003, Vietnam's TBT Enquiry and Notification point of contact was formally established within the offices of STAMEQ. For more information see http://www.tbtvn.org.

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

Conformity Assessment Return to top

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

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

Product Certification

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

QUACERT is the Certification Body of STAMEQ. QUACERT provides certification services for organizations and individuals who have complied with internationally recognized standards or other technical specifications including:

- Management system certification to international standards: ISO 9001, ISO 14001, OHSAS 18001, ISO 22000, HACCP, GMP, ISO 27001, ISO/TS 29001, ISO 50001
- Product certification (the Quality Mark) to Vietnam standards (TCVNs), foreign standards (ASTM, JIS, DIN, GOST, GB), regional standards (EN, CEN) and international standards (ISO, IEC).
- Certification of Electrical – Electronic equipment under ASEAN EE MRA.
- Product certification to Technical Regulations (QCVN) under the Vietnam Law of Standards and Technical Regulations (CR mark).
- Certification of GlobalGAP and VietGAP (Vietnam's Good Agriculture Practices regulation established by the Ministry of Agriculture and Rural Development).
- Provision of quality inspection for imported animal feeds as authorised by MARD.
- Provision of business management solutions in applying information technology.

QUACERT is currently accredited by JAS-ANZ (Joint Accreditation System of Australia and New Zealand) for management system and product certification programs.

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

Accreditation

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

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

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

BoA is signatory of APLAC and ILAC MRAs (Mutual Recognition Arrangement) for testing, calibration, medical and inspection and signatory of PAC and IAF MLA for Quality Management System (QMS) and Product.

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

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

BoA's Mission:

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

BoA's Principle and values: to comply with international standards.
BoA has accredited over 600 laboratories, inspection bodies and certification bodies.

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

Publication of Technical Regulations Return to top

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

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Contacts Return to top

For more information about standards in Vietnam, please contact:

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

Trade Agreements Return to top

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

The United States and Vietnam concluded a Bilateral Trade Agreement (BTA) in 2000, which entered into force in 2001. For more information on the BTA please see: http://vietnam.usembassy.gov/uploads/images/LyF8aTkwwk2Jr3-pvrFMKA/bta-crsrpt020909.pdf.

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

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

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

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

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

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

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

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

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

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

Bilateral Trade Agreement:
http://vietnam.usembassy.gov/uploads/images/LyF8aTkwwk2Jr3-pvrFMKA/bta-crsrpt020909.pdf

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Chapter 6: Investment Climate

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Vietnam officially encourages foreign investment as part of its development strategy, and the government has stated its commitment to improving the country's business and investment climate to move Vietnam closer to ASEAN average by 2015. Foreign invested companies play an increasingly important role in the economy. Exports from the FDI sector reached 67% of Vietnam's total exports in 2013 from 47% in 2000 and FDI's share in GDP increased to 18% from 13% in the same period. Vietnam has been very successful in attracting foreign direct investment, sustaining FDI levels around USD10-11 billion a year over the last five years, up from almost nothing just a decade ago. FDI sector accounted for 23% of the country's investment capital in 2013.

Vietnam's attractiveness to foreign investors resulted in large part from the country's open government policies encouraging FDI, geographical position near global supply chains, political and economic stability, and abundant labor resources. Recently, however, international investors have voiced concerns that the investment climate has deteriorated. Problems include corruption and a weak legal infrastructure, financial instability, inadequate training and education systems, and conflicting and detrimental bureaucratic decision-making. Investors have called for immediate reforms and the development of sound economic policies in order for Vietnam to continue to attract good-quality foreign investment.

There is no policy discriminating foreign investors at the time of the initial investment or after the investment is made however foreign investors will be subject to different business licensing processes and restrictions which are set by the commitments of

Vietnam with the WTO while Vietnamese companies are complaining FDI enterprises receive more incentives second to state owned enterprises. However at the time of this report Vietnamese authorities are still having different views on the definition of a foreign invested enterprise. It is unclear a company with 1% or more than 50% foreign ownership is considered a foreign invested company or not.

Investment Regulation

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

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

Local authorities in Vietnam's 58 provinces and 5 municipalities generally have the authority to issue investment licenses. Provincial authorities and the management boards of industrial zones are the issuing entities for most types of investment licensing, with the exception of build-and-operate projects (BOT, BO, BTO), which are still licensed by the central government. Domestic investors with projects of less than VND 15 billion (approximately $714,000) do not need to acquire investment licenses.

Investment Sectors

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

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

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

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

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

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

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

Investment Licensing

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

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

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

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

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

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

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

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

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

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

Participation of Foreign Investors in the GVN "Privatization" Program

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

Other Investment Related Legislation

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

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

Taxation

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

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

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

Conversion and Transfer Policies Return to top

The GVN has committed to permitting foreign businesses to remit profits in hard currency, capital contribution, loans and loan interests and expenses relating to loans, and other legal revenue derived from their investment activities in Vietnam. In practice, there have been exceptions to this provision and some U.S. companies reported inability to remit hard currency outside Vietnam.

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

Foreign investors are expected to be "self-sufficient" for their foreign exchange requirements. The laws stipulate that the GVN will assist in balancing foreign currency supplies for foreign investors in transportation infrastructure, energy, and waste management when banks are unable to satisfy their foreign currency requirements. One particular concern for foreign lenders to power projects is foreign exchange convertibility. Since 2011 the GVN generally only provides a guarantee of foreign exchange to BOT projects in thermal power sector of up to 30 percent of revenue after deducting expenses incurred in VND as a reason of limited foreign reserves.

The SBV publishes daily average interbank exchange rates against the U.S. dollar, and then allows USD/VND transactions to move in a band around this daily rate. The SBV has maintained a trading band of +/-1 percent since February 2011. The foreign currency exchange rate was stable throughout 2012. No dollar shortages were reported during the year. SBV does not publish Vietnam foreign reserves but it is estimated that by the end of Q1 2014 the reserves is about $40 billion from $9 billion in 2011.

Expropriation and Compensation Return to top

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

The U.S. Mission is aware of and monitoring four cases of expropriation of foreign investment without just compensation by the GVN. During 2010, several foreign investors reported that the provincial or national government pressured them to increase the pace of project development or to raise additional project capital, or risk the loss of their investment license. Nevertheless according to the PCI report foreign investors in Vietnam has less expropriation risks than in China and even Thailand and 40% of FDI say that compensations are fair.

Dispute Settlement

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The hierarchy of Vietnamese courts include: (1) Supreme Court; (2) Provincial Courts; and (3) District Courts. The courts operate in five divisions: criminal, civil, administrative, economic, and labor. Parallel to the court systems is the People's Procuracy, which is responsible for supervising the operation of judicial authorities. The People's Procuracy can protest a judgment or ask for a review of a case. In addition, Vietnam has a system of independent arbitration centers, established under the The Law Commercial Arbitration, which can grant enforceable arbitral awards. According to the PCI report 83% FDI companies believed that the legal system will uphold property rights and contracts though few companies used courts or other institutions to resolve disputes.

Economic and commercial disputes will be settled at provincial economic courts which also handle intellectual property rights cases with foreign elements. However Vietnam lacks of competent judicial system specializing in intellectual property rights. Though in theory the courts are independent but in fact as leaders of the judicial system as well as government authorities are Communist Party members who also have to obey their Party's regulations the independence is limited.

Vietnamese courts will only consider recognition of judgments issued by courts of countries that have entered into judicial agreement with Vietnam or on a reciprocal basis. In practice, very few judgments issued by foreign courts have been recognized and enforced in Vietnam. However courts in Vietnam will refuse handling a case if a party initiate court proceedings where the parties have already had a legally binding arbitration agreement unless the agreement is void or unenforceable.

Performance Requirements and Incentives

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

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

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

Vietnam has instituted incentives designed to attract investment from Vietnamese expatriates and their families. In 2008, the GVN recognized dual citizenship for Vietnamese expatriates, who are allowed to choose their status as either domestic or foreign investors. Real estate laws permit limited categories of these investors to buy land use rights to build homes.

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

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

Right to Private Ownership and Establishment

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The right to non-land private property was restated in Vietnam's revised Constitution in 2013, recognizing "the right of ownership with regard to lawful income, savings, housing, chattel, means of production funds and other possessions in enterprises or other economic organizations". Furthermore the Constitution 2013 also recognizes private ownership.

Protection of Property Rights

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

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

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

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

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

Vietnam was listed on the Watch List in the 2011 Special 301 report.

Transparency of Regulatory System Return to top

The Law on the Promulgation of Legal Normative Documents requires all legal documents and agreements to be published online for comments for 60 days, and published in the Official Gazette before implementation. According to the PCI report the ability of FIEs to have a say in the drafting and implementation of laws and regulations that affect their business is higher in Vietnam than any of its regional competitors. This score likely reflects the strong presence of business associations, chambers of commerce, availability for online commentary on draft laws and regulations, and unique discussions like the biannual Vietnam Business Forums, which open up opportunities for direct dialogue between the foreign business community and Vietnamese government officials. However, when issuing more detail implementing guidelines government entities regularly issue circulars without public notification or with little advance warning or opportunity for comment by affected parties, arguing that these binding documents are not “legal documents”.

Efficient Capital Markets and Portfolio Investment

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Vietnam’s financial systems remains weak and poorly regulated. A lack of financial transparency and non-compliance with internationally accepted standards among Vietnamese firms are among the many challenges facing the GVN’s plan to expand the domestic stock and securities markets as a venue for firms to raise capital domestically.

The banking sector is underdeveloped and is now the subject of a national restructuring initiative to address high non-performing loans (NPL), and other structural problems. By the end of March 2012 only 20 percent of Vietnamese residents had a bank account. Most domestic banks are under-capitalized and reportedly hold a large number of NPLs. Under Vietnamese accounting standards the official NPL rate was reported at 8.82 percent as of September 30, 2012. State-directed lending by state-owned commercial banks and related-party lending under non-commercial criteria remain a source of concern among foreign investors and other financial analysts.

Vietnam’s banking market is highly concentrated at the top and fragmented at the bottom. The four largest banks (Vietcombank, Vietinbank, the Bank for Agriculture and Rural Development, and the Vietnam Bank for Investment and Development) are state-owned or majority state-owned, accounting for approximately 58 percent of domestic lending, 46 percent of the total assets, and 37 percent of equity capital in the banking sector as of December 2011. Among these, the Bank for Agriculture and Rural Development is the largest with total assets of VND 560 trillion (about $26.7 billion). Vietnam’s 38 joint stock commercial banks are all smaller than the state-owned commercial banks but gradually gaining market share.

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

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

In 2008, the State Bank of Vietnam for the first time granted licenses to the following wholly foreign-owned banks: HSBC, Standard Chartered Bank, ANZ, Hong Leong and Shinhan Vina. The current ceiling for foreign ownership in a local joint stock bank is set at 30 percent of the total charter capital for the total foreign ownership and 15 percent for one foreign shareholder, or 20 percent with approval from the Prime Minister's Office.

The Vietnamese stock market includes two stock exchanges: Ho Chi Minh City Stock Exchange (HOSE) and Hanoi Stock Exchange (HNX). As of December 26, 2012, 308 stocks were listed in the HOSE with total market capitalization of approximately $10.78 billion, and 395 companies were listed in the HNX with total market capitalization of approximately $4 billion. The majority of listed firms are former SOEs that have undergone partial privatization ("equitization"). A new trading floor for unlisted public companies (UPCOM) was launched at the Hanoi Securities Center in June 2009. At the end of 2011, 132 companies were listed on UPCOM. In September 2009, a separate trading floor for government bonds was established.

Competition from State Owned Enterprises

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According to PCI survey in 2013, 31% of respondents describe bias toward SOEs in the allocation of land, capital, and procurement contracts as a major impediment to their business.

SOEs' share of factor inputs has steadily declined over the last decade. In 2000, SOEs reportedly accounted for nearly 68 percent of capital, 55 percent of fixed assets (such as land), 45 percent of bank credit, and 59 percent of the jobs in the enterprise sector. These percentages have steadily decreased over the past decade. By 2009, SOEs' share of capital had fallen to 39 percent, fixed assets to 45 percent, bank credit to 27 percent, and employment in the enterprise sector to 19 percent. The steep decline in SOEs' share of employment from 59 percent to 19 percent was due to many labor-intensive SOEs being equitized and domestic private and foreign enterprises expanding their labor force. SOEs are still dominant in all strategic sectors, such as oil and gas, telecommunications, electricity, mining, and insurance.

In 2005, the GVN established the State Capital Investment Corporation (SCIC) to represent GVN state ownership in SOEs, with the responsibility to manage, restructure, and trade state interests in SOEs through the process of equitization and privatization. By 2015, the SCIC plans to privatize or equitize more than 1000 state-owned enterprises, but as of 2012 progress had ground to a halt. The SCIC is also charged with accelerating SOE reform and improving management in companies in its portfolio.

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

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

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

In July 2012, Vietnam officially started the SOE restructuring plan, focusing on restructuring the state business groups with the purpose of improving the efficiency and strengthening the decisive role of state sector in the economy. However, a clearer action plan is still needed so that the restructuring can be fully started and sufficiently implemented.

Corporate Social Responsibility

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Many multinational companies implement Corporate Social Responsibility (CSR) programs in Vietnam on voluntary basis as there is no CSR regulations. Although awareness of CSR programs appears to be increasing among domestic companies, only the largest Vietnamese companies implement CSR programs.

Political Violence

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

Corruption

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Vietnam's 2005 Anti-Corruption Law requires GVN officials to declare their assets and sets strict penalties for those caught engaging in corrupt practices. Implementation and enforcement, however, continues to remain problematic. The GVN signed the United Nation Convention on Anti-Corruption in July 2009 and has not signed the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

The Government has tasked various agencies to deal with corruption, including the Steering Committee for Anti-Corruption (led by the Prime Minister), Government Inspectorate, and other ministries and agencies. While several large corruption cases have been identified, so far very few cases have gone to trial.

The 2013 Transparency International Corruption Perceptions Index ranked Vietnam 116 out of 177 countries. Corruption in Vietnam is due in large part to a lack of transparency, accountability, and media freedom, as well as low pay for government officials and inadequate systems for holding officials accountable for their actions. Competition among GVN agencies for control over business and investments has created a confused overlapping of jurisdictions and bureaucratic procedures and approvals that in turn create opportunities for corruption.

Vietnam's 2013 Provincial Competitiveness Index (the latest available), supported by USAID in partnership with the Vietnam Chamber of Commerce and Industry, surveyed 1,609 foreign-invested enterprises and 8,093 local enterprises regarding the number of firms that had paid informal charges to public officials. According to the PCI report 50% of FDI companies had to pay for informal charges and 40% recognized rent-seeking phenomenon is popular in handling administrative procedures for businesses. Nevertheless 80% of surveyed companies thought that informal charges are at acceptable levels.

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

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

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

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

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

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

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Anti-bribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

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

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

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

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

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

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

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

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

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

Anti-Corruption Resources

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

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

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

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

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

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

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

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

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

Bilateral Investment Agreements Return to top

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

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

OPIC and Other Investment Insurance Programs Return to top

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

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

Labor Return to top

One of Vietnam's main investment advantages is its labor force, which is large (over 52.1 million people), literate (GVN reports a literacy rate of 94 percent), inexpensive, and young (nearly 69 percent of the population is under 40). The labor pool is expected to increase by 1.5 percent annually between 2010 and 2015.

The GVN sets minimum wages depending on the ownership structure and location of the company. As of January 1, 2013, the minimum wage for workers in private businesses ranges from VND 2.35 million ($112) to VND 1.65 million ($80) monthly, depending on geographic zone. Businesses in urban districts of Hanoi, Ho Chi Minh City, and neighboring areas are subject to the higher minimum wage. These rates apply to both local and foreign invested enterprises. For government officials a comparable minimum wage increase will go into effect May 1, 2013.

Foreign investors can hire and recruit staff directly, but only after exhausting a 15-day period using a state-run employment and recruitment bureau. In practice, many employers omit this step and hire their personnel directly without going through the bureau. All personnel must be registered with the GVN. The GVN has recently tightened enforcement of foreigner work permit requirements. In August 2011 a new implementing regulation took effect that requires employers to identify a local apprentice or provide evidence of a formal training plan to replace foreign workers before extending a foreigner's work permit. The legislation also requires employers to advertise job openings in national and local newspapers at least 30 days prior to recruiting foreign employees.

The 2012 revised Labor Code introduced an extensive process of mediation and arbitration to deal with labor disputes and stipulates that strikes can only be held if they relate to collective labor disputes about benefits. The code still requires that at least 50 percent of workers in the workplace must vote for the strikes. The new labor code introduced several other critical revisions, including increasing maternity leave from 4 months to 6 months, restricting labor outsourcing services, and reducing the validity of foreign worker permits from three to two years.

Vietnam witnessed approximately 532 strikes in 2012, according to data from the Vietnam General Confederation of Labor (VGCL), close to only half the number of the strikes in 2011, when 981 strikes occurred. Approximately 80 percent of strikes took place in foreign invested enterprises (FIEs) and the remaining 20 percent in domestic private companies. Over two-thirds of FIE strikes occurred in Taiwanese or South Korean owned businesses. The majority of strikes (89 percent) took place in Ho Chi Minh City and surrounding provinces, where most FIEs are located, particularly in the garment, footwear, and furniture sectors. The GVN rarely takes action against "illegal" strikers.

The Trade Union code was also revised in 2012. In principle employers are not obliged to establish trade unions at their workplace but if a trade union is established the employer must provide a workspace and amenities to conduct trade union activities. All labor unions must be affiliated with the VGCL, a state-run organization under the Communist Party-affiliated Fatherland Front that labor experts note has weak capacity at the provincial and enterprise level. Employers have to contribute 2 percent of their payroll to support trade union budgets regardless of whether trade unions exist at their workplace or not.

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

Foreign-Trade Zones/Free Ports

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Vietnam has about 270 industrial zones (IZs) and export processing zones (EPZs), most of which are located in Vietnam's key economic zones. Projects in IPs and EPZs often enjoy investment incentives by sectors and geographical areas. Enterprises pay no duties when importing raw materials if the end products are exported. Vietnam committed to eliminating prohibited export subsidies on its accession to the WTO. Many locally run IZs are operating undercapacity as an outcome of hot investment cycle after 2007 when Vietnam joined the WTO. In constrast, IZs managed by FDI companies performed very well. Singaporean and Thai are leaders in expanding to the north after success in the south.

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

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

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

Foreign Direct Investment Statistics

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Foreign Direct Investment 2005-2013
(All monetary amounts in billions of U.S. dollars)
Source: GVN's Foreign Investment Agency

2013
Number of new projects authorized: 1,257
Authorized Investment (including new and extended projects): $21.6
Implemented Investment: $11.5

2012
Number of new projects authorized: 1,100
Authorized Investment (including new and extended projects): $13
Implemented Investment: $10.5

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

2010
Number of new projects authorized: 969
Authorized Investment (including new and extended projects): $18.6
Implemented Investment: $11

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

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

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

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

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

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

FDI by Major Sector 1988-2013
(All monetary amounts in billions of U.S. dollars)
Source: GVN's Foreign Investment Agency

Sector: Industry and manufacturing
Number of Projects Authorized: 8,620
Authorized investment: $122

Sector: Real estate
Number of Projects Authorized: 406
Authorized investment: $48

Sector: Hotels and tourism
Number of Projects Authorized: 343
Authorized investment: $10.7

Sector: Construction
Number of Projects Authorized: 1,029
Authorized investment: $9.7

Sector: Communications
Number of Projects Authorized: 910
Authorized investment: $4

Sector: Extractive
Number of Projects Authorized: 81
Authorized investment: $3.3

Sector: Agriculture, forestry and fishery
Number of Projects Authorized: 501
Authorized investment: $3.4

Sector: Transportation and Warehouse
Number of Projects Authorized: 374
Authorized investment: $3.5

Sector: Finance and banking
Number of Projects Authorized: 78
Authorized investment: $1.3

Sector: Education
Number of Projects Authorized: 171
Authorized investment: $0.7

FDI by Top Ten Investors in 2013
(All amounts in billions of U.S. dollars)

	Country	**Number of new and extended projects**	**Authorized investment (millions USD)**
1	Japan	416	5,747.82
2	Singapore	139	4,376.86
3	South Korea	488	4,293.56
4	China	100	2,304.14
5	Russia	12	1,021.83
6	Hong Kong	76	701.98
7	Taiwan	118	595.50
8	Thailand	53	405.74
9	Netherlands	26	393.95
10	Cayman Islands	4	358.68

Source: GVN's Foreign Investment Agency

Vietnam's Overseas Investment

Note: Statistics on Vietnam's investment overseas are not available at the time of this report.

Web Resources

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FCPA Lay-Person's Guide: http://www.justice.gov/criminal/fraud/

OECD Anti-bribery Convention: http://www.oecd.org/dataoecd/59/13/40272933.pdf).

Vietnam's Provincial Competitiveness Index:
http://www.pcivietnam.org/index.php?lang=en

U.S. Trade Agreements: http://www.ustr.gov/trade-agreements/free-trade-agreements.

The World Bank Business Environment and Enterprise Performance Surveys:
http://data.worldbank.org/data-catalog/BEEPS

The World Economic Forum Enabling Trade Index:
http://www.weforum.org/s?s=global+enabling+trade+report.

U.S. State Department's annual *Human Rights Report:*
http://www.state.gov/g/drl/rls/hrrpt/

Global Integrity *Global Integrity Report* on respect to governance and anti-corruption:
http://report.globalintegrity.org/.

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Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment)

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

Local companies with acceptable credit risk, (including major private enterprises and State-Owned Enterprises (SOEs), have been able to obtain credit facilities, including import finance from foreign banks (SOE access to credit has been restricted following the default of a major SOE in December 2010, however). For these importers, confirmation of L/Cs opened by their foreign bank may not be required and faster payment can be expected.

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

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

Foreign banks have greater capacity, but costs will be lower if the L/C is opened by one of the four state-owned banks or 38 private joint stock commercial banks. Costs will be higher if a foreign bank confirms the L/C, but L/C confirmation will shift risk from the Vietnamese bank and account party to a foreign bank, which can be a high quality risk. After establishing a commercial relationship with and the financial credibility of a local importer, U.S. exporters have offered goods against less restrictive forms of payment, including consignment, but this can be risky.

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

How Does the Banking System Operate

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

The central bank, the State Bank of Vietnam (SBV), is the main financial regulatory agency. The SBV supervises one policy banks,the Social Policy Bank of Vietnam, five majority state-owned commercial banks (SOCBs) Vietcombank, Vietinbank, BIDV, Agribank and the Housing Bank of Mekong Delta, 33 joint-stock (private) banks, four joint-venture banks, 49 representative offices of foreign banks, 51 branches of foreign banks, 17 financial companies, 12 financial leasing companies and five wholly-owned foreign banks. The SBV is not an independent body like the U.S. Federal Reserve and it continues to operate under government oversight. Despite the 2010 passage of the new State Bank Law, which nominally expands SBV independence, in some key areas of operation, such as the provision of liquidity support, monetary policy, the management of foreign currency reserves and foreign exchange rates and issuance of banking licenses, SBV actions are subject to prime ministerial approval or consultation.

The Vietnam Bankers Association (VNBA) was founded in 1994 as the trade association for banks and acts as a link to the authorities, including: disseminating and implementing policies, mechanisms and laws on banking operations to its members; protecting the interests of the members; conducting training and research; and expanding international banking co-operation. VNBA's authority over its members is limited.

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

The GVN requires all banks to establish audit committees and institute internal audit functions. In practice, prudent banking practices are not always followed. According to SBV estimates, sector-wide non-performing loans (NPLs) was at 7 percent of total outstanding loans as of March, 2014. However, the true level of non-performing and under-performing loans is difficult to gauge, as there is a very low level of transparency and disclosure in Vietnam's banking sector. Secrecy laws cover much of the banking industry's data and meaningful information on individual financial institutions is not readily available. Some international credit rating agencies estimate that the NPL rate in Vietnam's banking sector could be at the double digit level. Moody and Fitch estimated the actual NPL rate at 15 percent as of February 2014. The SBV set up an Asset Management Company (VAMC) in July 2013 to tackle NPLs, but due to capital and human resources restraints the VAMC has been acting more like a "debt warehouse" apparatus rather than a typical asset management entity.

In 2007, the SBV introduced rules for classification of non-performing loans, which partly approach international standards. It also allowed banks to accelerate loan terms and gave them more discretion in setting penalty interest rates on overdue debts. As of December 2008, all financial institutions had instituted internal credit rating and risk assessment mechanisms. On January 1, 2013, the SBV issued Circular 2, which tightens rules on banks' asset classification and establishment and usage of loan-loss provisions. After several delays, the SBV's Circular 2 became effective from June 1, 2014, which is anticipated to bring Vietnamese banks' asset classification closer to international standards and practices. The NPL rate in the banking system is expected to increase with the implementation of Circular 2.

Vietnam's banking system is very weakly capitalized, with the market highly concentrated at the top and fragmented at the bottom. As required by SBV regulations, small banks are now required to meet an increased minimum capital requirement of VND 3 trillion ($142 million). The time for compliance had been extended one year, to the end of 2011, from the earlier deadline because of bank difficulties in reaching the increased capital target.

The GVN has said it intends to partially privatize ("equitize") most SOCBs, but such plans continue to move slowly, having already passed earlier target dates for full equitization. The banking equitization process would allow foreign investors to buy shares but cap foreign equity at 30 percent. The first pilot initial public offering (IPO), Vietcombank' s, took place in December 2007 after years of delays. Vietinbank conducted an IPO in December 2008. BIDV and Housing Bank of Mekong Delta were equitized in 2011. Vietcombank Vietinbank and BIDV are listed on Vietnam's stock market. The International Finance Corporation (IFC), Bank of Tokyo Mitsubishi UFJ and Mizhuho are strategic investors of Vietinbank and Vietcombank respectively. BIDV is now seeking strategic investors.

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

Domestic banks can take dollar deposits. Foreign banks can also take dollar deposits, provided that the foreign bank is properly licensed. As part of its efforts to de-dollarize the economy, the SBV has introduced a low cap on USD deposits which is currently set at 0.5 percent and 1 percent p.a for organizational and individual depositors respectively. The SBV also applies a cap of 6 percent on Vietnamese dong (VND) deposits with less than six month term. Residents and non-residents can open and maintain foreign exchange accounts with authorized banks in Vietnam.

In 2008, the State Bank of Vietnam for the first time granted licenses to wholly foreign-owned banks: HSBC, Standard Chartered Bank, ANZ, Hong Leong and Shinhan Vina. However, the current ceiling for a single foreign strategic shareholder in a local joint stock bank is set at 20 percent of the total charter capital; total foreign holdings in a local joint stock bank may not exceed 30 percent, along with other stringent criteria.

Although the banking sector remains small, banking networks and services have been expanding rapidly and there is great potential for banks to develop the retail banking business (approximately 75 percent of Vietnam's 90 million people have used limited banking services while the remaining 25 percent have not taken full advantage of banking services.)

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

Since 2000, banks have been required to insure all dong deposits. The maximum insured amount is currently set at VND50 million (nearly $2,300) per account or individual per bank.. Vietnamese banks do not have Bank for International Settlement (BIS) tier ratings.

Foreign-Exchange Controls

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Conversion of Vietnamese dong into hard currency no longer requires foreign exchange approval and Vietnam has abolished foreign exchange surrender requirement since 2003. The Law on Investment allows foreign investors to purchase foreign currency at authorized banks to finance current and capital transactions and other permitted transactions. The availability of foreign exchange has been an intermittent problem since the middle of 2008 largely because of persistent balance of trade deficits.

Foreign businesses are allowed to remit in hard currencies all profits, shared profits and losses from joint ventures, and income from legally-owned capital, properties, services and technology transfers. Foreigners also are allowed to remit royalties and fees paid for the supply of technologies and services, principal and interest on loans obtained for business operations and investment capital and other money and assets under their legitimate ownership.

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

The State Bank of Vietnam (SBV) has adopted a crawling-peg foreign exchange control mechanism. The SBV publishes daily average interbank exchange rates against the U.S. dollar, and then allows dollar/dong transactions to move in a band around this daily rate. The SBV has maintained a trading band of +/- one percent since February 2011. Commercial banks are allowed to determine the spread between currency selling and buying prices within the stated trading band.

The SBV devalued the VND by five percent in November 2009, by three percent in February 2010, by another two percent in August 2010, and by nine percent in February 2011. The exchange rate has been quite stable since the last devaluation. The SBV governor has publicly stated the SBV's objective to maintain a stable exchange rate in 2014 and any devaluation would not be more than two percent. Residents and non-residents can open and maintain foreign exchange accounts and deposit foreign currencies with authorized banks in Vietnam.

U.S. Banks and Local Correspondent Banks

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

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

Project Financing

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United States Government-supported export financing, project financing, loan guarantee and insurance programs are available for transactions in Vietnam through the U.S. Export-Import Bank (EXIM Bank) and the Overseas Private Investment Corporation (OPIC). The establishment of these two agencies' programs in Vietnam, coupled with the activities of the U.S. Trade and Development Agency (TDA), which provides grants for feasibility studies, technical assistance, reverse trade mission and training for commercial projects being pursued by U.S. firms, has enhanced the competitiveness of U.S. companies in Vietnam. Both EXIM Bank and OPIC have increased their engagement with and support for U.S. businesses in Vietnam in response to the President's National Export Initiative.

EXIM Bank offers export financing of American products through loans and loan guarantees, as well as providing working capital guarantees and export credit insurance. Information on EXIM Bank programs in Vietnam can be accessed at www.exim.gov. OPIC encourages private American business investment in emerging economies by providing project financing, fund investments, and insurance against breach of contract, political risk, currency inconvertibility, expropriation and political violence. Information on OPIC programs in Vietnam can be accessed at www.opic.gov.

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

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

U.S. banks present in Vietnam include Citigroup, Wells Fargo, Far East National bank, JP Morgan Chase and Visa International. Other U.S. banks operate out of operations centers in nearby countries. All of the American banks offer trade financing services to U.S. companies, with Far East National, JP Morgan and Citibank offering on-shore services as licensed branches. Other large foreign banks operating in Vietnam include ABN Amro Bank, ANZ Bank, BFCE, Bank of China, Credit Lyonnais, Deutsche Bank, Credit Agricole, HSBC, ING Bank, May Bank, OCBC, Standard Chartered Bank and UOB. In 2008, the State Bank of Vietnam for the first time granted licenses to wholly foreign-owned banks: HSBC, Standard Chartered Bank, ANZ, Hong Leong and Shinhan Vina. Although almost all foreign banks concentrate on wholesale banking, some offer retail banking services, ATM and electronic on-line services. In October 2009, Citibank became the first U.S. bank to offer retail banking services, competing with ANZ, Standard Charter Bank, and HSBC in this unexploited market segment.

Bilateral government tied aid, commonly offered by other governments, sometimes provides non-U.S. companies with a comparative advantage that affects American trade performance in Vietnam. These may take the form of soft loan programs designed to support a particular country's exporters. American firms, otherwise competitive on price and quality, sometimes lose contracts because they cannot compete with the low interest rates and/or soft repayment terms offered by the government of a competing company. EXIM and OPIC financial products may somewhat offset this disadvantage.

Project Financing: Vietnam secures a substantial portion of its development funding from Official Development Assistance (ODA), including from the multilateral development banks (primarily the World Bank (WB) and Asian Development Bank (ADB)), the Japanese Bank for International Cooperation (JBIC), and the United Nations Development Program (UNDP). American firms can participate in projects funded by these agencies.

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

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

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

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

In recent years, 12 domestic and international leasing companies have received licenses to conduct business in Vietnam. While the initial capitalization is small ($5-25 million), these companies could play a significant role as alternative financiers in the future, focusing on the leasing of capital equipment. At present, their ability to transact business is limited because credit insurance for lessors is not available in Vietnam. The lessor must therefore carefully scrutinize potential clients. There are also certain legal constraints to the ownership of leased goods.

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

Another major source of project financing comes from over 50 private equity funds. These funds have been investing mostly in real estate, tourism, power, manufacturing, environment and infrastructure projects. As a result of the 2008-2009 and current global financial crisis, the availability of money through private equity funds has been more difficult to obtain than in the past.

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

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

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

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

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

OPIC: http://www.opic.gov

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

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

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

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

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Chapter 8: Business Travel

Business Customs

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

"Face" is extremely important to many Vietnamese and you should try not to put Vietnamese counterparts in an embarrassing situation or one that calls for public back-tracking. Fear of losing face may make your counterparts wary of spontaneous give-and-take, unscripted public comment, or off-the-cuff negotiation. Tact, sensitivity, and discretion are considered the most effective approach in dealing with disagreements or uncomfortable situations. Consensual decision-making is also very deeply ingrained in Vietnam. In Vietnam, it often means that all parties with a voice can wield a veto and must be brought on board. In building a consensus, it may prove impossible to "steamroll" the minority opinion, which must be wooed instead. To take the Central Government as an example, the lead ministry on a given issue may be unable to advance its positions if other ministries with seemingly minor involvement in the decision oppose it.

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

The concept of a "win-win" business scenario is not widely ingrained in local business culture. This is important to keep in mind when negotiating with a Vietnamese organization. Once a deal is struck in principle, Vietnamese companies may want to take more time to improve their terms and even re-negotiate – adding time to business deals.

Relationships are also very important in Vietnam, as they are in general throughout the region. Your counterpart will want to know with whom they are dealing before making decisions. Transactions rarely develop overnight, or without extensive relationship building.

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

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

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

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

Business Meetings: Establishing operations or making sales in Vietnam entails numerous business meetings, as face-to-face discussions are favored over telephone calls or letters. A first meeting tends to be formal and viewed as an introductory session. If you are unsure of exactly who in the organization you should be meeting with, you should address the request for a meeting to the top official/manager in the organization.

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

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

Seating for a meeting is generally across a conference table with the principal interlocutors in the center and directly across from each other. Other participants are generally arranged in a hierarchy on the right and left. Generally, the farther one is from the center of the table, the less senior one is. Sometimes the meeting will take place in a formal meeting room where there are chairs arranged in a 'U' pattern. The principals will take their seats in the two chairs at the base of the 'U' with other participants arranging themselves in rank order along the sides.

Meetings generally begin with the principal guest making introductory remarks. These remarks should include formal thanks for the hosts accepting the meeting, general objectives for the meeting, and an introduction of participants and pleasantries. This will be followed by formal remarks by the Vietnamese host. Once the formalities and pleasantries are dispensed with, substantive discussion can ensue. Even if the principal host is not heavily involved in the details of the conversation, guests should remember to address the principal in the conversation allowing him or her to delegate authority to answer.

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

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

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

Travel Advisory

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Please view the latest travel information for Vietnam provided by the U.S. State Department Travel Information Website:
http://travel.state.gov/travel/cis_pa_tw/cis/cis_1060.html

Visa Requirements

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

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

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

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

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

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

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

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

Telecommunications Return to top

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

Mobile phones are ubiquitous. International Roaming for mobile telecommunications is available in Vietnam.

Transportation Return to top

Travel within Vietnam is becoming easier with more domestic flights between major cities. A round trip ticket between HCMC and Hanoi is currently about $285 for economy class and $508 for business class. Vietnam Airlines (www.vietnamairlines.com) and Jetstar Pacific Airlines (www.jetstar.com) are the two carriers currently flying domestic routes.

Trains and buses in Vietnam have extensive routes and offer a cheap way to travel. Traveling by train or bus is recommended only for the most seasoned and hardy of travelers.

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

Language

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

Health

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

http://photos.state.gov/libraries/hochiminh/174995/pdf/doctor-list-04-2011-english.pdf

Local Time, Business Hours, and Holidays

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

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

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

http://hochiminh.usconsulate.gov/holidays.html

Temporary Entry of Materials and Personal Belongings

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

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

Web Resources

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U.S. Foreign Commercial Service in Vietnam: http://www.export.gov/vietnam/en/
American Chamber of Commerce in Vietnam: http://www.amchamvietnam.com/
Vietnam Embassy in Washington DC: http://www.vietnamembassy-usa.org/
Vietnam Consulate General in San Francisco: http://www.vietnamconsulate-sf.org/ecms/
Vietnam Chamber of Commerce and Industry: http://vccinews.com/
Vietnam National Newspaper: http://vietnamnews.vnagency.com.vn

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Chapter 9: Contacts, Market Research and Trade Events

Contacts Return to top

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

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

The U.S. Commercial Service in HCMC can be reached by telephone at: (84-8) 3520-4680, by fax at (84-8) 3520-4679/81 or email at Ho.Chi.Minh.City.Office.Box@trade.gov

Market Research Return to top

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

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

Trade Events Return to top

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

http://www.export.gov/tradeevents/index.asp

(Add link to trade events section of local buyusa.gov website here or just delete this text.)

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Chapter 10: Guide to Our Services

The President's 2010 National Export Initiative aims to double exports over five years by marshaling Federal agencies to prepare U.S. companies to export successfully, connect them with trade opportunities and support them once they do have exporting opportunities.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters in Vietnam and other markets, please click on the following link: http://export.gov/vietnam/servicesforu.s.companies/index.asp

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E).**

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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