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Doing Business in Vietnam

"Over the past two decades, our two nations have come together to find common purpose based on common interests. Mr. President, I applaud your efforts to implement economic reforms and increase Vietnam's trade and investment in all directions. The United States is enthusiastic about reforms that promote economic prosperity for all Vietnamese citizens, as we look to your growing middle class as a key market for American goods and services. I am confident that American energy, agriculture, financial services, aviation, digital commerce, and defense products are able to meet all of your many commercial needs."

President Donald J. Trump
November 11, 2017, Hanoi, Vietnam

Market Overview

The U.S.-Vietnamese commercial relationship has grown since the United States lifted its trade embargo against Vietnam in 1994 and the two countries renewed diplomatic relations in 1995. The U.S. is now Vietnam's largest export market and a major source of foreign direct investment, helping fuel Vietnam's remarkable economic growth. The United States has also benefitted from stronger trade ties. Over the last 10 years, U.S. exports to Vietnam increased by 330%, the best performance from our top 50 export markets. This country of over 93 million consumers with a positive view towards the United States exhibits the demographics needed for continuous growth over the next twenty years, and it is a rising star among Asia's bustling economies. Previously, U.S. firms were slow to take advantage of the growing opportunities that Vietnam presents; however, U.S. firms are increasingly looking towards this market as a key component to their growth strategies in Asia. This Country Commercial Guide is intended to introduce U.S. exporters to doing business in Vietnam and provide the foundation necessary for a firm to take the initial steps needed to pursue business here.

Top 5 reasons why U.S. companies should consider exporting to Vietnam:

- The fastest-growing middle and affluent class in the region, with young consumers who are among the most optimistic in the world providing the right demographics for growth and receptivity to U.S. products and services.
- Strong long-term growth in U.S. exports.
- Strong GDP growth expected to continue for medium term.
- Large population of over 93 million consumers.
- Political stability in a region known for its uncertainty.

Since the launch of *Doi Moi* (*to renovate*) in 1986, Vietnam has moved from a closed, centrally planned economy, towards a globally integrated, socialist-oriented market economy. Over the past 30 years, Vietnam's average economic growth rate of 5.5% has been second only to China in Asia. In 2017, Vietnam's GDP growth was a remarkable 6.8% and 2017 marked the third consecutive year of +6% growth. Vietnam started 2018 with high expectations, as the Asian Development Outlook report forecasts Vietnam's economy to expand by 7.1% in 2018, due to robust growth driven by strong manufacturing and export growth, rising domestic consumption, strong investment, and an improving agricultural sector. This has led PriceWaterhouse Coopers to predict that: 1) Vietnam will have the strongest average GDP growth until 2050, exceeding 5.1 percent a year; and 2) Vietnam will move from the 32nd largest economy to the 20th by 2050.

This strong economic growth has resulted in a booming and optimistic middle class. In a report titled *Vietnam and Myanmar: Southeast Asia's New Growth Frontiers*, the Boston Consulting Group states, "by 2020, Vietnam's middle and affluent class (MAC) population will be two-thirds the size of Thailand's MAC population." Per Knight Frank's *the Wealth Report*, "the dramatic growth of ultra-high net worth individuals in Asia is set to be reinforced by stellar growth rates in several countries, including Vietnam, which is expected to see its ultra-wealthy population rise by 170% to 540 over the next decade – the highest rate of growth in the world.

Millionaire numbers are expected to jump from 14,300 to 38,600 over the same period." This growth rate exceeds neighboring China and India. This may be why Bloomberg's 2017 *Global Misery Index* ranked Vietnam as the 12th happiest economy.

The 2001 U.S.–Vietnam Bilateral Trade Agreement (BTA) transformed the bilateral commercial relationship between our two nations 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 over $54.6 billion in 2017. Vietnam was a major beneficiary of enhanced trade ties; in 2017, Vietnam held a $38 billion trade surplus with the United States.

U.S. exports to Vietnam grew by 23.3% in 2015 and by 43.2% in 2016, resulting in a two-year increase of 77.1%. This was by far the largest increase out of our major trade partners, and not just in percentage terms. Over this period, U.S. exports to Vietnam increased by over $4.4 billion, more than twice that of second place Ireland. Despite these strong numbers, U.S. exports to Vietnam in 2017 experienced a decline. While there was a decline in exports, the overall trend over the last decade remains positive.

U.S. export of agricultural products account for almost half of total exports to Vietnam, and the country remains a top-ten market for U.S. food and agricultural products and it is the fastest growing market in the top ten. Industrial inputs continued to see steady growth as Vietnam continues to import machinery, chemicals, instruments, and software to support its growing industrial sector.

U.S. businesses are enthusiastic about Vietnam's commercial opportunities. A 2017 survey of AmChams in the ASEAN region regarding the trade and investment outlook reveals:

- 54% of those working in Vietnam saw the overall investment environment to be improving (2nd only to Myanmar). Only 4% saw the investment environment to be deteriorating (last among the 10 ASEAN nations).
- 84% of respondents stated that they expected increased profits from Vietnam operations (2nd only to Philippines at 85%).
- 56% of surveyed executives pointed to Vietnam as the most attractive potential bilateral FTA partner for the U.S.
- With the U.S. withdrawal from TPP, only 32% of executives anticipated that bilateral ties between Vietnam and China will deepen, the lowest rate among the 10 ASEAN nations.
- 72% of respondents anticipated expanding their business in Vietnam, 2nd only to Indonesia (73%).

Market Challenges

The same AmCham survey regarding the current business environment in ASEAN nations revealed the following areas of concern in Vietnam:

- Corruption
- Laws and regulations
- Legal system and contract sanctity
- Tax structure
- Infrastructure

Also in the survey, the business factor that has created the largest drop in satisfaction in the business environment over the last five years was local protectionism.

The evolving nature of regulatory regimes and commercial law in Vietnam, combined with overlapping jurisdiction among government ministries, often results in a lack of transparency, uniformity, and consistency in government policies and decisions on commercial projects. Project timelines often exceed initial projections, especially when financed using official development assistance (ODA). "Tied ODA", which must be used to procure goods or services from the country of the aid provider, in addition to corruption, continues to be a significant challenge for U.S. firms bidding on infrastructure projects. Some companies have successfully collaborated with Japanese firms to be eligible to bid on Japanese ODA funded projects, which represents the largest source of foreign ODA in Vietnam.

Vietnam has a comprehensive anti-corruption legal framework in comparison with other Asian countries. The anti-corruption legal framework significantly improved after the adoption of the Anti-Corruption Law in 2005 and the National Strategy on Anti-Corruption to 2020. Anti-corruption has moved up the political agenda recently and the government endeavors to pass its draft anti-corruption law in late 2018. Corruption and administrative red tape within the government has been a vast challenge for governmental consistency and productivity and for foreign companies doing business in Vietnam. Vietnam ranked 107 (out of 180) on Transparency International's 2017 Corruption Perceptions Index, placing it low in a region infamous for its high levels of corruption. As comparison, regional neighbors ranked – Philippines at 111, Thailand and Indonesia at 96, China 77, and Malaysia 62.

Many firms operating in Vietnam, both foreign and domestic, found ineffective protection of intellectual property to be a significant challenge. Piracy rates for software were estimated to be 74 percent in 2017, a small improvement from 92 percent ten years earlier, but signaling a steady but slow decline.

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 include agricultural products, processed foods, and nutritional supplements, which have significant export growth potential if Vietnam's tariffs could be reduced further.

Investors often run into poorly developed infrastructure, high start-up costs, unexpected tax assessments, arcane land acquisition and transfer regulations and procedures, and a shortage of skilled personnel. On a positive note, Vietnam moved up 14 places to rank 68 among 190 countries in the World Bank's Doing Business 2018 report, putting it ahead of the regional average. Of note, the World Bank reported that reforms in trading across borders and enforcing contracts are making it easier to do business. 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

Continued strong economic growth, ongoing reform, and a large population of 93 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 and interest for U.S. firms. In terms of infrastructure, the Asian Development Bank (ADB) released figures in April 2017 that mark Vietnam's public and private infrastructure investment as the highest in Southeast Asia, accounting for an average of 5.7 percent of the country's gross domestic product (GDP).

Per capita GDP was estimated to be $2,546 in 2018 ($7,463 PPP). The government's stated goal is to increase this to at least $18,000 by 2035. With disposable income levels in major urban areas four to five times the national average, significant opportunities in the consumer and services sectors are fast emerging. This is evidenced by strong growth in the number of Vietnamese students attending university in the United States, and the growing number of middle-class Vietnamese that are choosing the U.S. as a vacation destination.

Telecommunications, information technology, power generation, transportation infrastructure construction, environmental project management and technology, aviation, defense, and education will continue to offer the most promising opportunities for U.S. companies over the short term as infrastructure needs continue to expand with Vietnam's pursuit of rapid economic development. Healthcare will also be a growing sector as the government expands programs and an increasingly wealthy population spends more on medical treatment.

The Government of Vietnam (GVN) plays a significant role in the economy, with state-owned enterprises (SOEs) making up 35 percent of GDP. The GVN strategy to "equitize" (partially privatize) SOEs in all sectors of the economy is slowly moving forward. While the GVN will maintain majority ownership in the largest and most sensitive sectors of the economy – including energy, telecommunications, aviation, and banking – the equitization process could present opportunities for 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 and, as noted earlier, are responsible for U.S. agricultural products accounting for nearly half of total exports to Vietnam. Demand continues to also grow for consumption of products such as meat, dairy, and fresh and dried fruits.

Market Entry Strategy

Vietnam is not a market for inexperienced exporters or firms that do not have a well-established export department or business development unit. U.S. companies preparing to enter the Vietnamese market must plan strategically and be persistent and consistent with face-to-face follow-up. It can take up to one or two years to make a successful sale into this market. Building relationships is important.

Depending on the sector, U.S. companies entering the Vietnamese market may 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. The two markets also differ in terms of consumer behavior and preferences.

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, workforce, 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.

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. Vietnam deployed about $5.6 billion in ODA disbursement in 2014, increasing nine percent year-on-year. Sectors prioritized for ODA funding are primarily in infrastructure construction and modernization and human resource development.

Political Environment

Political Environment

For background information on the political and economic environment of Vietnam, please click on the link below to the U.S. Department of State Background Notes. Please note that this page may not view properly in Internet Explorer.

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

Selling U.S. Products & Services

Using an Agent to Sell U.S. Products and Services

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 if 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 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, workforce, 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 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. Under Vietnam's WTO commitments, foreign-owned and invested companies are permitted to engage in import, trading, and distribution services (i.e. wholesaling and retailing) in Vietnam.

Establishing an Office

Foreign companies have several options to establish a commercial presence in Vietnam. The National Assembly of Vietnam recently passed the new Law on Enterprises and the new Law on Investment in November 2014, both effective as of July 1, 2015. 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. Recently, the

Government of Vietnam launched the [National Business Registration Portal] to simplify the procedures as well as to improve the transparency and efficiency of business registration.

Representative Office License

A representative office (RO) is generally easy to establish, but is the most restrictive form of official presence in Vietnam. The license is issued by the Department of Industry and Trade (DoIT) in the city or province where the representative office is to be established. The new Decree 07/2016/ND-CP dated January 25, 2016, guiding the Commercial Law on ROs and branches of foreign business entities in Vietnam took effect on March 10, 2016 and replaced Decree No. 72/2006/ND-CP on the same matter.

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. Per Decree 07, the scope of activities of an RO is narrower than the one stipulated in Decree 72. An RO can conduct the following activities: (i) being a liaison office, (ii) conducting market research, and (iii) promoting the opportunities for investment and business co-operation of the foreign business entity. The activity of "monitoring and activating performance of contracts of the foreign business entity signed with Vietnamese parties or related to Vietnamese markets" allowed under Decree 72 is now removed from the scope of operation of an RO. However, the existing ROs established under Decree 72 can operate in accordance with their granted licenses until the expiry of such licenses.

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 DoIT. 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.

The establishment and operation of the ROs and branches of foreign business entities as stipulated in Decree 07 need to be in line with Vietnam's commitments in the international treaties of which Vietnam is a member. In case the foreign business entities come from the countries/territories that are not members of the international treaties of which Vietnam is a member, or the scope of operation of the ROs/branches are not in line with Vietnam's commitments in such international treaties, the licensing authorities must seek evaluation opinions from the specialized ministries before granting the license for establishment of the RO/branch of such foreign business entities. The decree also provides requirements for applying for the opening of a foreign branch in Vietnam, a foreign business must operate for at least five years from the date of establishment or registration.

Examining applications take up to three days and valid applications will be further processed by the licensing agency. The licensing agency will send the applicant a written notification of whether the license or establishment of the representative office is granted or not within seven working days of the receipt of the valid application. with reasons for rejections.

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. Current FIL rules delegate more authority over investment licensing to provinces, municipalities, and investment zones than was the case in the past. However, larger investments (usually above $100 million), and those requiring complex licensing approval often require extensive consultations 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:

- To establish economic organizations in the form of 100 percent capital of domestic investors or 100 percent capital of foreign investors.
- 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:
- 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;
- Medical service, educational, scientific, cultural, sports and other services;
- Establishments which conduct investment activities for profit-making purposes;
- Other economic organizations in accordance with law.
- To invest in the contractual forms of Business Cooperation Contract (BCC); Build- Operate-Transfer (BOT); Build-Transfer-Operate (BTO); and BT (Build-Transfer).
- To invest in business development. Investors shall be permitted to invest in business development through expanding scale, increasing output capacity and business capability, renovating technology, improving product quality, and reducing environmental pollution.
- 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.
- To invest in the carrying out of 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 2014 Investment Law and the Law on Competition, among others.

Franchising

Franchising is no longer a new business concept in Vietnam, and has been gaining popularity over the last decade. Major U.S. brands are now appearing in considerable numbers and Vietnam has developed a few of its own franchise brands.

Decree No. 8/2018/ND-CP issued on January 15, 2018, provides the legal basis for franchising operations, outlining key definitions and requirements of franchise agreements, as well as regulations for the administration of franchises. Companies wishing to utilize a franchise model should consult with qualified legal counsel for the latest franchise laws and regulations. Please see the Franchising Sector under Best Prospects of this report for additional information on franchising.

Direct Marketing

Direct marketing and multi-level marketing are recognized as a legal business model in Vietnam and is regulated by the Law on Competition and Decree 110/2004/ND-CP issued in 2004. A decade later Decree 110 was replaced by Decree 42/2014/ND-CP. However, the Ministry of Industry and Trade proposed new regulations to strengthen regulation of businesses utilizing multi-level marketing to encourage a transparent multi-level marketing sector. Therefore, the government issued the Decree 40/2018/ND-CP on March 12, 2018, replacing Decree 42, to promote the management of multi-marketing business operations.

Under Decree No. 40/2018/ND-CP, a multi-level marketing firm is required to have the minimum registered capital of approximately VND 10 billion (approximately $439,000) before it can receive a business license. The new regulations target pyramid schemes by specifying what a multi-level marketing firm must not do, including forcing new participants to pay a deposit or buy the firm's goods to participate in the firm's business. Multi-level marketing firms are not allowed to sell or transfer networks of participants who join multi-level marketing activities to other firms, excluding cases of acquisition, consolidation, or merger of corporations, or to entice corrupt participants of other multi-level marketing companies to join their networks. The new decree prohibits multi-level marketing firms from providing false or misleading information about the benefits of participating in multi-level marketing, features, and uses of goods, as well as activities of multi-level marketing businesses.

The ranks of direct marketing and direct sales agents/distributors continue to grow. These include companies in personal care, cosmetics, and nutrition, as well as household products. Some multi-level marketing firms have established production in Vietnam. Foreign life insurance companies are also licensed for multi-level marketing and have assembled large teams of agents who engage in traditional telemarketing, door-to-door selling, and workplace marketing in urban areas.

The Ministry of Industry and Trade grants business licenses for multilevel marketing firms. Licensed multilevel marketing firms that have no operations or have stopped operations for twelve consecutive months will have their business licenses revoked.

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 that meets regularly to discuss industry developments.

Joint Ventures/Licensing

A foreign joint venture 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

The Vietnamese government is the leading purchaser of goods and services in Vietnam. If provincial and municipal governments and state-owned enterprises 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. In May 2016, the United States lifted a three-decade ban on the sale of certain categories of defense articles to Vietnam, opening a new sector to U.S. companies.

Government procurement is regulated by the Law on Public Procurement, 43/2013/QH13, approved on Oct 26, 2013, and Decree No 63/2014/ND-CP dated August 15, 2014, which contains stipulations related to selection of 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.

Public investment projects are classified in accordance with Article 6 of the Law on Public Investment into Group-A, Group-B, and Group-C projects. Classification criteria comprise of urgency/significance, area/location, sector, investment components or capital required.

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 Intellasia and may check MPI's public procurement website.

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. 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 and preparation of government budgets. 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's [Advocacy Center] early in the process and prior to bidding. Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to "Project Financing" Section in "Trade and Project Financing" for more information.

Distribution & Sales Channels

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 must 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. Article No. 24 of the Decree No. 08/2015/ND-CP dated Jan. 21, 2015, regulated the details of HS advanced customs ruling.

Customs issues will continue to play an important role particularly with recent import licensing hurdles including automatic import licensing rules (see the section on 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

Per 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. 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 (per Circular No. 34/2013/TT-BCT dated Mar 28, 2013).

Wholesaling

Per 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 have been able to engage in retailing activities since 2009. Per 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. Thus, the so-called "Economic Needs Test" (ENT) remains a significant consideration and potential hurdle for foreign multi-outlet retail chains.

Vietnam's retail landscape has been going through a rapid transformation, providing more venues for proper display and marketing of products. Many new shopping malls are under development in the major cities, and Western-style grocery stores, mini-markets, and convenience stores (e.g., Lotte, MaxiMart, Aeon CitiMart, E-Mart and Saigon Coop) are now common in major urban areas.

Showrooms and service centers for specialized products such as electronics, appliances, automobiles, and industrial goods are also expanding. Still, family-run market stalls or small street-front shops continue to play a major role in retailing. 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. Previously foreign investors were limited to a 51 percent joint venture or could outsource their warehousing activity. As of 2014, warehousing service (as part of the logistics industry) is now fully opened to foreign investment, allowing 100 percent foreign ownership.

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.

Express Delivery

Express mail services are available throughout Vietnam, and represented by all major express delivery firms - DHL, UPS, and FedEx. Other postal services include EMS - Universal Postal Union that provides service from Hanoi and Ho Chi Minh City to China and the surrounding countries, and Kerry Logistics offering domestic express services in Vietnam, Thailand, and greater China. Some of the smaller express delivery services only serve the Asian Pacific area so be sure to check their service coverage prior to enlisting their services.

Selling Factors & Techniques

Development of Consumerism

Foreign brands have proliferated in Vietnam over the past decade and a half. This is a sign that urban incomes have risen and integration into the global economy has also increased. Rising incomes and sustained remittance inflows will bolster domestic demand, consequently driving increased consumer spending. 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. A third factor is that in recent years, Vietnamese have begun to travel and study overseas in ever increasing numbers, thus bringing back both information and products widely available elsewhere.

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.

eCommerce

E-commerce in Vietnam has made great progress in recent years. An estimate by the Vietnam E-commerce and Digital Economy Agency (VECITA) put the total B2C e-commerce revenue number at $5 billion in 2016. Vietnamese businesses are trying to reduce transaction risks and expand into larger markets while Vietnamese consumers will benefit from more options and convenience.

67 percent (64 million) of Vietnam's population have access to the internet, an increase of 28 percent. Vietnam now has 50 million subscribers registered on Facebook, and 64 percent of these users are between 18 – 34 years of age. E-Commerce is expected to continue to grow thanks to the growth of smartphone usage to an estimated 70 million users, accounting for 73 percent of the population. According to a Wearesocial's report, as of January 2018, the most popular categories for consumers were: technology and electronic equipment ($840.7 million), followed by travel ($541.1 million), furniture & appliances ($367.9 million), toys & hobbies ($ 86.3 million), fashion and beauty ($358.3 million), food, books, stationery, flower, and gifts.

Price is the top concern for Vietnamese consumers when it comes to online shopping behavior, followed by the reputation of the seller and brand. Major issues remain unchanged, including customers' low trust in online shopping, unpopular online payment platforms, and quality of delivery and fulfillment services. Online shopping is perceived as less convenient than offline shopping by 48 percent of shoppers in 2016, an increase 9 percent.

In August 2016, the Prime Minister issued Decision no. 1563/QD-TTg approving the master plan for the development of e-commerce from 2016 to 2020. Under this Decision, by 2020 a network of transportation, delivery, and fulfillment services will have been built for e-commerce covering all provinces and cities in the country, and will gradually connect to the region. However, there are still unclear customs mechanisms, policies, decrees, and circulars guiding cross-border e-commerce transactions that pose an obstacle to growth.

Logistics remains the main burden for the sector, especially for customers in rural areas or second-tier cities. The Vietnam E-Commerce Association (VECOM) has collaborated with the Vietnam Logistics Enterprise Association to promote e-commerce and logistics applications. Through this initiative several third-party fulfilment services have recently begun operations. These include Viettel Post, VNPost, Saigon Post, Giaohangnhanh, Shipchung, Giaohangtietkiem, and DHL eCommerce.

In a 2016 VECITA survey, 60 percent of responders prefer online forums and social networks while 57 percent opted for e-commerce sites as their online shopping channel. The popularity of mobile applications has increased significantly from 16 percent to 28 percent in 2016. Only 11 percent of Vietnamese retailers have developed their own standalone websites instead of using a third party online retailer such as eBay and Alibaba to sell their products.

Mobile commerce has also begun to grow rapidly as Vietnam's mobile infrastructure has improved. Many businesses have invested more in this new platform and upgrading to mobile-friendly websites or developing applications.

Vietnamese online-shoppers favor U.S products, especially technology and electronic equipment. Due to a lack of trust in local e-commerce platforms, Vietnamese prefer buying from trusted e-commerce sites such as Amazon and Rakuten. However, unclear government policy and regulation for cross-border e-commerce is an obstacle for those popular companies entering the Vietnam market. Therefore, customers in Vietnam who want to buy goods on Amazon.com use an intermediary service such as Weshop.com.vn (launched in 2015) and fado.vn (launched in 2014). Through 2016, Vietnamese customers have purchased more than 800 million products on Amazon. Countries that Vietnam's online shoppers purchase the most goods from are the U.S., Japan, Korea, and Germany.

Digital Marketing and Social Media

Social networks are the most popular methods used to promote commercial website and apps with 47 percent of the businesses using this method and 41 percent advertise their website and apps through search engines. Most businesses in Vietnam spend VND 10 million (approximately $440) a year for online advertising. Only 10 percent of local businesses spend more than VND 50 million (approximately $2,200) for the promotion.

E-commerce IPR environment

Under Decree 52/2013/ND-CP (Law on E-Commerce) effective from July 1, 2013, it is prohibited to take advantage of e-commerce to trade in counterfeit goods or trade in goods or provide services infringing upon intellectual property rights, or trade in goods or provide services in the list of goods and services banned. Domain names are also protected under this law. The Inspectorate of the Ministry of Industry and Trade, the market management office, inspectorates of provincial-level Industry and Trade Departments and other state agencies may sanction administrative violations in e-commerce according to their responsibilities provided in the Law on Handling of Administrative Violations and relevant documents.

Trade Promotion & Advertising

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, 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 ten percent of their total spending on advertising.

According to the Vietnam Advertising Association (VAA), the country now has more than 4,000 domestic ad companies, with the majority operating in Ho Chi Minh City. Vietnam hosts over 30 representative offices of the world's leading advertising companies, including WPP plc, J. Walter Thompson (a subsidiary of WPP), Dentsu, Omnicom, Interpublic, Publicis, Saatchi & Saatchi (a subsidiary of Publicis), 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 greater than 87 percent. There are approximately 60 local and one national broadcaster (VTV). With the emergence of satellite dishes and cable networks, many households also watch international networks (CNBC, CNN, StarTV).

Internet

With high internet penetration and ubiquitous smart phone usage, Vietnam's young consumer population obtains much of their information via mobile internet. Social media usage is large and growing. Thus, on-line promotion and outreach are increasingly important channels. Vietnamese consumers, especially those under the age of 35, frequently use Facebook, Zing Me, LinkedIn, Instagram, YouTube, and other social networking websites. The largest users are in the 18-24 age groups. It is common to see young Vietnamese people tapping on their smartphones on the street, at home, in the office, restaurants or coffee shops.

The internet has an increasing influence on consumers' opinions. People carry out online research before buying items, check the latest trends and promotions and share experiences with other people through online forums and social networks. However, less than 60% of internet users shop online and the amount of money they spend is small because most remain skeptical of electronic payment methods. This is unlikely to change until internet security and online banking services improve. Nonetheless, Vietnamese people are keen users of the internet for searching for product information. Therefore, many small businesses use social networking sites to reach a large base of customers. Because of customers' skepticism of electronic payments, online sellers usually enable cash payment upon delivery. Whether they sell home-made food, clothing and beauty products or electronic gadgets, online stores are popular with many internet users.

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). There are also quite a few international quality publications in circulation, including Nha Dep (Beautiful Home), Dinh Cao (Sports and Fitness), M (Fashion) and Phu Nu The Gioi (Woman's World), Gia Dinh & Tiep Thi (Family and 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 (per Circular 19/2013/TT-BXD dated Oct. 31, 2013). Advertising on articles such as umbrellas, scooters, etc. does not require a permit; however, it must comply with advertising regulations.

Radio

Radio advertising is perhaps not as 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, State Owned Enterprises, 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 and Convention Centre (SECC) are the main venues.

Pricing

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: 1) Import agent fees; 2) Customs duty; 3) Value-added tax (VAT) in the range of 5 to 10 percent is levied on the landed cost when the goods change title; and, 4) Luxury/Consumption Tax (especially on 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 that 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

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 is especially true for State Owned Enterprises or government customers. Foreign firms should invest in customer service training for front-line local sales staff, as well as 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 Intellectual Property

Several general principles are important for effective management of intellectual property rights (IPR) in Vietnam. First, it is important to have an overall strategy to protect your IPR. Second, IPR protection in Vietnam may be different from in the United States. Third, rights must be registered and enforced in Vietnam, under Vietnamese laws. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. Consequently, a U.S. trademark or patent registration will not be effective in Vietnam.

Being a member of the World Trade Organization and World Intellectual Property Organization, Vietnam's IP legislation covers most aspects of protection of IP in accordance with the international standards required by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). However, Vietnam's IP enforcement mechanisms still need improvement, and awareness of the importance of IPR protection among Vietnamese consumers needs to be raised. Vietnam has been listed on the Watch List in the United States Trade Representative's Special 301 Report for over a decade, and it remains on the Watch List in 2018. Nin Heip Market in Hanoi and Tan Binh Market in Ho Chi Minh City are also listed in the USTR's 2017 Notorious Markets report (released in January 2018).

The National Office of Intellectual Property (NOIP) oversees the IP registration, where the IPR owners can file applications for trademarks, patents, designs, layout-design of integrated circuits, and geographical indications registration. The granting of patents and registering of trademarks are based on a first-to-file basis. Companies should consider how to obtain patent and trademark protection before introducing their products or services to the Vietnam market.

Vietnam is a party to the Patent Cooperation Treaty (PCT) and the Madrid Agreement Concerning the International Registration of Marks (known as the Madrid System). Patent and trademark applicants may use these international systems for filing international patent and trademark applications for requesting protection in Vietnam. The country is also a member of the International Convention for the Protection of New Varieties of Plants (UPOV). The applicants may apply for protection of new varieties of plants at the Ministry of Agriculture and Rural Development.

The Copyright Office of Vietnam (COV) administers copyright protection law. Although copyrights can be protected in Vietnam without any registration requirement, formal recordation of copyrights at the COV is recommended as it would be useful as evidence of ownership in the event of a dispute. A copyright notice should also be affixed to the copyrighted work. Trade secrets, such as data, formulas or other confidential information used in business, may be protected in Vietnam, if the owner provides appropriate measures to maintain the secrets.

It is the responsibility of the IPR holders to register, protect, and enforce their rights where relevant, and retain their own legal counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Vietnam IP laws. It is always advisable to conduct due diligence on potential local partners, and work with legal counsel familiar with Vietnam 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 IP and stop counterfeiting. There are a number of these organizations, both Vietnam and U.S.-based, including:

- 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)

For more information you may contact;
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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 regarding trademark violations. A wide variety of consumer products bearing false or misleading labels are also readily available in the markets, as are counterfeit labels themselves. In recent years, on-line sales of counterfeit goods and illegal movie streaming have been rampant. Enforcement of on-line IP infringement has been of serious concern.

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). Thus, 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. Several U.S consumer goods manufacturers audit black market and pirated product in the marketplace and attempt to counter it with consumer education and marketing.

Due Diligence

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 contracts or other commercial arrangements: check the bona fides of every business, be it agent or customer or consultant, before entering 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 State Owned Enterprises may be considered sensitive by the authorities.

Commercial credit information services in Vietnam are very limited. Until recently, the Credit Information Center, 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., 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, the Vietnam Investment Review, and Vietnam Economic Times. These sources may be helpful in determining whether negative information on a company has been published.

Local Professional Services

Branches and subsidiaries of foreign law firms in Vietnam are important partners for firms seeking to enter the market. Foreign law firms can 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 Hanoi and in Ho Chi Minh City maintain a list of foreign law firms with offices in Vietnam for reference purposes.

The American Chamber of Commerce has several reputable professional service providers, including consultants, accountants, advertising, freight-forwarders, etc. among its membership.

Principal Business Associations

American Chamber of Commerce Vietnam

AmCham Vietnam is a not-for-profit, non-governmental, and non-political voluntary membership association of American businesses in Vietnam. In addition, AmCham welcomes international firms whose business relations with the United States and/or U.S. firms are such that membership would help achieve their objectives. In Vietnam, there are AmCham chapters located in Hanoi (http://www.amchamhanoi.com/) and HCMC (http://www.amchamvietnam.com/)

U.S. - ASEAN Business Council

The U.S.-ASEAN Business Council is an advocacy organization for U.S. corporations operating within the Association of Southeast Asian Nations (ASEAN), serving as a voice of the U.S. private sector in promoting mutually beneficial trade and investment relationships between the United States and Southeast Asia.

Vietnam Chamber of Commerce and Industry

The Vietnam Chamber of Commerce and Industry (VCCI) is a national organization which assembles and represents the business community, employers and business associations of all economic sectors in Vietnam. The purpose of VCCI is to protect and assist business enterprises, to contribute to the socio-economic development of the country, and to promote economic, commercial and technological co-operations between Vietnam and the rest of the world.

Limitations on Selling U.S. Products and Services

Since entering the U.S.-Vietnam Bilateral Trade Agreement in 2000, Vietnam has granted the United States Most Favored Nation status (Normal Trade Relations), where our imported goods are treated as locally-produced goods (National Treatment). Since then the bilateral trade relationship between the two countries has been steadily increasing. With Vietnam's commitment to the WTO, the country is in the process of liberalizing the trade and distribution of imported goods. However, there are still restrictions on the distribution of some products.

In general, the following goods are currently prohibited from import:

- Weapons, ammunition, explosive materials, and military technical equipment.
- Assorted firecrackers, sky lights, and the equipment interfering with the road traffic, speech measuring instruments.
- Eight categories of second hand consumer goods.
- Types of publications in the category prohibited from dissemination and circulation in Vietnam.
- Postal stamps in the category prohibited from business, exchange, display, and propagation as prescribed by Law on Post.
- Radio equipment, equipment applying radio wave not in line with planning on radio frequency and relevant technical regulations in accordance with Law on radio frequencies.
- Cultural products in the category prohibited from dissemination and circulation in Vietnam or having issued decision on suspension of dissemination and circulation in Vietnam.
- Many categories of vehicles.
- Six categories of second hand materials and transport facilities.
- Chemicals prohibited in Appendix III of the Rotterdam Convention.
- Plant protection agents prohibited from use in Vietnam.
- Scrap and waste, refrigerating equipment using C.F.C.
- Products, raw materials containing asbestos of the group of amphibole.

Web Resources

AmCham Vietnam http://www.amchamvietnam.com/ and http://www.amchamhanoi.com/

Credit Information Center https://cic.org.vn

National Business Registration Portal https://dangkykinhdoanh.gov.vn/en-gb/home.aspx

Intellasia http://www.dau-thau.com/

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

Stopfakes IPR Toolkits https://www.stopfakes.gov/IPR-Toolkits

U.S.-ASEAN Business Council http://www.usasean.org/

U.S. Copyright Office http://www.copyright.gov/

U.S. Patent and Trademark Office http://www.uspto.gov/

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

Vietnam E-Commerce and Digital Economy Agency http://www.vecita.gov.vn/

Vietnam E-Commerce Association http://www.vecom.vn/

Vietnam Economic Times http://vneconomy.vn/

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

Viet Nam News http://vietnamnews.vnagency.com.vn/

WorldVest Base Financial Intelligence Services Co. Litd. http://www.vietcr.com/

Leading Sectors for U.S. Exports & Investments

The following section provides information on industries that have been identifed by U.S. Commercial Servce staff in Vietnam as leading sectors. This list is not intended to be exhaustive in scope; export opportunities exist in a broad spectrum of goods and services. For information on market potential for your firm, please contact the U.S. Commercial Service in Vietnam.

Agriculture

Overview

Vietnam is a growing market for consumer-oriented and edible fish and seafood products. World exports of consumer-oriented products to Vietnam have continually accelerated over the past five years, rising from $7.6 billion in 2012 to $13.9 billion in 2017, up 11 percent over 2016. Likewise, global fish and seafood exports to Vietnam sharply increased from $2.5 billion in 2012 to $6.2 billion in 2017, up 16.5 percent over 2016. Vietnam's large population, strong and stable economic growth, growing middle class with higher disposable income, concerns about hygiene and food safety, and rapid development of the modern food retail sector are some of the major factors driving market demand for these products.

U.S. exporters are encouraged to review the USDA 2017 Exporter Guide VM7067 which serves as a practical guide for U.S. exporters wishing to initiate or increase exports of U.S. consumer-oriented agricultural products to Vietnam.

It is a challenge for any food exporter to fully understand the complex environment caused by overlapping and frequently-changing food standards and food safety regulations in Vietnam. U.S. exporters, especially those new to the Vietnamese market, are also advised to refer the following reports to have an overview of Food Standards and Regulations, as well as required certificates:

- The 2017 FAIRS country report VM7064 provides an overview on the food laws and regulations currently in force in Vietnam.
- The 2017 FAIRS Export Certificate Report VM7065 provides an overview of the health and quarantine certificates needed for exporting food and agricultural products to Vietnam.

Please note that on February 2, 2018, the Government of Vietnam published Decree 15/2018 which renews the implementation of a number of articles of the 2010 Food Safety Law and makes fundamental changes to registration and inspection for both domestic and imported food and the assignment of food safety management among the Ministry of Health (MOH), the Ministry of Agricultural and Rural Development (MARD), and the Ministry of Industry and Trade (MOIT). This Decree completely replaces Decree 38/2012 regulating the implementation of a number of articles of Vietnam's Food Safety Law. For more information on Decree 15, please consult the USDA GAIN report VM8016.

At the time of this report, MOH, MARD, and MOIT are currently updating their import regulations and certification requirements as required by Decree 15. U.S. exporters will be able to follow these developments, as well as find other recent FAIRS and GAIN reports pertaining to their respective interests by navigating the website: https://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx.

Additionally, new-to-market U.S. exporters are advised to look into export requirements for Vietnam updated by USDA agencies, including FSIS (www.fsis.usda.gov), APHIS (www.aphis.usda.gov), and AMS (www.ams.usda.gov).

Aviation

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

According to the IATA, Vietnam is one of the fastest growing aviation markets globally. Over the last decade, the average growth rate has been 17.4 percent, far higher than the 7.9 percent growth in Asia-Pacific. In January 2015, the ASEAN Open Skies policy was implemented, allowing airlines to fly freely throughout the ASEAN member states in a unified air transport market. Other factors driving aviation passenger and cargo growth are Vietnam joining several free trade agreements (FTAs), a growing tourism industry with 19 percent growth rate for domestic passengers and 29 percent for foreign passengers in 2017, and the emergence of low-cost carriers. 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, overhaul capacity, and service development.

According to the Civil Aviation Administration of Vietnam (CAAV), the agency under the Ministry of Transport (MOT) that regulates the aviation industry, annual passenger growth rate averaged 16 percent and cargo growth averaged 14 percent between 2010 and 2017. Vietnam's airports welcomed 94 million passengers (13 million international, 81 million domestic), an increase of 16 percent compared to 2016, and cargo increased by 22 percent to 1.36 million tons.

To meet the growing demand, in February 2018 the government of Vietnam revised the country's aviation industry development plan until 2020, with a vision towards 2030 (Decision No.236/QĐ-TTg). Under the revised master plan, CAAV estimates the passenger traffic through airports will reach 131 million by 2020 with an average growth rate of 16 percent per year from now until 2020. By 2030, passenger air traffic is forecasted at 280 million per year and 8 percent annual growth rate (note: a 2016 IATA report anticipates that Vietnam will have 150 million passengers by 2035. This is far less than CAAV estimates, but still ranks Vietnam as the 5th fastest growing aviation market). Freight traffic will increase to 2.2 million tons by 2020 with an average of 18 percent growth per year from now until 2020. By 2030 the freight traffic is forecasted to reach 6.8 million tons of cargo, 12 percent growth per year for the period of 2020-2030.

Leading Sub-Sectors

Air Fleet Development

The four main commercial airlines, Vietnam Airlines, Vietjet Air, Jetstar Pacific, and Vietnam Air Services Company (Vasco), currently operate over 160 aircrafts; 77 percent of them are Airbus A320s & A321s. Vietnam's airlines are buying new aircraft to restructure their fleets and expand operations to reach two hundred and twenty aircraft by 2020 and 400 aircraft by 2030.

Vietnam Airlines: The national flag carrier operated eighty-six aircrafts by the end of 2017, with an average fleet age of 6.1 years. Recent air fleet purchases include eight Boeing 787-10, 17Airbus A350-900XWBs, and 18 Airbus A321-200neo. The airline plans to increase its fleet to 101 by 2019 and hopes to launch direct routes to the United States with their Boeing 787-10s and A350-900XWBs by late 2019, after technical evaluation by Federal Aviation Association(FAA) to secure Category 1 status.

VietJet: A privately owned low-cost carrier (LCC), VietJet operates 54 aircraft plus six aircrafts on order, with average age of three years. In September 2013, VietJet placed an order for 119 A320s/A321 with Airbus for delivery between 2016 and 2023. In May 2016, the firm signed an agreement to purchase 100 Boing 737s, with delivery starting in 2019. VietJet currently operates 38 domestic routes and 44 international routes and plans to expand to 42 domestic routes and 60 international routes. The carrier is looking to other Asia and U.S destinations through code share alliances.

Jetstar Pacific: Founded as Pacific Airlines in December 1990, Jetstar Pacific was the first LCC in Vietnam and is 70 percent owned by Vietnam Airlines and 30 percent owned by Quantas. Jetstar's fleet currently consists of seventeen A320-200, with an average fleet age of 4.4 years.

Vietnam Air Services Company (VASCO): VASCO is owned by Vietnam Airlines and began business in 1987 with aerial photography and geological survey flights. The airline expanded into providing passenger services from 2004 and has nine domestic routes. VASCO currently operates five ATR72 aircrafts, with average fleet age of 8.7 years.

Bamboo Airways: A proposed hybrid carrier owned by Vietnamese property developer FLC Group, Bamboo Airways has a registered capital of $31 million and will be based at Qui Nhon Airport. Bamboo Airways will focus on bringing tourists to FLC Group resorts in Hai Phong, Thanh Hoa, Qui Nhon, Nha Trang, and Phu Quoc. In March 2018, FLC Group signed a Memorandum of Understanding with Airbus to purchase 24 A321Neo aircrafts worth $3 billion. Bamboo Airways plans to begin operations by late 2018 with 24 domestic routes and has plans to launch 16 international routes by 2023. However, the airline's business license was still pending approval by MOT at the time of this report.

Vietstar Airlines: A business unit under the Ministry of Defense, Vietstar Airlines has operated air taxi, tourism, terrain survey and photography, and rescue services over the last five years. The airline is still waiting for approval of its business license from the government to establish a LCC.

Air Asia: Air Asia is planning to enter the market through a joint venture with Gumin and Hai Au Aviation, a subsidiary of Thien Minh Group, to establish a new low- cost carrier.

Airport Development

MOT has announced plans to spend $3.7 billion by 2020 and $15.4 billion by 2030 to develop twenty airports with design capacity of 144 million passengers and 2.5 million tons of cargo per year by 2020, and 28 airports with design capacity of 308 million passengers and 7.5 million tons of cargo per year by 2030.

Key airport development projects include upgrading and expanding Noi Bai Airport (Hanoi) and Tan Son Nhat (HCMC). Planned new airport projects are Long Thanh International Airport- Phase 1 (HCMC), Phan Thiet Airport, Sapa Airport, and under- construction Van Don Airport (Quang Ninh).

Airports Corporation of Vietnam (ACV), the largest airport developer in Vietnam, currently manages and operates a network of 22 airports throughout the country, of which nine are international and thirteen are domestic. In 2018, ACV plans to invest $5.11 billion in three major projects including building New Long Thanh International Airport- Phase 1($4 billion) and upgrading Tan Son Nhat ($548 million) and Noi Bai Airport ($487 million) with advanced technologies and equipment, especially airport security equipment. Some other airports to be upgraded under ACV's plan include Cat Bi, Chu Lai, Phu Bai, and Vinh.

ACV is raising investment through various means, including equitization and the Private-Public Partnership (PPP) investment model. In November 2015, ACV launched an IPO to sell a 5 percent stake to the public. Recently, ACV has moved from an ODA (official development assistance) to a PPP model of investment capital to develop airports. This will allow ACV to exploit the best technologies and services from many countries in its airport development projects, and thus provide more opportunities for U.S. aviation companies in supplying airport technologies and services.

Air Traffic Management

Vietnam Air Traffic Management (VATM), under MOT, provides air navigation services for aircrafts operating at airports nationwide and over Vietnam air space. In 2017, VATM provided air navigation services for over 800,000 flights, an increase of 10 percent compared to 2016. VATM is planning to provide air navigation services to 1.5 million flights by 2020 and 2.5 million flights by 2030.

VATM is expected to adopt ICAO block 0 standards and transition to the new Communication Navigation Surveillance (CNS) enhancing capabilities of satellite-based navigation and digital data link communication systems and transition from aeronautical information services (AIS) to aeronautical information management

(AIM). In February 2018, VATM signed a contract with the Mitre Corporation for technical assistance to develop air traffic flow management master plan. The project will be implemented in 16 months and is being jointly funded by the U.S Trade and Development Agency (USTDA) and VATM.

Maintenance, Repair, and Overhaul (MRO) Services

MRO capabilities in Vietnam are currently largely limited to Vietnam Airlines Engineering Company (VAECO), a subsidiary of Vietnam Airlines. With maintenance facilities in Hanoi and Ho Chi Minh, VAECO provides extensive maintenance, repair, and overhaul services for all types of aircraft to all Vietnam Airlines fleets and more than forty other airlines operating in Vietnam, including aircraft maintenance for Airbus 319/320/321/330/350, Boeing 737/777/787, ATR 72, and Fokker 70, and engine maintenance for CFM56, GE90, PW4000, Trent 800, and V2500. In March 2017, VAECO received the European Aviation Safety Agency (EASA) Part 145 certification. VAECO has also been certified by the FAA for the following ratings: limited airframe, limited engine, limited accessories, limited emergency equipment, and limited nondestructive inspection, testing, and processing.

VAECO plans to be a competitive airframe heavy maintenance supplier in Asia Pacific region by building hangar back-shop support hangars, improving turnaround times, and investing in additional infrastructure. In April 2012, Viet Star opened an aircraft maintenance center with two hangars in Tan Son Nhat airport in Ho Chi Minh City to service A320, B737and smaller aircraft, with associated workshops servicing wheels and brakes.

Market demand for MRO services is expected to increase significantly as there are currently limited local MRO capabilities and all the aircraft operators in Vietnam are planning to expand their fleets. CAAV encourages domestic companies to cooperate with foreign investors to develop MRO services and facilities in Noi Bai, Tan Son Nhat, Da Nang, Chu Lai, Cam Ranh, Phu Quoc, and Can Tho airports.

Opportunities

American companies are highly respected in Vietnam as the world's leading equipment manufacturers and service providers in the aviation sector and are known for their advanced technologies, quality, and professionalism. American companies will find significant opportunities in the following areas:

- Architectural, engineering and construction services
- Construction management services for airports and terminals
- Airport ground support equipment
- Equipment for passenger terminals.
- Air traffic management systems
- Safety & security equipment
- Telecommunication systems
- Aviation management software
- Aircraft parts
- Training services
- Aircraft maintenance and engine overhaul services.

Key Projects

<u>Long Thanh International Airport:</u> Dong Nai Province (30 km from Ho Chi Minh City)

- Expected operation: 2025
- Expected Capacity:
  - Phase 1 (2025): 1 runway and passenger terminal capable of handling 25 million passengers and 1.2 million tons of cargo per year.

- Phase 2 (2035): second runway and passenger terminal to raise capacity to 50 million passengers and 1.5 million tons of cargo per year
    - Final phase (2050): 100 passengers and 5 million tons of cargo per year
- Investment capital:
    - Phase 1: $5.45 billion
    - Total investment: $15.6 billion

Long Thanh International Airport is the most significant new airport project, approved in June 2015 by the National Assembly, which is planned to alleviate traffic congestion at Tan Son Nhat Airport and to become one of the biggest aviation transportation hubs of the Southeast Asian region.

In June 2018, ACV signed contract on a consultancy and feasibility study for Long Thanh- Phase 1 with JFV a joint venture with Japan Airport Consultants (JAC-Japan), Nippon Koei (NK-Japan), Oriental Consultants Global (OCG-Japan), ADP Ingenierie (ADPi-France), Airport Design and Construction Consultancy (ADCC-Vietnam), and Transport Engineering Design Inc Company (TEDI-Vietnam). The feasibility study will be carried out for twelve months and is expected to be submitted to the National Assembly for review in October 2019, with construction expected to begin in late 2020.

Funding for the project will come from GVN, Vietnam Air Traffic Management, and other private sources where ACV will ensure 50 percent of total capital.

<u>Tan Son Nhat International Airport Expansion: Ho Chi Minh City</u>

Tan Son Nhat International Airport, the largest airport and the main international gateway to Vietnam, currently handles 32 million passengers annually, well over its designed capacity of 25 million. ACV has plans to upgrade the airport to 50 million passengers with investment capital $548 million.

In April 2018, Prime Minister Phuc approved ADPi's proposal for Tan Son Nhat expansion, which includes a new passenger terminal with capacity of 20 million passengers per year, new taxiway and apron, cargo terminal, hangar, and fuel farm. CAAV will submit a final revision of its master plan to MOT and other related parties for approval in June 2018.

<u>Noi Bai International Airport Expansion: Hanoi</u>

Noi Bai International Airport, the second largest airport in Vietnam, handled approximately 23 million passengers in 2017 and will be expanded to 30 million passengers by 2020 and 60 million by 2030.

- Short term development:
    - Expanding International Terminal 2 - phase 2 (2019-2020) from ten to fifteen million passengers per year
    - Expanding aprons (2019-2020): around Terminal 2 terminal area
    - New domestic T3 terminal (2020-2021): capacity of ten million passengers per year

  The total estimated investment for the upgrade is nearly VND11.2 trillion ($487 million)

- Long term development:
    - Third runway, passenger terminals, Air Traffic Control facilities (CAT II standard), hangar

<u>Airport Projects 2018-2021</u>

- *Cat Bi International Airport Expansion*: Hai Phong
    - New passenger terminal with capacity of 5 million passengers per year
    - Investment capital: $127million
- *Phu Bai International Airport Expansion*: Hue

    - New passenger terminal with capacity of 5 million passengers per year, new cargo terminal and supported infrastructure.
    - Investment capital: $127million
- *Chu Lai Airport Expansion*: Quang Ngai
    - New terminal with capacity of 5 million passengers per year
      Investment capital: $125.5 million
- *Vinh International Airport Expansion*: Nghe An
    - New passenger terminal with capacity of 5 million passengers per year
    - Investment capital: $127 million

Airport Projects 2022-2030

- *Chu Lai Internationl Airport* (Quang Nam): The airport will be developed as an international air cargo transport hub with a capacity of 5 million tons of cargo per year. The estimated investment is $1 billion in BOT format.
- *Sapa Airport (Lao Cai)*: A $261 million project implemented into two phases in the form of BT.

Web Resources

Airport Corporation of Vietnam (ACV) - www.vietnamairport.vn

Aviation News - www.tapchihangkhong.com

Bamboo Airways – www.bambooairways.com

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

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

Jetstar Pacific - www.jetstar.com

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

Planespotter - www.planespotters.net

VietJet Air - www.vietjetair.com

Vietnam Air Traffic Management Corporation (VATM) – www.vatm.com

Vietnam Airlines - www.vietnamairlines.com.vn

Vietnam Airlines Engineering Company (VAECO) – www.vaeco.com.vn

Vietnam Association on Aviation Science and Technology – www.vaast.org.vn

Vietnam Aviation Academy (VAA)- www.vaa.edu.vn

Vietstar Airlines - www.vietstarairlines.vn

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Defense and Security Sector

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Vietnam has seen some of the largest increases in military expenditures in Southeast Asia. Between 2005 and 2014, its military spending increased nearly 400 percent. During that time, Vietnam was narrowing its military focus to contributing to maritime security related activities. These efforts encompass air force, air defense, surface, and subsurface capabilities. Defense equipment suppliers and subcontractors can expect increased demand for naval combatants, aerial defense, intelligence systems, and surveillance and reconnaissance (ISR) equipment. Though locked out of the market for decades, U.S. firms are seeing interest in their technology as the regulatory framework has improved for exporting U.S. defense equipment and services to Vietnam, opening significant commercial opportunities for American firms. These policy changes were finalized during President Obama's official visit to Vietnam in May 2016, when he formally announced the lifting of the decades-old arms embargo against the country.

Market Data and Demand

Per the Stockholm International Peace Research Institute in 2016, Vietnam's military expenditures totaled $5 billion, or 8 percent of total government spending. This number was not publicized by the government in most of the past decade, but it has increased as mentioned above. Vietnam's military spending has hovered around 4 percent but is expected to climb to $6.2 billion by the year 2020. Vietnam was number twelve on the list of top arms importers in the world between the years 2010 and 2016.

Vietnam is concentrating on modernizing its maritime capabilities. In 2011, it issued a detailed maritime strategy for 2011-2020, making the protection of maritime sovereignty and the maritime economy a key national security pillar. Because Vietnam has a 2,000-mile coastline facing the East Sea (South China Sea) and 50 percent of its population lives along the coast, the government sees maritime as its greatest security threat. In 2016, approximately $1.6 billion was earmarked for maritime defense capabilities, but this is expected to increase to $2 billion by 2020. The Vietnamese Navy and Air Force had very little capacity to protect Vietnam's maritime interests, but over the past decade both services have undergone some modernization.

Russia is Vietnam's main arms supplier and the major platforms acquired from it since 2011 have served to upgrade Vietnam's capability to conduct sea operations in the East Sea.

Vietnam continues to upgrade its defensive missile systems. In 2011, Vietnam bought two batteries of K-300P Bastion coastal missile systems, followed by two batteries of S-300 PMU-2 long-range surface-to-air missile systems in 2012. In 2014, they upgraded their short-range surface-to-air missile systems and their missile systems, while also boosting the radar surveillance systems, and successfully built its first UAV in 2013, all demonstrating nascent capability.

Vietnam is gradually expanding its national defense industrial base through overseas partnerships and technology transfers. Damen Shipyard, in the Netherlands, is assisting in the design and production of both commercial and military vessels. In 2016, Vietnam successfully constructed and launched two 600-ton troop carriers for delivery to Venezuela. Because of technology transfer from Russia, Vietnam has begun the production of the KCT 15 anti-surface warfare missile. India is also emerging as a defense industry partner with Vietnam. India is currently upgrading Vietnam's Petya-class light frigates for anti-submarine warfare and expanding existing services to upgrade the current stock of Soviet-era military equipment, including; thermal sights fire control systems for armored vehicles, T-54 and T-55 tanks, and M-17/MI-8 helicopters. The lifting of the U.S. arms embargo has opened the possibility of co-production.

Market Issues and Obstacles

Vietnam's Ministry of National Defense (MND) limits the number of businesses that may import or export defense equipment. Per MND's decision No. 84, in 2007, regulating the import and export of defense equipment, General Import-Export Vanxuan Corporation (VAXUCO), a military goods importer owned by MND, is the ministry's designated importer of military goods, and is authorized to sign purchases on behalf of MND. Other importers of dual-use military goods are GAET, Viettel, Tecapro, Elinco, Hitaco and Thai Son Corporation. It is important to note that these firms are all state-owned enterprises (SOE) under MND.

The lack of private participants and transparency severely restricts their defense industry growth. In 2011, the government passed legislation that prohibits selling stakes of state-owned defense companies to the private sector. The legislation also requires that the state will hold 100 percent of the charter capital in any enterprises involving national defense, national security, and all military held commercial enterprises. This prevents any private participation and thwarts any foreign direct investment into the country's defense sector and MND maintains 100 percent control. Furthermore, the country does not publish any data or specifics about the defense budget or procurements. This lack of transparency can be extremely discouraging to investors and can prevent market entry.

Leading Sub-Sectors

Vietnam is interested in developing its surface and submarine fleets, as well as anti-ship batteries, missiles, and other coastal defenses. They are also considering purchasing more combat aircraft and naval patrol marine craft. These changes in Vietnam's strategy may lead to opportunities for U.S. defense equipment, but the government is likely to need some financial aid to complete these purchases. Much of the business is expected to include some form of collaboration. In recent years, Vietnam has requested and pushed for joint production or joint R&D projects to help upgrade its domestic capabilities.

The country's limited domestic defense capability offers an opportunity for a considerable number of foreign OEM's to venture into the Vietnamese defense market. The country's defense industry is dominated by the Russians, but European suppliers have recently entered the market through direct commercial sales and some U.S suppliers have entered through Foreign Military Sales (FMS). It is important to note that Vietnam prefers government to government procurement when dealing with defense systems. Developing and participating in government to government relationships is an important avenue to increase business opportunities for U.S. firms.

Opportunities

In 2015 and 2016, the U.S. Commercial Servce office in Vietnam, working with the Office of Defense Cooperation, hosted the U.S Defense Industry Promotion Symposium, with the support of MND. This event was created to allow U.S. defense firms to promote their goods and services directly to MND, while educating MND officials about U.S. licensing requirements. There is no date currently set for the third installment of this conference, though another event in 2018 is being proposed.

Web Resources

Office of Defense Attaché – U.S. Embassy: http://hanoi.usembassy.gov/defenseattache.html

Vietnam Ministry of Defense: http://www.qdnd.vn/army/home.qdnd

Education and Training

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Educational exchange is a cornerstone of the U.S. bilateral relationship with Vietnam as a top prospect for U.S. educational institutions. According to Open Doors, in the 2016/17 academic year, Vietnam topped Southeast

Asia in students studying in the United States: 22,438, up 4.8% from the previous year. This figure is the sixth highest among countries which have students in the United States. Education constitutes the largest single export category for the United States to Vietnam, representing over $800 million annually. The mutual understanding between the two countries' students will play a key role in the process of expanding our bilateral relations and consolidating our comprehensive cooperation as these scholars become Vietnam's future leaders.

A significant increase in per capita income in the past ten years, the expansion of both the manufacturing and services sectors, and the value Vietnamese families traditionally place on education are creating substantial opportunities. 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 Vietnam. Vietnamese universities have room for only 600,000 students of the over 1.8 million candidates who take the university/college entrance exams. Most Vietnamese students in higher education study at the undergraduate level. In 2016/17, there was 68.0 percent undergraduate, 15.6 percent graduate, 7.4 percent other, and 9.0 percent Optional Practical Training.

Three top priorities of the Vietnamese government in the next ten years include infrastructure, institutional reform, and human resources development. Improving domestic education is a top priority in various plans and the initiatives include ambitious goals, such as a ten percent annual increase in domestic university enrollment and developing a higher education system that is more in line with global standards. Because of this, the Vietnamese government has increased the budget allocations, liberalized private sector involvement, and encouraged foreign participation in developing education and training services. However, many observers find the reform process to be slow and that domestic higher education falls far short of meeting the demand. 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 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 the demand. 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 professors remains virtually unchanged. Furthermore, a large percentage of university graduates cannot find jobs in their perspective fields (or at all) without further training, demonstrating a need for a more practical and effective education. This is making many Vietnamese students to look for education opportunities outside of Vietnam.

Marketing Strategies

Local representation is essential for the success of any U.S. schools in the market. Students and parents depend on people from Vietnam with whom they can clearly communicate about navigating the process of 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 and outreach, and serve as a local point of contact. U.S. institutions often appoint a professional education agent to market their schools. Education agents typically represent numerous schools at one time, 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 before entering into any agreement.

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 has achieved success and returns to Vietnam to tell his/her friends and family about their experiences. Annually, there are several education fairs in Vietnam, including events organized by Education USA. The Education USA fairs are the largest and most-attended events in Vietnam. For more information, please visit http://www.educationusa.state.gov.

Stand-alone Marketing Events

Universities or university consortia frequently organize outreach visits to local high schools, holding seminars and counseling sessions, often employing a local partner or representative to organize and handle the necessary paperwork and public event approval process. 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 Vietnam Education and Training Consortium - VETEC (http://www.vetecusa.org/en/). While many prospective students are comfortable with English, schools will reach a wider audience and have more appeal with promotional material translated into the Vietnamese language.

U.S. Commercial Service Programs

Many U.S. colleges and universities do not have the financial resources to launch expensive recruitment strategies in Vietnam. The U.S. Commercial Service has designed a series of promotional opportunities to assist the institutions.

Targeting the Agent Market through Virtual Agent Fairs: Participating schools join these virtual matchmaking fairs that introduce appropriate education agents, school counselors, and other partners via a web-based ("webinar") meetings. Virtual partner fairs will concentrate on specific segments, such as undergraduate programs, community colleges, and Intensive English Program segments.

Targeting the Agent Market through 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 educational market.

Targeting the Student Market through U.S. Catalog Pavilions in Hanoi and HCMC: Participating schools can 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 highlights participating schools, and then collects and disseminates leads to the clients for their direct follow-up.

Leading Sub-Sectors

Top areas of study for Vietnamese students include engineering, business and management, math, and computer science (STEM). In addition, there are many opportunities that target the specific needs of the Vietnamese market.

4-year Degree University Study

More Vietnamese students are now pursuing 4-year programs at universities. Business management, banking and finance, science, technology, engineering, and math (STEM) programs are often the top choices.

Community Colleges

Community colleges offer financial and academic accessibility, serve as a bridge for Vietnamese students to acclimate to the English language, American culture, and the U.S. educational system. These schools often serve as a transition point to a four-year university. Vietnam is the 2nd largest country of origin for students at U.S. community colleges.

High Schools/Boarding Schools

There is growing interest among Vietnamese families in sending their children to the U.S. to enroll in high school/boarding schools to better prepare them for a U.S. college education. It is important to note that Vietnamese parents cite their desire for providing a safe, comfortable environment for their kids as a primary criterion for selecting boarding schools.

Opportunities

The greatest opportunities are with community colleges and four-year degree programs. On the heels of President Trump's visit to Vietnam in November 2017, the above data demonstrates the increasingly strong ties between the United States and Vietnam. As President Trump noted in his speech at the APEC CEO Summit, "Vietnamese students rank among the best students in the world, and that is very impressive." Education will remain a cornerstone of the United States-Vietnam bilateral relationship and provide opportunities to American education institutions.

Web Resources

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/

Higher Engineering Education Alliances: www.heeap.org

Viet Abroader: www.vietabroader.org

Vietnam Education Foundation: www.vef.gov

Vietnam Education and Training Center: www.vetecusa.com

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Franchising

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

The franchising model is popular and well-suited to a developing economy like Vietnam. The culture of entrepreneurship is ideally suited to franchising as it provides investors with a relatively rapid avenue of entering business with controlled levels of investment and at a reduced risk. Rising incomes and an emerging middle class are generating an increase in consumer-driven sectors.

Franchising began in Vietnam in the 1990's with the introduction of well-known fast food chains like KFC, Lotteria, and Jollibee. As of 2017, the Vietnamese Ministry of Industry and Trade (MOIT) reports that there are more than 170 foreign brands registered as franchising businesses in Vietnam. This includes fast food, bakery, coffee, drinks, and restaurants, accounting for over 50 percent of total franchise contracts signed. Most franchisors come from the U.S., Australia, South Korea, Singapore, Thailand, Japan, Hong Kong, Canada, and the Philippines.

Increasingly, Vietnamese businesses have been exploring opportunities available through franchising. Popular brands include: Wrap and Roll, Café Cong (Plus Coffee), AQ Silk, Ong Hung (Mr. Hung) Pho, ThaiExpress, The Gioi Di Dong (The World Mobile), and Shop and Go. Nationwide, Highland Coffee and Trung Nguyen Coffee are others that have gained traction in the last year. Mon Hue, Wrap and Roll, Kichi Kichi, Sumo BBQ, Vuvuzela, King BBQ Buffet, Pho 24, and Trung Nguyen Café are local brands that are expanding overseas.

There are also several challenges that new-to-market franchisors should consider:

- Many local companies may not have a full understanding of brand value/integrity and/or legal regulations relating to franchising, making it important to identify and conduct due diligence on potential partners to determine their suitability and financial capability.
- Local firms are wary of new concepts that require high investment despite improvements in the local real estate and securities markets in recent years. They are also reluctant to invest in a new brand that does not have a strong track-record in the region.
- Finding suitable and affordable locations despite rapidly emerging modern retail channels and retail development in Ho Chi Minh City and Hanoi.
- Respect for intellectual property. U.S. franchisors should register their intellectual property, including URLs and websites, and be prepared to take legal action against IP violators.
- Cultural differences require adjustments to market access strategies. U.S. franchisors should consider adapting to local culture, habits, and tastes to guarantee success in the market.

In the past, Vietnamese law did not provide a clear basis for franchising arrangements, but the passage of Decree 35/2006/ND-CP (amended by Decree 120/2011/ND-CP in January 2016), provided a legal framework for franchising.

According to these regulations, a foreign franchisor 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 MOIT, while a local franchisor registers with the provincial Department of Industry and Trade. The franchise agreement must be in Vietnamese and may be translated into English.

The Vietnamese Government issued Decree No. 8/2018/ND-CP in January 2018 to amend some business conditions, including franchising, regulated by the MOIT. Decree No. 8/2018/ND-CP, Article 5 of Decree No. 35 was revised removing the requirement for foreign franchisors to register with MOIT. However, the registration requirements in other articles in Decree 25 were not revised, requiring additional clarity from MOIT on these requirements.

Leading Sub-Sectors

Vietnamese consumers often associate Western brands with quality, an affluent life-style, and product reliability. They are responsive to high-end, well-known, premium brands of products and services. At present, most franchised businesses in Vietnam are focused on fast food and retail, but a significant potential exists for a wide range of companies to enter the Vietnamese market. Franchise opportunities are gradually becoming available across the nation in a growing range of brands and sectors.

In the fast food sector, the market is currently competitive with several popular local and foreign brands. With strong consumer awareness of American food and beverages, U.S. franchise brands including McDonald's, KFC, Subway, Starbucks Coffee, Burger King, Carl's Jr, Pizza Hut, Hard Rock Café, Domino's Pizza, Popeye's Chicken, Texas Chicken, Dunkin' Donuts, Z Pizza, Baskin Robbins, and Coffee Bean and Tea Leaf, have become key players in the market.

The MOIT estimates that annual food and beverage consumption accounts for 15 percent of GDP and will continue to rise in the future. Business Monitor International notes that the sector will see some of the strongest growth in Asia, anticipated at 16.1% between 2016 and 2019, due to rising incomes and demand for high-value products.

Besides the fast food segment, the franchise convenience store segment has also become a popular concept with various brands including Circle K, Family Mart, and Shop & Go expanding quickly in large cities. Seven-Eleven opened its first store in Ho Chi Minh City in 2017. With a growing interest in western-style food and beverage, there is a considerable demand for healthcare and lifestyle-oriented products and services. Education and training is also a growing franchise area, with brands Mathnasium, Crestcom, Cleverlearn, Dale Carnegie (U.S.), and Kumo (Japan) operating in Vietnam.

Retail, education, entertainment, healthcare, beauty-care, children's services, and lifestyle-oriented businesses are other growing franchise segments.

Opportunities

There are several factors that have contributed to the growth of the franchise market:

- 65 percent of the population is under 30 years old and 37 percent are living in urban areas. Per capita GDP is around $2,150 and rising.
- A steady growing GDP has created a new middle-class of consumers, estimated to grow to 33 million by 2020, who now have disposable income to spend on their desired lifestyle. Ho Chi Minh City and Hanoi have the largest middle-class populations, but second tier cities like Danang, Hai Phong, and Can Tho also have growing middle classes. Rural consumers have also developed a penchant for new and diverse brand offerings. According to the Vietnam Retailers association, 77 percent of rural consumers want to try new products and 95 percent appreciate having a wide range of products to choose from.
- American brands enjoy a reputation for quality, especially in the southern region of Vietnam. Best prospects for American franchisors include: fast food, business services, health and nutrition, education services, health care, children's services, cleaning and sanitation, hospitality, fashion, entertainment, and convenience stores.

Web Resources

Franchising Update Media: www.franchising.com

International Franchise Association: www.franchise.org

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

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Healthcare and Medical Equipment

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Economic growth and demographic changes are driving demand for healthcare services throughout Vietnam, and not just in the two economic centers of Hanoi and Ho Chi Minh City. Public, provincial-level hospitals funded by the governments are undergoing upgrades of their facilities and opening new departments for specialty treatment. Such developments are creating new opportunities for medical devices in Vietnam.

The country represents a potentially large healthcare and medical equipment market. According to Business Monitor International (BMI), Vietnam's healthcare expenditure was estimated at $16.1 billion in 2017, which represented 7.5 percent of the country's GDP. BMI forecasts that healthcare spending will grow to $22.7 billion in 2021, recording a compound annual growth rate (CAGR) of approximately 12.5% from 2017 to 2021.

In particular, Vietnam's public healthcare expenditure is predicted to increase at a CAGR 9.5% in the period of 2016–2021 compared with 17.2% in the period of 2011-2016. This is partly due to the government's effort in promoting partnerships between public and private healthcare providers to share the cost. Private healthcare expenditure is expected to grow at a CAGR of 7.5%, with a large part of the growth due to increased insurance coverage for employees.

The Vietnam healthcare sector is currently facing the following challenges:

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

As high-quality healthcare service is not available in country, Ministry of Health (MOH) estimates that around 40,000 Vietnamese people spend approximately $2 billion to travel abroad for high quality medical service every year.

Medical Equipment

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

The MOH determines the guidelines for medical device purchases for all health systems. Within the MOH, the Department of Medical Equipment and Health Works (DMEHW) oversees medical devices. The Ministry of Science and Technology (MOST) performs regulatory functions for domestically made medical devices.

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

Imports of used and refurbished medical equipment are strictly controlled by MOH. Decision 2019/1997/QD-BKHCNMT stipulates that MOST 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.

The Government recently issued Decree 36/2016/ND-CP regulating the management of medical equipment, including the classification of medical equipment; production, circulation, procurement, supply of medical equipment, medical equipment labels, and the management and use of medical equipment.

Decree 36 is considered the highest legal document to date on the management of medical equipment. Under Decree 36, all medical devices imported into Vietnam are required to register for marketing authorization (MA) licenses. MOH began receiving registration dossiers on January 1, 2017, for medical devices categorized as Class A (low risk), and began receiving dossiers on July 1, 2017, for higher-risk medical devices in Classes B, C, and D. Following an extension by the Office of the Government, the registration deadline for classes B, C, and D is now January 1, 2019.

Pharmaceuticals

Vietnam's pharmaceutical market has tremendous potential; however, domestic policies are making it more difficult for U.S. exporters to access the market.

In 2014, Vietnam issued Decision 68, a national strategy on the development of Vietnam's pharmaceutical industry. Under Decision 68, Vietnam plans to build its domestic pharmaceutical industry and gradually replace imported medicines. By 2020, Vietnam aims to increase the share of locally procured pharmaceuticals to 80 percent of market value. Therefore, U.S. industry has expressed concern over public procurement bias towards local producers.

Vietnam's 2016 Law on Pharmacy, which entered into force on January 1, 2017, is the primary legal framework governing the pharmaceutical sector, including registration, sale, and distribution of pharmaceuticals. U.S. companies have expressed concern that the Law creates uncertainties about the rights and responsibilities of Representatives Offices, especially whether such offices can directly or indirectly (through third parties) provide drug information to health care providers and employ medical representatives to perform these activities.

Also outlined under the strategy outlined in Decision 68, Vietnam aims to develop a domestic system of drug distribution and supply. Vietnam's WTO Schedule of Commitments on Services intentionally excluded pharmaceuticals from the sectors for which market access is open to distribution by foreign investors. As a result, Vietnam has introduced policies that promote the development of indigenous distribution services and exclude foreign companies. Specifically, Decree No. 54/2017/ND-CP, guiding the implementation for the Law on Pharmacy, creates uncertainties for foreign invested enterprises engaged in distribution related activities. Future implementing decrees and circulars for the Law on Pharmacy are expected to provide additional guidance on which activities will be reserved for domestic companies.

Leading Sub-Sectors

The demand for investment in medical equipment will continue to increase and focus on imaging equipment, operating rooms, and emergency resuscitation testing. A recent BMI's report shows that about 90 percent of medical equipment in Vietnam is imported, with major suppliers from Korea, China, Japan, the United States, and Germany, which account for 71 percent of medical equipment imports. Domestic manufacturers can only meet the demand for basic medical supplies. They produce products such as hospital beds, scalpels, cabinets, scissors, and disposables. They generally offer limited/no warranty or after-sales services, especially in isolated areas of the country.

Other strong areas of growth include operating theaters, orthopedics, emergency equipment, sterilizing equipment, monitoring equipment, and diagnostic equipment such as CT scanners, ultrasound machines, MRI, and X-ray machines.

Opportunities

While Decision 68 may pose challenges for some U.S. exporters, the government strategy has also created opportunities by outlining Vietnam's plans to develop the domestic healthcare network up to 2020. These plans cover public health/preventative medicine and primary care systems, as well as medicine manufacturing and supply. Per this plan, by 2020, 25 hospital beds, 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 account for 80 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 show the strongest growth, while research and educational institutions will also account for some of the demand. Several medical education and research institutions are open to experimenting with new systems and innovative methods. These end-users present an excellent strategic opportunity to develop partnerships, given their desire to explore new technologies.

Large amounts of public funds have been allocated to upgrade hospitals in the provinces. Major national-scale hospital upgrade and construction projects have been approved by the central government.

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

Web Resources

2016 Law on Pharmacy: http://moj.gov.vn/vbpq/en/lists/vn%20bn%20php%20lut/view_detail.aspx?itemid=6838

- Decree 54: Guidelines for Implementation of the Law on Pharmacy: https://vanbanphapluat.co/decree-54-2017-nd-cp-guidelines-for-implementation-of-the-law-on-pharmacy

Asia Development Bank: https://www.adb.org/projects/tenders/country/vie

Decision 68: Approving the National Strategy on Development of the Vietnam Pharmaceutical Industry up to 2020, with a Vision Toward 2030: https://vanbanphapluat.co/decision-no-68-qd-ttg-the-national-strategy-on-development-of-the-vietnam-pharmaceutical-industry-up-to-2020

Decree 36: Medical Equipment Management: https://vanbanphapluat.co/decree-36-2016-nd-cp-medical-equipment-management

- Circular 24: Guiding the Import of Medical Device: https://vanbanphapluat.co/circular-no-24-2011-tt-byt-guiding-the-import-of-medical-device

HCMC Department of Public Health: www.medinet.hochiminhcity.gov.vn

Vietnam's Ministry of Health: www.moh.gov.vn

World Bank: www.worldbank.org.vn

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Information and Communication Technology

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Vietnam's ICT market is expected to continue its growth between 2018 and 2020, due to the government's desire to turn Vietnam into an ICT power. In 2015 and 2016, the government issued fourteen important documents including six governmental degrees and eight Prime Minister decisions instructing Ministries and provincial governments to promote the application and development of IT to meet the objectives of sustainable economic growth and successful international integration.

A recent Economist Intelligence Unit (EIU) report shows that demand in the ICT sector in 2017 was estimated to reach $12.7 billion and forecasted to grow to $13.4 billion in 2018. To meet this market growth, Vietnam imports the bulk 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 and offers good opportunities for U.S. suppliers.

Also per the EIU, spending on IT was estimated at $6.4 billion in 2017, and forecasted to grow to $6.5 billion in 2018, an increase of 2.5 percent, a lower rate compared to 8.1 percent growth in 2017 and 2016. In 2017, spending on IT hardware continued to represent the largest share (88.8 percent) of total spending, with software and services representing 4.6 percent and 6.6 percent of the market. Key players in the hardware market include suppliers from Taiwan, China, the U.S., and Japan. Major players in the software market include suppliers from the U.S., Germany, China, Russia, and Vietnam.

The World Economic Forum's Global Information Technology Report in 2016 ranked Vietnam at 79 of 139 in Networked Readiness Index (NFI), an increase of 6 grades in comparison with 2015. In addition, as Vietnam has become a member of ASEAN's Economic Community, enterprises are expected to increase spending to upgrade their IT infrastructure to improve their operational efficiency and business competitiveness.

Telecommunications

Total telecom service revenue in 2017 was expected to reach $6.9 billion. Mobile data services own the major share (36.8 percent) of the sector. Viettel, Mobifone, and VNPT-Vinaphone (all State-Owned entities or SOE's) continue to dominate Vietnam's telecom market, with over 90 percent of the market share. Viettel is the largest player and is forecast to be the market leader through 2020. As of October 2016, these three major operators had been granted 4G/LTE licenses, and 4G service began in Vietnam in 2017.

Mobile Phone Networks

At present, there are five mobile operators in Vietnam; VNPT-Vinaphone, Mobiphone, Viettel, Vietnammobile, and Gtel. According to Vietnam's Ministry of Information and Communications, there were 128 million mobile phones subscribers, of which, 63 million were Viettel, 34.6 million Mobiphone, 20.5 million VNPT-Vinaphone, 5.9 million Gtel, and 3.6 million Vietnammobile.

Telephone Main Lines

According to EIU, there were over 14 million land telephone lines in Vietnam in 2017, an increase of 6.3 percent y-o-y.

Internet

As of 2017, the number of fixed broadband internet subscribers was 11.5 million, while the number of mobile broadband internet users via 3G network is nearly 47.2 million. Per Business Monitor International, the internet market in Vietnam is forecasted to grow at an annual pace of 9 percent for the next few years due to the strong growth of applications, e-commerce, and internet TV.

Leading Sub-Sectors

Smart Cities

From 2010 to 2015, urbanization in Vietnam grew at 3.4 percent per year, and currently one in three Vietnamese people live in urban areas. The United Nations projects that half of the Vietnamese will live in cities by 2040, placing an increasing burden on municipalities. Ho Chi Minh City is already outpacing population growth predictions with 12 million residents in 2017 and an urban density comparable to Tokyo. Hanoi is also rapidly growing with over 8 million residents. Hanoi, Ho Chi Minh, and many smaller Vietnamese cities are already experiencing the challenges associated with rapid urbanization, including delivering basic city services, constructing public transportation systems, delivering safe potable water, improving waste management, and ensuring food safety. Vietnamese governments at both central and city levels have established their strong support of smart city development in Vietnam to help improve services to the growing urban areas while reducing or maintaining costs.

The governments in each city are exploring intelligent traffic solutions to manage traffic flows and reduce the growing air pollution problem. Both cities will need to invest in urban planning to better utilize their road resources as people transition from motorbikes to cars. Ho Chi Minh City has the added challenge of urban flooding during the rainy season. Many cities are proposing developing e-government solutions to better manage city services and increase transparency. Danang recently completed the first stage in its city-wide IT infrastructure project that built new data warehouses and installed wifi access points across the city of 1.5 million residents.

The growing Internet and mobile phone penetration is helping to drive smart city development and e-government solution deployment. It is estimated that 52 percent of the population uses the internet. The country has 128 million mobile phone subscribers. Significant financing support provided by international donors, like the World Bank, is behind some of the growth in this area. As the Vietnamese government continues to encourage and facilitate public-private partnerships in urban infrastructure projects, more funding will become available for the development of smart cities in the larger cities.

Due to their state-of-the-art technology, lifecycle cost efficiency, and customer support services, U.S. suppliers have significant opportunities to sell their products to several market segments in Vietnam. The segments of vertical industry markets, including education, electricity, healthcare, transport, and water/wastewater, all present good opportunities. These sub-sectors will offer potential for U.S. suppliers of servers, network equipment, cybersecurity equipment and software, and application software including Customer Relations Management (CRM), and Enterprise Resource Planning (ERP).

e- Commerce

Vietnam is estimated to have over 50 million internet users in 2018, 91% of the population possess smart phones, and an average Internet access of 25 hours/week, makes this a potentially ideal market for e-Commerce. In fact, the market has raised the interest of many e-Commerce tycoons in the world. Alibaba has invested over $2 billion into Lazada, a popular e-Commerce site in Vietnam, owning over 83% of the firm.

Mobile Phones

Coupled with growing e-commerce and over-the-top applications, the rising income of the tech-savvy population in Vietnam is expected to drive the market for mobile phones at an estimated 12-13 percent from 2015 to 2018. The major suppliers of mobile phones in Vietnam include Apple, Samsung, Microsoft, Asus, Sony, HTC and Oppo.

Cyber Security Equipment and Software

After Vietnam Airlines' computer system was hacked and the personal information of some 400,000 of its customers was published online in July 2016, and the international ransomware attack in May 2017, the Vietnamese government and its enterprises have increasingly paid attention to cyber security. U.S. suppliers of cyber security equipment and software are expected to see market opportunities as virtually all mobile operators and internet service providers in Vietnam are increasingly making investments to protect and keep their customers. All mobile phones users are required to register with the government through one of the state-owned companies.

Opportunities

The U.S. Commercial Service along with well-known U.S. information and communication technology (ICT) companies, have organized several smart city conferences in Vietnam. These companies are introducing smart city technologies and solutions to Vietnamese authorities and municipalities while at the same time educating them on the benefits of applying smart technology to planning and managing infrastructure and providing better public services.

U.S. suppliers will continue to find significant business opportunities between 2017 and 2020 as the government and businesses are modernizing their IT infrastructure. The following large-scale projects will present high-value opportunities for U.S. suppliers.

- Da Nang City's Sustainable City Development Project, $272.2 million
- Digitization of Vietnam's Broadcast Industry, $200 million, 2015-2020
- Five Prime Minister-approved hospital projects: Bach Mai (Ha Nam province), Viet Duc (Ha Nam Province), Oncology 2 (HCMC), Pediatrics (HCMC), and Military Hospital 175's Trauma and Orthopedics Center (HCMC)
- HCMC's Flood Risk Management Project, $435 million, 2016-2020
- HCMC's Green Transport Development Project, $124 million, 2015-2019
- Saigon Water Corporation's ICT Upgrade Project, $27 million (phase 1) and $50 million (phase 2)
- Secondary Cities Development Program (Green Cities), $176 million
- Strengthening Sustainable Urban Transport for Hanoi Metro Line 3, $53 million Da Nang City's E-Government Phase 2 Project, $60 million
- Urban Environment and Climate Change Adaptation Project, $140 million
- Water Sector Investment Program PFR4, $235 million

Singapore recently took the initiative to establish the ASEAN Smart Cities Network (ASCN), which is envisioned as a collaborative platform where cities from each ASEAN nation work towards the common goal of smart and sustainable urban development. For Vietnam, the three participating cities are Hanoi, Ho Chi Minh City, and Danang. The collaborative platform aims to facilitate cooperation on smart cities development, catalyze bankable projects with the private sector, and secure support from ASEAN's external partners.

Web Resources

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

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

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

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Power Generation, Transmission, and Distribution

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Industry Structure

Electric power represents one of the most promising areas for U.S. commercial prospects in Vietnam. Electricity of Vietnam (EVN), a state-owned enterprise that reports directly to the Prime Minister, is the largest buyer of electricity, and holds a monopoly on transmission and distribution. Electric power is under the jurisdiction of the Ministry of Industry and Trade (MOIT). The Vietnamese government relies on the national power development plans to advance the sector, which forecast growth in demand and map out the overall development of the power industry to meet demand ten years out.

Power Consumption

The country's robust industrialization process has fueled a surging demand for energy in general and electricity. The GVN expects electricity consumption to grow by 10-12 percent annually through 2020 while the Economic Intelligent Unit estimated that demand for electricity will expand by 4.2% a year between 2018 and 2022, exceeding 191,700 GWh. This demand is attributed to increasing industrial and residential use. Power shortages are expected during this period if adequate measures are not taken to increase the supply accordingly. It is also estimated that an additional capacity of 4,000 MW will be required per year on average from now through 2020 to meet demand, requiring an estimated $19.1 billion of investment for infrastructure by 2035.

Power Generation

In the revised Power Development Plan VII (PDP 7), released in 2017, installed power-generation capacity in Vietnam amounts to 42.13 GW, of which 37.6 percent is hydropower and 34.3 percent is coal-fired thermal power. It also sets out $148 billion worth of investments to increase power generation and develop the electricity network, with $40 billion to be spent in the period 2016-2020, of which 75 percent is to be directed to power sources and 25 percent to grid development.

Electricity Pricing

The government strictly regulates the retail price, 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 the gradual elimination of government control. By current regulations, EVN may increase or decrease within a margin of up to 5 percent, twice a year without approval from MOIT or the Prime Minister when the input parameters (fuel price, foreign exchange rates, generation mix, competitive power generation market price) change significantly.

Independent Power Producers (IPPs)

Vietnam currently has 73 power plants (hydro, thermal, gas, renewables source) and 48 of those with capacity greater than 30MW. As EVN's self-financing and other sources of debt financing only meet 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. Now, only one U.S. company, AES Corporation, is an IPP and has invested in Mong Duong 2 Power Plant in Quang Ninh Province. This is a $2.1 billion coal-fired power plant with a capacity of 1,240 MW. Mong Duong 2 is the largest foreign invested power project in Vietnam and the country's first private power plant commissioned in the last ten years, per Vietnam

Investment Review. AES contributed a 51 percent share. According to Asian Development Bank (ADB), PV Power (a PetroVietnam subsidiary) and Vietnam National Coal and Mineral Industries Group (Vinacomin) represent 16 percent of total national power generation capacity and another 29 percent generated by other IPP/BOT schemes.

Transmission and Distribution

The State shall only maintain its monopoly of electricity transmission grid(s) to ensure the national energy security. EVN operates a power distribution system of about 115,659km of 6kV, 10kV, 15kV, 22kV and 35kV lines, with a total capacity of 3,662 megavolt-amperes (MVA) and 109,199km of 220V lines with a total capacity of 32,061MVA. According to EVN 2017 Annual Report, Vietnam has 7,446km 500 kV lines, 16,071km 220 kV lines, 26,100MVA 500-kV transformers, 41,538MVA 220 kV-transformers. EVN reports that 100% of the districts were connected to electricity; 99.7% of the communes with 98.69% of rural households have access to the power grid with a target reaching close to 100 percent by 2020. These figures may be exaggerated but were according to the plan.

Projected Expansion of the Power Transmission System to 2025

In the Revised PDP 7, Vietnam also aims to upgrade its power grid and reach the N-1 reliability standard for key equipment items by 2020. In addition to the transmission system, Vietnam developed an investment plan for the period 2011-2020 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 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, and telecommunication and information technology equipment.

Renewable Energy

PDP 7 revised the priorities developing renewable energy in wind power, solar power, and biomass power. Projections are to increase the percentage of renewable energy power to 7 percent by 2020 and 10 percent by 2030. According to the Vietnam Energy Association, if the country does not make progress in boosting the share of renewables in its energy mix, the proportion of energy that Vietnam needs to import in 2030 will rise from around 3 percent of primary energy demand to as much as 44 percent, instead of the targeted 24 percent.

A study by the World Bank estimated that 8.6 percent of Vietnam's land mass could be used for wind power. The country has an estimated total wind power potential between 24.0 GW and 26.7 GW. The PDP 7 set a target to increase the combined capacity of all wind power plants to 800 MW by 2020 and 6000 MW by 2030 and to raise the percentage of wind power from almost zero to 0.8 percent by 2020 and 2.1 percent by 2030. However, the wind-power capacity stood at just 190 MW in 2016.

Since the completion of the first wind power project of 24 MW Phu Lac plant in Binh Thuan province in 2016, Thuan Binh Wind Power JSC, an EVN's affiliate, has developed another 30 MW Loi Hai wind power project. The power plant will begin operation in 2018. EVN has also approved the investment in two new wind power projects, Huong Phung of 30 MW in Quang Tri province and Cong Hai of 25 MW in Ninh Thuan province, to be developed by EVNGENCO2.

Low feed-in-tariffs and an underdeveloped regulatory environment continues to hinder investments. In 2014 the GVN increased the feed-in-tariff for renewable power generated from solid waste plants to $0.105 per KW/h. The GVN issued Decision 37/2011/QD-TTg outlining incentives for wind power development, under which EVN will pay $0.068 per KWh and the State will contribute $0.01 per KWh, allowing investors to receive a total $0.078 cents per KWh. There have been 50 wind power projects in 15 provinces with a total capacity of 5,000 MW registered. Only three projects with a total of 50 MW have been added to the national grid due to appropriate feed-in-tariffs and investment capital.

Following the Prime Minister's Decision No. 11/2017/QD-TTg dated April 11, 2017, on solar power development in Vietnam, the government approved a new FIT for solar power which is $.0938, effective from June 2017. EVN has also planned for investment in several solar power projects in the Southern provinces of Vietnam such as Ninh Thuan, Binh Thuan, Kon Tum, Dong Nai, Gia Lai, Binh Phuoc with a total capacity of 870 MW. As outlined in the PDP 7, Vietnam is aiming to increase the installed capacity of solar power to 850 MW by 2020, 4,000 MW by 2025 and 12,000 MW by 2030.

Nuclear Power

In November of 2016, the Vietnamese government decided to postpone its nuclear power program.

FDI Encouragement and Challenges

The Government of Vietnam's policies are to diversify investment sources, encourage foreign investors in power development with BOT, BOO, and PPP. However, Vietnam faces several challenges; electricity prices are still low, existing thermal power plants are unable to buy coal at an economical price, leading to unattractiveness of new power plant projects. The procedures for investors under BOT arrangements are still complicated with insufficient guidelines and equipment prices have increased, leading to increased production costs which reduces the financial attraction of power generation projects.

Investment Requirements

EVN estimates that around $123.8 billion will be channeled into the development of the national power system within the next twenty years. Spending was estimated in PDP 7 average $6.8 billion per year. Of this, 66 percent will be spent on power plants and the remaining 33.4 percent on network development.

EVN has received preferential loans with total amount of $1 billion in 2016 from international financial organizations (World Bank, Asian Development Bank (ADB), International Cooperation Agency of Japan (JICA), and German Bank for Reconstruction (KfW)). In addition, EVN has been working with the French Development Agency (AfD) to provide EVN with two new loans for Se San 4 Solar Power Plant and Ialy Hydropower Plant Extension projects. World Bank and Asian Development Bank are the two largest donors.

In June 2014, the World Bank approved a $200 million loan and $70 million credit for the Vietnamese government in support of power sector reforms, climate resistance. and lower carbon intensity development. ADB has approved a multi-tranche loan of $730 million to upgrade Vietnam's electricity transmission network between now and June 2020. The loan will finance the construction of more than 860km of power lines and to provide funds for training and other activities to Vietnam's state-owned National Power Transmission Corporation (NPT). Vietnam plans to invest in and up to 98 power plants with a 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.

Leading Sub-Sectors

The power generation market can be divided into five 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 has 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.

In the Department of Commerce's Renewable Energy Top Markets for U.S. Exports 2016 report, Vietnam wind power generation market ranks number 28. The country is regarded to have an unmatched supply of wind resources in Southeast Asia, which could thrive under the right energy policies.

Opportunities

USTDA has funded nearly 80 activities valued at $20 million in Vietnam over the last 20 years. Vietnam represents the Agency's largest country portfolio in Southeast Asia. Through feasibility studies, technical assistance and pilot projects, USTDA Project Development Program helps oversee project sponsors, identify technological solutions, and various sources of financing for priority infrastructure projects. Working with Electricity Vietnam (EVN) and its subsidiary, the National Power Transmission Corporation (EVN-NPT), USTDA is supporting the development of an Information Technology and Smart Grid Roadmap.

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

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

Web Resources

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

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

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

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

Vietnam National Coal - Mineral Industries Holding Corporation Limited (VINACOMIN): www.vinacomin.vn

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

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Customs, Regulations & Standards

Trade Barriers

Vietnam eliminated many non-tariff 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, which appeared to be inconsistent with its WTO commitments. Nonetheless, many other non-tariff barriers remain in place.

Customs

Vietnam implemented the WTO Customs Valuation Agreement through the 2006 Customs Law and related regulations, which significantly improved 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, unclear rules and regulations, red tape, and corruption as the most common issues. The U.S. continues to work with Vietnam to monitor implementation of the WTO Customs Valuation Agreement.

In 2014, the Vietnam National Assembly passed a revised Customs Law, which came to effect in 2015. The revised law regulates the implementation of a national singular form in customs operation that applied risk management principles, new regulations on the establishment of the Customs Department, the authorization of the Customs Authorities to determine the origin of goods, specifying the conditions to be an agent of customs procedures, duration for customs authorities to do customs clearance, new regulations on customs declaration, and more.

Trading Rights

Import rights are granted for all goods, except for a limited number of products reserved for importation through state trading enterprises and 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).

Import Prohibitions

According to Decree No. 187/2013/ND-CP and Circular No. 34/2013/TT-BCT, Vietnam currently prohibits the importation of some products, including weaponry, ammunition, explosive materials, military technical equipment, firecrackers, second-hand consumer goods, types of publications, and cultural products in the category prohibited from dissemination and circulation in Vietnam, right-hand-drive motor vehicles, materials and transport facilities, chemicals, plant protection agents prohibited from use in Vietnam, scrap and waste, refrigerating equipment using C.F.C., products, raw material containing asbestos of the group of amphibole, chemicals on list of prohibited chemicals.

Price Registration and Stabilization

Circular 122 on price management and its 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. In 2012, the National Assembly promulgated the Price Law, which became effective in 2013. While this law supersedes Circular 122, the Vietnamese government policy regarding price stabilization of certain items did not change. The U.S. Government and other foreign governments have repeatedly raised concerns with the Vietnamese government about Circular 122's and the Price Law's impact on American products and continues to press the issue. The

Law on Price, Decree 177/2013/ND-CP, and Decree 149/2016/ND-CP which amends some articles of Decree 177, has changed price ceilings to price declarations.

Automotive

Besides import taxes, excise taxes are another powerful and effective tool for the government of Vietnam in controlling the number of imported cars. Excise taxes are historically based on the cost of goods, but when the terms and conditions of bilateral/multilateral agreements impacting the import of cars come into effect, the government has turned their calculation method to a selling price basis. In addition, other "applicable rates" are also subject to increases.

From December 2015, new import tariff rates on cars rose with the highest rate of two and half times as the previous applicable rates. Per Circular No. 182/2015/TT-BTC, the tariff on sixteen out of nineteen transportation vehicles in the stated group of HTS 87.04 was raised from 2 to 70 percent, the highest committed levels possible with the WTO. Cars with capacity of 45 tons and above are not applicable, since Vietnam still hasn't been able to manufacture them domestically. The import tariffs on used cars were also adjusted in the Decree 122/2016/ND-CP issued in September 2016.

Oil and Gas

Petro Vietnam has a monopoly on the import and distribution of gas products in Vietnam and the business is divided up between state owned enterprises Petrolimex, Petro Vietnam, and Saigon Petro for oil products. The oil and gas industry in Vietnam is under the principal jurisdiction and management of the Ministry of Industry and Trade (MOIT). PetroVietnam, reports directly to the Prime Minister.

Upstream and Mid-stream

PetroVietnam supplies up to 70 percent of services for the domestic oil and gas sector. Thus, all oil and gas exploration and production activities in Vietnam are subject to cooperation with PetroVietnam since Vietnam issued Decree No. 115/2009/ND-CP. Under this decree, all exploration and drilling activities must be carried out through Viet Nam Oil and Gas Group (PetroVietnam).

Information and Communication Technologies

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 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 states service providers must locate server systems within the country of Vietnam. It remains unclear exactly how Decree 72 will apply to foreign cross-border service providers and what effect it will have on cross-border data flow. The Government of Vietnam was expected to release an implementing circular clarifying this point by the end of 2014, but the release of the circular is yet to be seen.

According to Circular 31/2015/TT-BTTT, which guides implementation of Decree 187/2013/ND-CP, from December 2015 some used consumer goods are prohibited from import including: used mobile phones, line telephones with wireless handsets, laptops, PDA's, notebooks, subnotebooks, pocket cassette recorders, television cameras, digital cameras and video camera recorders, wrist watches, and pocket watches. The Circular is also applicable for other used goods, such as used motorcycles and bicycles.

Nevertheless, in 2016, the Prime Minister issued Decision No. 18/2016/QD-TTg, which specifies the situation that allows the import of information technology products on the list of import prohibitions. Per the decision, some used IT products in the form of moving production facilities within the same organization can be temporarily imported.

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 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).

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.

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 established.

Distribution Services

Foreign participation in this sector, which includes commissioned agent services, wholesale services, retail services, and 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, 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 U.S. will continue to seek greater clarity and transparency in distribution licensing to address issues with the current procedures.

Health Care

Decree No. 36/2016/NĐ-CP regulates the management of medical devices including: classification of medical devices, production, circulation, sales, purchase, providing services, information dissemination, labeling; and management, use of medical devices in medical facilities. An unofficial translation of this decree can be made available upon request. Circular 24/2011/TT-BYT and Circular 20/2014/TT-BKHCN stipulate that used medical devices for commercial purpose are not allowed into Vietnam.

In 2012, the Ministry of Health and Ministry of Finance issued a Joint-Circular on medicine tenders in health care units. This circular stipulates that domestically produced medicines should be given preference in procurement orders when using state capital for hospitals and clinics. The circular states that domestic products 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, as the FDA standards are much higher than industry standards here.

Food and Beverage

For the food and foodstuff products to be imported into Vietnam, exporters need to register their product (one-time for one product only) with authorized agency under Ministry of Agriculture and Rural Development and Ministry of Health per the Law on Food Safety issued in 2010. In 2013, the Government Office issued instructions to the relevant agencies for the implementation of Directive No. 23/CT-TTg on strengthening state management over the activities of temporary import for re-export, trans-shipment and bonded warehouses. Prior to that, Directive No. 23 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 still yet-to-be specified meats and seafood products that are subject to MOIT permit requirements. Directive 23 also imposed new conditions on the import for re-export of wine, beer, and tobacco products. Circular 52/2015/TT-BYT stipulates state inspection of food safety in respect to imported and exported food products.

Construction

Joint-Circular No. 58/2015/TTLT-BCT-BKHCN issued by MOIT and the Ministry of Science and Technology (MOST), providing for management of domestically produced and imported steel quality, specifies that products can only clear customs when import organizations and individuals provide qualified test results of imported steel that meet the quality requirements stipulated in this Joint-Circular by the Vietnamese Government.

Banking and Securities Services

All Foreign equity in joint venture banks is limited to 49 percent. Although the equity limit on a single foreign strategic investor in a Vietnamese bank has been raised from 15 percent to 20 percent since 2014, the cap on total foreign ownership in Vietnamese banks will remain 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 publicizing the Law on Credit Institutions and Circular 13 (and subsequent amendment Circular 19) on prudential ratios for credit institutions. While these 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 that 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. Updated regulations on lending activities of credit institutions and foreign bank branches are stated on Circular No. 39/2016/TT-NHNN, which took effect on March 2017.

Investment Barriers

Vietnam's Investment Law 67/2014/QH13 sets criteria designating certain sectors in which foreign investment is prohibited and other sectors in which foreign investment is subject to certain conditions ("conditional sectors"). Vietnam also has specific laws that apply to investment in conditional sectors such as banking, securities, insurance, mining, telecommunications, real estate, and ports and aviation. Investments in conditional sectors, and other projects deemed sensitive, are subject to extensive, additional review, sometimes requiring the Prime Minister's approval which can often delay the issuance of investment licenses.

Other Barriers

Corruption has been identified by both foreign and domestic firms in Vietnam in all phases of business operations as a large obstacle to their business activities. The lack of transparency, accountability, and media censorship as well as widespread official corruption and an inefficient bureaucracy, remain serious problems.

Competition among government agencies for control over businesses and investments has created confusing and overlapping jurisdictions and overly bureaucratic procedures within the government and from ministry to ministry, and this in turn creates an environment ripe with opportunities for corruption. Low pay for government officials and inadequate accountability systems also 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 an effort 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 frustration and concern over regulations governing work permits for foreign employees in Vietnam. In 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 the employers to submit a request for approval of their annual report that shows 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 receiving permit extensions. Decree 102 also abolishes the regulation that a foreigner who is here to work for a period of 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 Vietnamese officials.

In 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 be involved in the projects. This directive also states that authorities and state business groups should only call for international tenders on the projects using state capital when local companies are not able meet the qualifications to bid.

All land in Vietnam is owned and managed by the state and, as such, neither foreigners nor Vietnamese nationals can own land. Investors can obtain land use rights and mortgage the structures erected on that land and the value of land use rights.

Import Tariffs

In addition to significant drops in tariff rates when Vietnam first joined the WTO in January 2007, tariffs have decreased steadily over the ensuing years. Thus, most U.S. exports now face tariffs of 15 percent or less. However, in recent years, Vietnam has increased applied tariff rates on several products, and although the rates remain below its WTO bound levels, foreign businesses have been affected by the increases. Most of the products for which tariffs have increased are produced by local companies.

Circular 182/2015/TT-BTC, promulgated by the Ministry of Finance in 2016, regulates preferential export and import tariffs under the categories of taxable goods. U.S. companies that need to perform customs clearance, produce tasks related to goods classification, quality control implementation, or imported/exported food safety inspections are subject to Circular No. 14/2015/TT-BTC. Decree 134/2016/ND-CP provides guidelines for the law of export and import duties. Article 16 of the Law No. 107/2016/QH13 on export and import duty regulates tax exemptions.

Import Requirements & Documentation

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 several goods categories restricted by MOIT. (See Prohibited and Restricted Imports section for further details.) 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 requirements. Traders that wish to import or export goods subject to import or export permits must obtain permits of related ministries or sectors. Imports and exports must comply with relevant regulations on quarantine, food safety, and quality standards and regulations, and must be inspected by competent and appropriate agencies before customs clearance.

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 establishing production lines and producing goods in accordance with their investment licenses. Under Vietnam's WTO commitments, trading rights are now open to all foreign invested enterprises. Vietnam facilitates an automatic import licensing system that requires importers of a wide category of goods to obtain a license from 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 section for further details.)

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.

Labeling/Marking Requirements

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

Decree No 21/2011/ND-CP requires 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 that have the highest energy efficiency compared to others of the same type. Decree No. 43/2017-CP on Goods Labels prescribes the contents and ways of recording, and guide management of the label of goods circulated in Vietnam and imported goods.

Goods labels must include the following contents: the name of the goods; the name and address of the organization or individual responsible for the goods; and the origin of goods and other contents according to the nature of each kind of goods. Specifically, for commodity groups of food, labels must be quantitative, have a production date, expiry date, and warning information (if any). For alcohol, the label must be quantitative, shelf life (if any), preservation instructions (for wines), warning information (if any), and batch identification (if any).

For goods imported into Vietnam but not yet shown or expressing compulsory contents in Vietnamese, there must be auxiliary labels that show compulsory contents in Vietnamese, while keeping the original labels of goods. The auxiliary labels are also used with non-exported or returned goods which are put on the market and must be labeled in bold, "Made in Vietnam". For labels and commercial packings with goods labels manufactured or printed before June 1, 2017, they may continue to be used until June 1, 2019. This Decree takes effect on June 1, 2017, and Decree No. 89/2006 / ND-CP (of August 30, 2006) shall expire as from the effective date of this Decree.

U.S. Export Controls

The United States imposes export controls to protect national security interests and promote foreign policy objectives. The United States also participates in various multilateral export control regimes to prevent the proliferation of weapons of mass destruction and prevent destabilizing accumulations of conventional weapons and related material. The U.S. Department of Commerce's Bureau of Industry and Security (BIS) administers U.S. laws, regulations and policies governing the export and reexport of commodities, software, and technology (collectively "items") falling under the jurisdiction of the Export Administration Regulations

(EAR). The primary goal of BIS is to advance national security, foreign policy, and economic objectives by ensuring an effective export control, treaty compliance system, and promoting continued U.S. strategic technology leadership. BIS also enforces anti-boycott laws and coordinates with U.S. agencies and other countries on export control, nonproliferation, and strategic trade issues.

BIS is responsible for implementing and enforcing the EAR, which regulates the export and reexport of items with commercial uses that can also be used in conventional arms, weapons of mass destruction, terrorist activities, or human rights abuses; and less sensitive military items; including "production" and "development" technology.

BIS's Export Administration reviews license applications for exports, reexports and deemed exports (technology transfers to foreign nationals in the United States) subject to the EAR. Through its Office of Exporter Services, Export Administration also provides information on BIS programs, conducts seminars on complying with the EAR, provides guidance on licensing requirements and procedures, and presents an annual Update Conference on Export Controls and Policy as an outreach program to industry. EA's Office of Technology Evaluation analyzes U.S. export data on items subject to the EAR, BIS license application data, and global trade information to assess data trends. OTE's data portal provides excerpts from statistical reports, along with data sets to enable the public to perform analyses of exports and licensing on its own (https://www.bis.doc.gov/data-portal).

U.S. exporters should consult the EAR for information on how export license requirements may apply to the sale of their goods. If necessary, a commodity classification request may be submitted to obtain BIS assistance in determining how an item is controlled (i.e., the item's classification) and the applicable licensing policy. Exporters may also request a written advisory opinion from BIS about application of the EAR to a specific situation. Information on commodity classifications, advisory opinions, and export licenses can be obtained through the BIS website at www.bis.doc.gov.

Further information on export controls is available at: http://www.bis.doc.gov/licensing/exportingbasics.htm

BIS has developed a list of "red flags," or warning signs, intended to discover possible violations of the EAR. These are posted at: http://www.bis.doc.gov/index.php/compliance-a-training/export-management-a-compliance/elements-of-an-effective-emcp/23-compliance-a-training/51-red-flag-indicators

Also, BIS has "Know Your Customer" guidance at: http://www.bis.doc.gov/index.php/compliance-a-training/export-management-a-compliance/elements-of-an-effective-emcp/23-compliance-a-training/47-know-your-customer-guidance

BIS provides a variety of training sessions to U.S. exporters throughout the year. These sessions are from one to two-day seminars and focus on the basics of exporting as well as more advanced topics. A list of upcoming seminars can be found at: http://www.bis.doc.gov/index.php/compliance-a-training/export-administration-regulations-training/current-seminar-schedule

The EAR does not control all goods, services, and technologies. Other U.S. Government agencies regulate more specialized exports. For example, the U.S. Department of State's Directorate of Defense Trade Controls has authority over defense articles and services. A list of other agencies involved in export control can be found on the BIS Web site (https://www.bis.doc.gov/index.php/about-bis/resource-links) or in Supplement No. 3 to Part 730 of the EAR, which is available on the Government Printing Office Web site at: http://www.access.gpo.gov/bis/ear/ear_data.html

A list that consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single search as an aid to industry in conducting electronic screens of potential parties to regulated transactions is available here: http://developer.trade.gov/consolidated-screening-list.html https://www.export.gov/article?id=Consolidated-Screening-List

Temporary Entry

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 Vietnam regulations, seven kinds of goods are banned from temporary import for re-export or border-gate transfer. The list includes: weapons, ammunitions, 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, MOIT issued a decision document in 2008. According to that (7893/BCT-XNK), 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. The import country issues this license.

Circular No 126/2011/TT-BTC (issued in 2011) amends Circular No. 165/2010/TT-BTC (issued by MoF in 2010) that guides 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 is 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). The ministry is working on a proposal of abolishing the temporary import for re-export policy to submit to the government. The main purpose of the proposal is to prevent traders from taking advantage of the gap in the policy to import unqualified, hazardous, or even prohibited commodities to Vietnam and then never re-export them.

Prohibited & Restricted Imports

According to government of Vietnam Decree No. 12/2006/ND-CP (2006), Vietnam 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 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 customers, agents, or distributors to determine whether an MOIT import license is required for their restricted goods.

Customs Regulations

Certain goods to be exported or imported must be inspected before being cleared at customs stations. The inspection covers quality levels, specifications, quantity, and volume. The inspection is based on Vietnamese standards except for 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.

Importer should be aware that 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 new Customs Law, which was ratified by the National Assembly in 2014 and came into effect from January 01, 2015, is focusing on customs procedure reform, modernization of customs administration, codify international laws on international commitment in order to meet the requirements and facilitate integration beneficial for import and export activities; improve the effectiveness and efficiency of customs.

Standards for Trade

Overview

Vietnam's standards system consists of over 9,500 national standards (TCVN, in the Vietnamese language). 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 2006 Law on Standards and Technical Regulations marked a turning point for standardization activities in Vietnam and comprehensively reformed the system. Under this law, standards and technical regulations were simplified to two levels: 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 MOST as the responsible agency for issuing and managing national standards, while line ministries are responsible for developing national technical regulations.

Following accession to the World Trade Organization (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. Vietnam's national standards system is in theory, transparent with principle of standard development based on ISO/IEC Guides. Currently, over 47 percent of Vietnam national standards are harmonized with international and regional standards. In general, Vietnam does not appear to use technical measures as non-tariff barriers. The exceptions to this are some goods controlled by specific ministries such as chemicals, toxic chemicals and intermediate materials for their production, wild animals, pesticides and materials for their production, pharmaceuticals, substances that may cause addiction, cosmetics that may impacts human health, and medical equipment.

Standards

STAMEQ is also 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 the appropriate authorities for approval.
- Conduct studies on standardization, metrology, and quality management.
- Organize the supervision and implementation of approved rules and regulations.
- Establish an organizational system on standardization, metrology, and quality management and then to 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 certifications.
- Implement state supervision on quality of goods and measurements.
- Carry out training and informational activities related to standardization, metrology, and quality management.

STAMEQ now participates as a member in 14 international and regional standardization organizations, including ISO, IEC, OIML, PASC, CGPM, APMP, APLMF, APO, APQP, GS1, ASEAN/ACCSQ, APEC/SCSC, ASEM, WTO/TBT. For more information, see http://www.tcvn.gov.vn

Per the Law on Standards and Technical Regulations, Government Decree 127/2007/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 or persons concerned. In turn, drafts are to be circulated for public comment for at least 60 days, then passed onto the standards appraisal committee, and submitted by STAMEQ to MOST for final approval and declaration.

In recent years, most of TCVN's have been developed through the adoption of relevant international and regional standards (e.g. ISO, IEC, Codex, and EN). The process of national standards development is supposed to be transparent to the public from the initial stages of development until the standard is issued and published.

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 MOST for approval and declaration. STAMEQ's Standards Department is engaged in international and regional standardization activities.

The Vietnam Standards and Quality Institute (VSQI) is the subsidiary of STAMEQ and is responsible for organizing national technical committee (TCVN/TC) activities - developing, publishing, and issuing national standards and providing other related services. It coordinates with relevant domestic ministries/agencies, as well as international and foreign national standardization organizations.

TCVN's 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/exported goods. TCVN's are developed through technical national committees/ sub-committees with the involvement of any interested parties and are intended for voluntary adoption unless they were referenced in laws and regulations as required. The State encourages the application of voluntary standards.

The National Assembly adopted the Law on Goods and Products Quality in November 2007, which took effect in July 2008. In line with the law, the government issued Decree 132/2008/ ND-CP on December 31, 2008. In 2003, Vietnam's TBT Enquiry and Notification point of contact was formally established within the offices of STAMEQ. For more information, see http://tbtims.wto.org/en/NationalEnquiryPoints/Search

NIST Notify U.S. Service

Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. Notify U.S. (www.nist.gov/notifyus) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country(ies) and industry sector(s) of interest, and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

Conformity Assessment

All conformity assessment bodies (CAB) operating in Viet Nam shall register at STAMEQ. The Department for Conformity Assessment is responsible for the review and assessment of the CAB (as necessary) to accept the registration and publish the list of registered CABs on STAMEQ website. Circular No. 28/2012/TT-BKHCN dated December 12, 2012, providing for declaration of standard conformity and announcement of technical-regulation conformity and method to assess conformity with standards and technical regulations.

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

- Legal and commercial 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.

Product Certification

Under STAMEQ, there are four 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 such as ISO 9000, ISO 14000, OHSAS 18000, ISO 22000, HACCP, GMP, ISO 27001, ISO/TS 29001, ISO 50001
- Product certification (Quality Mark) to Vietnam standards (TCVNs), foreign standards (ASTM, JIS, 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 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 authorized by MARD.

- Provision of professional training on standard, metrology, and quality.
- Provision of commercial inspection.

QUACERT has withdrawn its JAS-ANZ (Joint Accreditation System of Australia and New Zealand) accreditation as of May 8, 2018 with respect to the VQM-QUACERT scheme for Vietnam Quality Mark certification for management system and product certification program and by BoA for the testing laboratory

Accreditation

The Bureau of Accreditation (BoA) was established in 1995 under the Directorate for Standards, Metrology, and Quality (STAMEQ) under MOST. 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 a signatory of APLAC and ILAC MRAs (Mutual Recognition Arrangement) for testing, calibration, medical, inspection, and signatory of PAC and IAF MLA for Quality Management System (QMS), Product, Global Gap, and FSMS. BoA has accredited around 900 laboratories, inspection bodies and certification bodies.

Publication of technical regulations

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

Contact Information

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Organize the supervision and implementation of approved rules and regulations.

Trade Agreements

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.

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, Chile and Japan. It signed a bilateral trade agreement with Korea in 2015, as well as a trade agreement with the Russian-led Customs Union block. Vietnam has completed all bilateral negotiations of the Trans-Pacific Partnership (TPP) free trade agreement, but has not yet ratified the agreement. In February 2016, Vietnam completed negotiating a free trade agreement with the EU and is waiting for the Council of Ministers for their ratification. Vietnam is currently negotiating a Free Trade Agreement with the EFTA countries (Norway, Iceland, Liechtenstein, and Switzerland).

Licensing Requirements for Professional Services

To conduct business in Vietnam, permits and licensing are required by the Vietnamese government. A professional license is the authorization to practice and use a professional title when doing business in Vietnam. Foreign nationals in the following professions are required to obtain a license to provide their professional services in country: medical, pharmaceutical, accounting, auditing, construction management and supervision, architectural, law, and education. To receive a license, each professional needs to meet certain requirements that are developed by the ministry that oversees that specific professional sector. For example, the Ministry of Finance has assigned offices that issue licenses, and state the specific requirements for accountants and auditors to do business in Vietnam, while Ministry of Health oversees all medical and pharmaceutical areas. Professionals wishing to legally practice in Vietnam should contact the appropriate ministry to inquire about professional licensing requirements and application forms.

Web Resources

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

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

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: http://www.bis.doc.gov

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

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

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

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

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

Investment Climate Statement

The U.S. Department of State's Investment Climate Statements, prepared annually by U.S. embassies and diplomatic missions abroad, provide country-specific information and assessments of the investment climate in foreign markets. Topics include: Market barriers, business risk, legal and regulatory system, dispute resolution, corruption, political violence, labor issues, and intellectual property rights. The statements are available in two ways.

- Visit the U.S. Department of Department of State's Investment Climate Statement website at https://www.state.gov/e/eb/rls/othr/ics/.
- Download the Country Commercial Guide at www.export.gov/ccg (the Investment Climate Statement is Chapter 6).

Executive Summary

In 2017, Vietnam attracted a record level of foreign direct investment (FDI) of USD 17.5 billion, an 11 percent increase from 2016. Continued strong FDI inflows are due in part to ongoing economic reforms, a young, and increasingly urbanized, population, political stability, and inexpensive labor. The country remains one of the few in Southeast Asia with sustained manufacturing growth. Vietnam hosted the Asia Pacific Economic Cooperation (APEC) meetings in 2017, which put a spotlight on its regional economic integration and improvements to the business climate. Internal factors such as a sustained budget deficit, a weak domestic sector that has low linkages to the global supply chain, falling productivity, and a financial sector overburdened by non-performing loans all added to pressures for reform.

Vietnam experienced a shift in FDI from the high-tech sector to energy in 2017 as Vietnam estimates it needs USD 170 billion in additional energy infrastructure to meet its growing electricity demand, which the Ministry of Industry and Trade (MOIT) estimates will grow at a rate of 10 percent to 12 percent a year. As a result, the energy sector dominated FDI inflows, including Nghi Son 2 Build-Operate-Transfer (BOT) project (USD 2.8 billion), Van Phong 1 BOT project (USD 2.6 billion), Nam Dinh BOT gas-fired power plants (USD 2.1 billion), and the Block B-Omon pipeline (USD 1.27 billion). In addition, other significant non-energy investments included Samsung Display, which increased its investment by USD 2.5 billion.

Despite strong FDI inflows, significant challenges remain in the business climate, including corruption, a weak legal infrastructure and judicial system, poor intellectual property rights (IPR) enforcement, a shortage of skilled and productive labor, restrictive labor practices, and impediments to infrastructure investment.

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2017	107 of 175	http://www.transparency.org/research/cpi/overview
World Bank's Doing Business Report "Ease of	2017	68 of 190	doingbusiness.org/rankings
Global Innovation Index	2017	47 of 128	https://www.globalinnovationindex.org/analysis-indicator

U.S. FDI in partner country ($M USD, stock positions)	2016	USD $1,492 million	http://www.bea.gov/international/factsheet/
World Bank GNI per capita	2016	USD $2,060	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

Openness to and Restrictions upon Foreign Investment

Policies Towards Foreign Direct Investment

Vietnam continues to welcome FDI and foreign companies play an important role in the economy. According to the Government Statistics Office (GSO), FDI exports accounted for 73 percent of total exports in 2017 (an increase of 47 percent since 2000), while the contribution from foreign companies toward overall GDP increased from 13 percent to 21 percent over the same period. Improvements in the business environment, including economic reforms intended to enhance competitiveness and productivity, helped drive FDI inflows. Vietnam improved its ranking in the World Bank's Doing Business Index (from 82 in 2017 to 68 in 2018) and World Economic Forum's Competitiveness Index (from 60 in 2016 to 55 in 2017). According to the 2018 Organization for Economic Co-operation and Development (OECD) Investment Policy Review, Vietnam has an average level of openness compared to other OECD countries, though it is second to Singapore within ASEAN. OECD ranked Vietnam's openness to FDI as higher than that of South Korea, Australia, and Mexico.

Vietnam seeks to move up the global value chain by attracting FDI in sectors that will facilitate technology transfer, increase skill sets in the labor market, improve labor productivity, and target high-tech, high value-added industries with good environmental safeguards. Assisted by the World Bank, the government is drafting a new FDI Attraction Strategy for 2030. This new strategy is intended to facilitate technology transfer and environmental protection, and will supposedly move away from tax reductions to other incentives, such as using accelerated depreciation and more flexible loss carry-forward provisions.

Vietnam's business climate-related legal reforms also facilitated FDI inflows. The 2017 Provincial Competiveness Index (PCI), which ranks provinces by transparency and business facilitation, cited several positive regulatory changes, including Decree 78, issued in November 2015, which expanded online business registration, greatly reduced the required business registration documents, and reduced the time required to issue the Enterprise Registration Certificate (ERC) from five days to three. The waiting time to register and open a foreign-invested enterprise (FIE) has also steadily decreased in recent years. In 2017, the government modified the 2014 Investment Law to reduce the number of banned provisional sectors, and it enabled existing operations to shift more easily into new business activities not listed in their original ERC. As a result, the PCI found FIEs were able to obtain an investment license and complete their business registrations in half the time it took in 2010. According to the Ministry of Planning and Investment's (MPI) Authority Business registration national database, the average time to register a company was only 2.36 days in 2017.

Although there are foreign ownership limits (FOL), the government does not have laws discriminating against foreign investors; however, the government continues to favor domestic companies through various incentives. Regulations are often written to avoid overt conflicts and violations of bilateral or international agreements, but in reality, U.S. investors feel there is not always a level playing field in all sectors. In the 2017 Perceptions of the Business Environment Report, the American Chamber of Commerce (AmCham) stated: "Whether a result of corruption, protectionism, or the government trying to pick winners and losers, our members often see areas where inconsistencies, inefficiencies, and unfair practices persist. We believe that it is vital that laws and rules are enforced fairly and equally. Better results in this area will improve the trust that people have in their decision makers."

MPI oversees an Investment Promotion Department to facilitate all foreign investments, and most of provinces and cities have investment promotion agencies. The agencies provide information, explain regulations, and offer support to investors when requested.

The semiannual Vietnam Business Forum allows for a direct dialogue between the foreign business community and government officials. The U.S.-ASEAN Business Council (USABC) also hosts an annual visit for its members to engage directly with senior government officials. The government maintains frequent dialogue with foreign investors, and meets with U.S. companies to try to resolve issues.

Limits on Foreign Control and Right to Private Ownership and Establishment

Foreign and domestic private entities can establish and own businesses in Vietnam, except in six prohibited areas (illicit drugs, wildlife trading, prostitution, human trafficking, human cloning, and chemical trading). If a company wants to operate in 243 provisional sectors, it must satisfy conditions in accordance with the Investment Law. Foreign investors must negotiate on a case-by-case basis for market access in sectors that are not explicitly open. The government occasionally issues investment licenses on a pilot basis with time limits, or to specifically targeted investors.

Vietnam allows foreign investors to acquire full ownership of local companies, except when mentioned otherwise in international and bilateral commitments, including equity caps, mandatory domestic joint-venture partner, and investment prohibitions. For example, as specified in the Vietnam's World Trade Organization (WTO) commitments, highly specialized and sensitive sectors (such as banking, telecommunication, and transportation) still maintain FOL, but the Prime Minister can waive these restrictions on a case-by-case basis. Vietnam also limits foreign ownership of state-owned enterprises (SOEs) and prohibits importation of old equipment and technologies more than 10 years old. No mechanisms disadvantage or single out U.S. investors.

Merger and acquisition (M&A) activities can be tricky if the target domestic company is operating in a restricted or prohibited sector. For example, when a foreign investor buys into a local company through an M&A transaction, it is difficult to determine which business lines the acquiring foreign company is allowed to maintain and, in many cases, the targeted company may be forced to reduce its business lines.

Vietnamese authorities evaluate investment-license applications using a number of criteria, including: 1) the investor's legal status and financial capabilities; 2) the project's compatibility with the government's "Master Plan" for economic and social development and projected revenue; 3) technology and expertise; 4) environmental protection; 5) plans for land-use and land-clearance compensation; 6) project incentives including tax rates, and 7) land, water, and sea surface rental fees. The decentralization of licensing authority to provincial authorities has, in some cases, streamlined the licensing process and reduced processing times. However, it has also caused considerable regional differences in procedures and interpretations of investment laws and regulations. Insufficient guidelines and unclear regulations can prompt local authorities to consult national authorities, resulting in additional delays. Furthermore, the approval process is often much longer than the timeframe mandated by law. Many U.S. firms have successfully navigated the investment process, though a lack of transparency in the procedure for obtaining a business license can make investing riskier.

Provincial People's Committees approve all investment projects, except the following:

The National Assembly must approve investment projects that:

- have a significant environmental impact;
- change land usage in national parks;
- are located in protective forests larger than 50 hectares; or
- require relocating 20,000 people or more in remote areas such as mountainous regions.

The Prime Minister must approve investment project proposals:

- to build airports, seaports, or casinos; to explore, produce and process oil and gas; or to produce tobacco;
- with an investment capital of more than VND 5,000 billion (USD 233 million);
- with foreign investors in sea transportation, telecommunication or network infrastructure, forest plantation, publishing, or press; and
- involving fully foreign-owned scientific and technology companies or organizations.

Other Investment Policy Reviews

No third-party international investment policy reviews were conducted in the last three years. Vietnam went through an OECD investment policy review in 2009. The WTO reviewed Vietnam's trade policy in 2013 and the report is online. (https://www.wto.org/english/tratop_e/tpr_e/tp387_e.htm). U.N. Conference on Trade and Development's (UNCTAD) conducted an investment policy review in 2008.

Business Facilitation

Vietnam's business environment continues to improve due to new laws that have streamlined the business registration processes. The 2016 PCI report found that 91 percent of companies are able to operate their business three months after starting the process. Specifically, the study found, as a result of the 2014 Investment Law and 2015 Implementing Decree 78 that reduced the timeline for receiving the Enterprise Registration Certificate, the entry requirements for foreign investors are no longer perceived to be a significant hurdle. Vietnam's legal system considers any company with over 51 percent local ownership to be domestically invested, making it eligible for a more simplified licensing process.

Vietnam's nationwide business registration site is http://dangkykinhdoanh.gov.vn. In addition, as a member of the UNCTAD international network of transparent investment procedures, information on Vietnam's investment regulations can be found online (http://vietnam.eregulations.org/). The website provides information for foreign and national investors on administrative procedures applicable to investment and income generating operations, including the number of steps, name and contact details of the entities and persons in charge of procedures, required documents and conditions, costs, processing time, and legal and regulatory citations for seven major provinces. The 2018 World Bank's Doing Business Report stated it took on average 22 days to start a business. Vietnam is one of the few countries to receive a 10-star rating from UNCTAD in business registration procedures.

There are no mechanisms ensuring equitable treatment for women-owned businesses. The government provides business facilitation measures to ethnic minorities through various national supporting programs.

Outward Investment

The government does not have a clear mechanism to promote or incentivize outward investments. The majority of companies engaged in overseas investments are large SOEs, which have strong government-backed financial resources. The government does not implicitly restrict domestic investors from investing abroad. Vietnamese companies have made increased investments in the oil, gas, and telecommunication sectors in various developing countries.

Bilateral Investment Agreements and Taxation Treaties

Vietnam maintains trade relations with 200 countries, and has 65 bilateral investment treaties (BITs) and 26 treaties with investment provisions. It is a party to five free trade agreements (FTAs) with ASEAN, Chile, the Eurasian Customs Union, Japan, and South Korea. As a member of ASEAN, Vietnam also is party to ASEAN FTAs with Australia, New Zealand, China, India, Japan, South Korea, and Hong Kong. Vietnam finalized an FTA with the European Union in 2015, but the agreement has neither been signed nor ratified. In addition, Vietnam is a member of the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP), which was signed on March 8, 2018. Vietnam is a participant in the Regional Comprehensive Economic Partnership (RCEP) negotiations, which include the 10 ASEAN countries and Australia, China, India, Japan, South Korea, and New Zealand, and it is negotiating FTAs with other countries, including Israel. A full list of signed agreements to which Vietnam is a party is on the UNCTAD website.

Vietnam has signed double taxation avoidance agreements with 77 countries, listed at http://taxsummaries.pwc.com/ID/Vietnam-Individual-Foreign-tax-relief-and-tax-treaties. The United States and Vietnam concluded and signed a Double Taxation Avoidance Agreement (DTA) in 2016, but the agreement is still awaiting ratification by the U.S. Congress.

There are no systematic tax disputes between the government and foreign investors. However, an increasing number of U.S. companies disputed tax audits resulting in retroactive tax assessments. These cases may stem from Vietnam's chronic budget deficits and the need to find sources to fill the revenue gap left from falling tariffs and falling oil revenues. These retroactive tax cases against U.S. companies can obscure the true risks of operating in Vietnam and give some U.S. investors pause when deciding whether to expand operations.

In February 2017, the government released Decree 20/2017/ND-CP, effective since May 2017, which introduced many new transfer-pricing reporting and documentation requirements, as well as new guidance on the tax deductibility of service and interest expenses.

Legal Regime

Transparency of the Regulatory System

AmCham's March 2017 report noted that its members face significant challenges with inconsistent regulatory interpretation, irregular enforcement, and unclear laws. The report also noted that a survey of AmCham members in the ASEAN region found that, more than in any other ASEAN country, American companies perceive a lack of fair law enforcement in Vietnam, which heavily affects their ability to do business in the country. The 2017 PCI report found that access to land and security of business premises were the primary concern for foreign companies investing in Vietnam. However, the report also found improvements in the area of post-entry regulations (regulations businesses face after they start operations), and the burden of administrative procedures was declining. In addition, according to that report, corruption has become less prevalent in certain areas for FIEs.

In Vietnam, the National Assembly passes laws, which serve as the highest form of legal direction, but which often lack specifics. The central government, with the Prime Minister's approval, issues decrees, which provide guidance on a law's implementation. Individual ministries issue circulars, which provide guidance as to how that ministry will administer a law or a decree. Ministries draft laws and circulate for review among related ministries. Once the law is cleared through the various ministries, the government will post the law for a 60-day comment period. During the comment period or ministry review, if there are major issues with the law, the law will go back to the ministry that drafted the law for further revisions. Once the law is ready, it is submitted to the Office of Government (OOG) for approval, and then submitted to the National Assembly for a series of committee and plenary-level reviews. During this review, the National Assembly can send the law back to the drafting ministry for further changes. Laws are also submitted to the Communist Party's Politburo for review via a separate process.

Drafting agencies often lack the resources needed to conduct adequate scientific or data-driven assessments. In principle, before being issued, regulations go through an impact assessment. The quality of these assessments varies, however.

egulatory authority exists in both the central and provincial government, and foreign companies are bound by both central and provincial government regulations. Vietnam has its own accounting standards to which publicly listed companies are required to adhere.

The Ministry of Justice (MOJ) is in charge of ensuring that government ministries and agencies follow administrative processes. The Ministry has a Regulatory Management Department, which oversees and reviews legal documents after they are issued to ensure compliance with the legal system. 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. Business associations and various chambers of commerce regularly comment on draft laws and regulations. However, when issuing more detailed implementing guidelines, government entities sometimes issue circulars with little advance warning and without public notification, resulting in little opportunity for comment by affected parties. In several cases, authorities receive comments for the first draft only and make subsequent draft versions unavailable to the public. The centralized location where key regulatory actions are published can be found at http://vbpl.vn/.

While Vietnam's legal framework might comply with international norms in some areas, the biggest issue continues to be enforcement. For example, while anti-money laundering statues comply with international standards, there has yet to be a prosecution. Therefore, while all state agencies participate in reviewing the regulatory enforcement under their legal mandates, regulatory review and enforcement mechanisms continue to be weak.

International Regulatory Considerations

Vietnam is a member of ASEAN, a 10-member regional organization working to advance economic integration through cooperation in economic, social, cultural, technical, scientific and administrative fields. Within ASEAN, the ASEAN Economic Community (AEC) has the goal of establishing a single market across ASEAN nations (similar to the EU), but that goal appears far off. To date, the greatest success of the AEC has been tariff reductions. As a result, more than 97 percent of intra-ASEAN trade is tariff-free, and less than 5 percent is subject to tariffs above 10 percent.

Vietnam is a party to of WTO's Trade Facilitation Agreement (TFA) and has been implementing the TFA's Category A provisions. However, Vietnam missed the February 23, 2018, TFA deadline to submit its Category B and Category C implementation timelines to the WTO due to the government's slow bureaucratic process.

Legal System and Judicial Independence

The legal system is a mix of customary, French, and Soviet civil legal traditions. Vietnam generally follows an operational understanding of the rule of law that is consistent with its top-down, one-party political structure and traditionally inquisitorial judicial system. Contracts are regulated by various laws and regulations, with each type of contract subject to specific regulations.

If a contract does not contain a dispute-resolution clause, courts will have jurisdiction over a possible dispute. Vietnamese law allows dispute-resolution clauses in commercial contracts explicitly through the Law on Commercial Arbitration. The law follows the United Nations Commission on International Trade Law

(UNCITRAL) model law as an international standard for procedural rules, and the lawmakers' intention is indeed arbitration-friendly.

Under the revised 2015 Civil Code, all contracts are "civil contracts" subject to uniform rules. In foreign civil contracts, parties may choose foreign laws as a reference for their agreement, if the application of the law does not violate the basic principles of Vietnamese law. When the parties to a contract are unable to agree on an arbitration award, the dispute can be brought to court.

The 2005 Commercial Law regulates commercial contracts between businesses. Specific regulations provide specific forms of contracts, depending on the nature of the deals. The hierarchy of the country's courts is: (1) the Supreme People's Court; (2) the High People's Court; (3) Provincial People's Courts; and (4) District People's Courts. The People's Courts operate in five divisions: criminal, civil, administrative, economic, and labor. The People's Procuracy is responsible for prosecuting criminal activities as well as supervising judicial activities.

Vietnamese courts will only consider recognition of civil judgments issued by courts in countries that have entered into agreements on recognition of judgments with Vietnam or on a reciprocal basis. However, with the exception of France, these treaties only cover non-commercial judgments.

Vietnam lacks an independent judiciary, and there is a lack of separation of powers among Vietnam's branches of government. For example, Vietnam's Chief Justice is also a member of the Communist Party's Central Committee. According to Transparency International, the risk of corruption in judicial rulings is significant, as nearly one-fifth of surveyed Vietnamese households that have been to court declared that they had paid bribes at least once. Many businesses therefore avoid Vietnamese courts.

Along with corruption, the judicial system continues to face additional problems. For example, many judges and arbitrators lack adequate legal training and are appointed through personal or political contacts with party leaders or based on their political views. In addition, extremely low judicial salaries engender corruption.

Regulations or enforcement actions are appealable, and appeals are adjudicated in the national court system. Through a separate legal mechanism, individuals and companies can file complaints against enforcement actions under the Law on Complaints.

Laws and Regulations on Foreign Direct Investment

The 2014 Investment Law aimed to improve the investment environment. Previously, Vietnam used a "positive list" approach, meaning that foreign businesses were only allowed to operate in a list of specific sectors outlined by law. Starting in July 2015, Vietnam implemented a "negative list" approach, meaning that foreign businesses are allowed to operate in all areas except for six prohibited sectors or business lines. In November 2016, the National Assembly amended the Investment Law to reduce the list of 267 provisional business lines down to 243.

The law also requires foreign and domestic investors to be treated the same in cases of nationalization and confiscation. However, foreign investors are subject to different business-licensing processes and restrictions, and Vietnamese companies that have a majority foreign investment are subject to foreign-investor business-license procedures. Since June 2017, foreign investors can choose to apply for ERC and Investment Registration Certificate separately or through a "one-stop-shop" process, which saves time and cost. Investment procedures for the seven major provinces of Binh Dinh, Danang, Hai Phuong, Hanoi, Ho Chi Minh City (HCMC), Phu Yen, and Vinh Phuc can be found at https://vietnam.eregulations.org/.

Competition and Anti-Trust Laws

The Vietnam Competition Administration (VCA) of MOIT reviews transactions subject to complaints for competition-related concerns. In 2016, VCA received 18 complaints on unfair competition, but did not investigate any cases. Instead, it focused its attention on violations in multi-level sale activities, sanctioning 41 enterprises and revoking 15 multi-level sales certificates.

The Government of Vietnam is currently revising the 2004 Law on Competition, which it expects to adopt in 2018. The new draft substantially expands the criteria by which firms will be judged as exercising market power. In addition to the traditional criterion of market shares, the law will also consider other factors such as firm size, ability to erect barriers to entry, and the ability to control consumer markets, distribution channels, or input supplies. An important feature of the new law is that it will introduce leniency to firms and individuals that are first to report on market-power abuse, which is a best international practice and found to be highly effective in the United States and Europe. In addition, this law will ensure that SOEs in Vietnam comply with its international trade treaties.

Expropriation and Compensation

Under Vietnamese law, the government can only expropriate investors' property in cases of emergency, disaster, defense, or national interest, and the government is required to compensate investors if it expropriates property. Under the U.S.-Vietnam Bilateral Trade Agreement, Vietnam must apply international standards of treatment in any case of expropriation or nationalization of U.S. investor assets, which includes acting in a non-discriminatory manner with due process of law and with prompt, adequate and effective compensation.

Dispute Settlement

ICSID Convention and New York Convention

Vietnam has not yet acceded to the International Center for Settlement of Investment Disputes (ICSID) Convention. MPI has submitted a proposal to the government to join the ICSID, but this is still under consideration.

Vietnam is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, meaning that foreign arbitral awards rendered by a recognized international arbitration institution should be respected by Vietnamese courts without a review of cases' merits. Only a limited number of foreign awards have been submitted to the MOJ and local courts for enforcement so far, and almost none have successfully made it through the appeals process to full enforcement. As a signatory to the New York Convention, Vietnam is required to recognize and enforce foreign arbitral awards within its jurisdiction, with very few exceptions. However, in practice, this is not always the case.

Investor-State Dispute Settlement

The government is not a signatory to a treaty or investment agreement in which binding international arbitration of investment disputes is recognized, and has yet to sign a BIT or FTA with the United States. Although the law states that the court should recognize and enforce foreign arbitral awards, Vietnamese courts may reject these judgements if the award is contrary to the basic principles of Vietnamese laws.

International Commercial Arbitration and Foreign Courts

Vietnam's legal system remains underdeveloped and is often ineffective in settling commercial disputes. Negotiation between concerned parties is the most common means of dispute resolution. Since the Law on Arbitration does not allow a foreign investor to refer an investment dispute to a court in a foreign jurisdiction, Vietnamese judges cannot apply foreign laws to a case before them, and foreign lawyers cannot represent plaintiffs in a court of law.

In February 2017, the government issued Decree No. 22/2017/ND-CP (Decree 22) on commercial mediation, which came into effect in April 2017. Decree 22 spells out in detail the principle procedures for commercial mediation. More information on Decree 22 can be found at http://eng.viac.vn/decree-no-.-22/2017/nd-cp-on-commercial-mediation-a487.html.

The Law on Commercial Arbitration took effect in 2011. Currently there are no foreign arbitration centers in Vietnam, although the Arbitration Law permits foreign arbitration centers to establish branches or representative offices. Foreign and domestic arbitral awards are legally enforceable in Vietnam; however, in practice it can be very difficult.

As a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards, Vietnam is required to recognize and enforce foreign arbitral awards within its jurisdiction, with very few exceptions.

There are no readily available statistics on how often domestic courts rule in favor of SOEs. In general, the court system in Vietnam works slowly. International arbitration awards, when enforced, may take years from original judgment to payment. According to the 2016 PCI report, 19 percent of businesses chose to avoid the Vietnamese court system during disputes in 2016 due to concerns related to potential bribery during the process.

Bankruptcy Regulations

In 2014, Vietnam revised its Bankruptcy Law to make it easier for companies to declare bankruptcy. The new law clarifies the definition of insolvency as an enterprise that is more than three months overdue in meeting its payment obligations. The new law also provided provisions allowing creditors to commence bankruptcy proceedings against an enterprise, and created procedures for credit institutions to file for bankruptcy. Despite these changes, according to the World Bank's 2018 Ease of Doing Business Report, it still takes on average five years to conclude a bankruptcy case in Vietnam, and the recovery rate on average is only 22 percent.

The Credit Information Center of the State Bank of Vietnam provides credit information services.

Industrial Policies

Investment Incentives

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

In addition, projects in the following areas are entitled to investment incentives such as lower corporate income tax, exemption of import tariffs, or land rental: high-tech; research and development; new materials; energy; clean energy; renewable energy; energy saving products; automobiles; software; waste treatment and management; primary or vocational education; or projects located in remote areas or industrial zones.

Vietnam promotes foreign investment in certain priority sectors, and in geographic regions that are remote or underdeveloped. The government encourages investment in the production of new materials, new energy sources, metallurgy and chemical industries, manufacturing of high-tech products, biotechnology, 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 Trade Zones/Free Ports/Trade Facilitation

In recent years, Vietnam has prioritized efforts to establish free trade zones (FTZs). Vietnam currently has approximately 300 industrial zones (IZs) and export processing zones (EPZs). Many foreign investors report that it is easier to implement projects in industrial zones because they do not have to be involved in site clearance and infrastructure construction. Enterprises pay no duties when importing raw materials if they export the finished products. Customs warehouse keepers in FTZs 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 time involved for clearance and delivery can be lengthy and unpredictable.

Performance and Data Localization Requirements

Vietnam does not mandate that businesses hire local workers, including for senior management roles or on the board of directors. However, companies must prove their efforts to hire suitable local employees were unsuccessful before recruiting foreigners. This does not apply to board members elected by shareholders or capital contributors. In February 2016, the government issued Decree No.11/2016/ND-CP, guiding a number of articles of the Labor Code on foreigners working in Vietnam, which entered into force in April 2016. Decree 11 included positive changes, including changes to the conditions, paperwork, and timeline for work permit applications and exemptions, and clarification that the work-permit and exemption-certificate requirements did not apply to foreigners coming to work for less than 30 days with less than 90 days of cumulative working time in one year.

The government does not have a forced localization policy per se, but has been increasingly adopting policies to encourage or require foreign investors to use domestic content in goods and technology. For example, Circular 14/2015/TT-BKHDT applied high tariffs to imported automotive parts to protect domestic production and encourage foreign auto manufacturers to source component parts locally. Another example is Draft Decree 54/2017/ND–CP, proposed in July 2017, which stipulates FIEs can import drugs into Vietnam, but are not permitted to transport, store, or distribute drugs.

There are currently no measures that prevent or unduly impede companies from freely transmitting customer or other business-related data outside of Vietnam. The most important regulation is Decree 72/2013/ND-CP, on the management, provision and use of Internet services and online information. While Decree 72 technically requires organizations establishing "general websites," or social networks and companies providing online gaming services or services across mobile networks to maintain at least one server in Vietnam, in practice the regulation is only applied to domestic firms, and the only sporadically. It also establishes requirements for storing certain types of data (personally identifiable information of users, user activity logs, etc.), but it is unclear if that information must be stored on a local server. In 2016, the Ministry of Information and Communications (MIC) issued Circular 38/2016/TT-BTTT, one of the implementing circulars of Decree 72. The circular does not require localization of servers, though it does require offshore service providers with a large number of users in Vietnam to comply with local content restrictions. Specific requirements under Circular 38 apply to offshore entities that provide cross-border public information into Vietnam (including websites, social networks, online applications, search engines and other similar forms of services) and that (a) have more than one million hits from Vietnam per month or (b) lease a data center to store digital information in Vietnam in order to provide its services.

However, the government is exploring draft legislation to require data localization for cross-border services. In 2017, the Ministry of Public Security (MPS) released a draft law on cybersecurity that would require Vietnamese users' data to be stored in Vietnam and would require all cross-border service providers to host servers within Vietnamese territory. The National Assembly is expected to vote on the law in May or June 2018. The Ministry of Finance (MOF) is also proposing draft legislation in 2019 to request cross-border service providers via Internet protocol to have a representative office in Vietnam, citing the necessity of local office requirements for taxation purposes.

There are no requirements that foreign IT providers have to turn over source code and/or provide access to encryption. Vietnam has no international commitments in this area and does not permit cross-border online gaming. Therefore, gaming providers tend to establish a joint venture with a Vietnamese company and locate one server in Vietnam. Regarding financial data localization, Circular 31 requires backup information, but does not impede cross-border data flows.

The MIC is the lead agency for administrative enforcement of cyber-related regulations, including data-storage requirements, though the 2017 draft law on cybersecurity would cede that role to MPS. MPS's cyber division may now also get involved if there is a suspected criminal violation of data-storage rules.

When Vietnam joined the WTO in 2007, it established minimum commitments on market access for U.S. goods and services, as well as equal treatment for Vietnamese and foreign companies. Vietnam undertook commitments on goods (tariffs, quotas, and ceilings on agricultural subsidies) and services (provisions of access to foreign-service providers and related conditions). It has also committed to implementing agreements on intellectual property (the Trade-Related Aspects of Intellectual Property Rights Agreement), customs valuation, technical barriers to trade, sanitary and phytosanitary measures, import licensing provisions, anti-dumping and countervailing measures, and rules of origin. As part of its WTO accession, Vietnam also committed to remove performance requirements that are inconsistent with the agreement on Trade-Related Investment Measures (TRIMs). The 2014 Investment Law specifically prohibits the following: giving priority to domestic goods or services; compulsory purchases from a specific domestic firm; export of goods or services at a fixed percentage; restricting the quantity, value, or type of goods or services exported or 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 research and development activities; supplying goods or services in a particular location; and mandating the establishment of head offices in a particular location.

The government updates, on an ad hoc basis, the list of investment priority high-tech products and companies investing in research and development for items that are entitled to the highest tax incentives and may be eligible for funding from the National High-Tech Development Program. Companies that develop infrastructure for high-tech parks will also receive land incentives.

Protection of Property Rights

Real Property

The State collectively owns and manages all land in Vietnam, and therefore neither foreigners nor Vietnamese nationals can own land. However, the government grants land-use and building rights, which can be held privately. According to the Ministry of National Resources and Environment (MONRE), as of November 2017, the government has issued land-use rights certificates for 96.3 percent of land in Vietnam. If land is not used, according to the land-use rights certificate or if it is unoccupied, it reverts to the government. Vietnam is building a national land registration database, and some localities have already digitized their land records.

State protection of property rights is still evolving, as the state can expropriate land for socio-economic development. Under the Housing Law and Real Estate Business Law passed by the National Assembly in November 2014, land can only be taken if it is deemed necessary for social-economic development in the public or national interest, and is approved by the Prime Minister or the National Assembly, as well as the Provincial People's Council. However, "socio-economic" development is loosely defined, and there are many outstanding legal disputes between landowners and local authorities. Disputes over land rights continue to be a significant driver of social protest in Vietnam. Foreign investors also may be exposed to land disputes through M&A activities when they buy into a local company.

In addition to land, the state's collective property includes "forests, rivers and lakes, water supplies, wealth lying underground or coming from the sea, the continental shelf and the air, the funds and property invested by the government in enterprises, and works in all branches and fields - the economy, culture, society, science, technology, external relations, national defense, security - and all other property determined by law as belonging to the State."

The Housing Law and Real Estate Business Law extended "land-use rights" to foreign investors, allowing titleholders to conduct property transactions, including mortgages. Foreign investors can lease land for renewable periods of 50 years, and up to 70 years in some poor areas of the country.

Some investors have encountered difficulties amending investment licenses to expand operations onto land adjoining existing facilities. Investors also note that local authorities may intend to increase requirements for land-use rights when current rights must be renewed, particularly in instances when the investment in question competes with Vietnamese companies.

Intellectual Property Rights

The legal basis for intellectual property rights (IPR) includes the 2005 Civil Code, the 2005 Intellectual Property Law as amended in 2009, the 2015 Penal Code, 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. On January 1, 2018, the 2015 Penal Code entered into force with clearer guidelines on the application of criminal penalties for certain acts of IPR infringement or piracy. However, enforcement agencies still lack clarity and experience in how to impose criminal penalties on IPR violators and continue to wait for further implementing guidelines.

Circular No. 16/2016/TT-BKHCN, which amends and supplements a number of articles of Circular No. 01/2007/TT-BKHCN, one of the core regulations in the Vietnam IP system, came into force on January 15, 2018. IP attorneys expect the circular will have a significant, positive impact on patent and trademark examination procedures, but also expect further revisions in 2019 and in the IP Law revision. With technical support from the World Intellectual Property Organization (WIPO), Vietnam in 2017 also completed a National Strategy for Intellectual Property to create a roadmap for promoting innovation and a more effective IP framework by 2030.

Although Vietnam has made progress in establishing a legal framework for IPR protection, significant problems remain and new challenges are emerging. The country remains on the Special 301 Watch List. In 2017, Vietnam had mixed results in its efforts to protect IPR. Vietnam's continued integration into the global economic community, as well as increasing domestic pressure for IP protections, may be harbingers of positive change. Nevertheless, infringement and piracy remained commonplace, and the impact of digital piracy and the increasing prevalence of counterfeit goods sold online continued to undermine the IPR environment. The increasingly sophisticated capabilities of domestic counterfeiters, coupled with developing smuggling routes through Vietnam's porous borders, were also worrisome trends. There are ten ministries sharing some level of responsibility for IPR enforcement and protection, which often leads to duplication or confusion. Additionally, the roles and power of these ministries and agencies varies widely.

In 2017, the National Office of Intellectual Property (NOIP) reported receiving 80,599 IP applications of all types, of which 39,250 were registered for industrial property rights (up 1 percent compared to 2016). NOIP reported granting 1,745 patents in 2017 (up 22.6 percent) from 2016. Industrial designs registrations reached 2,267 in 2017 (up 56 percent from 2016). In total, more than 28,310 protection titles for industrial property were granted out of more than 58,870 applications in 2017 (up 9.4 percent from 2016). The General Department of Customs caught 32 cases of infringement with fines for infringers totaling USD 19,470 in 2017. Most cases involved interception of goods in transit through Vietnam to Laos, Cambodia, and Thailand.

The Copyright Office of Vietnam (COV) received 27 copyright petitions, settled 26 cases, and received 10 requests for copyright assessment in 2017. COV also reported it issued 6,294 copyright certificates in 2017, a small decline compared to 2016. In 2017, the Ministry of Culture, Sports, and Tourism Inspectorate (MCSTI) carried out inspections for software licensing compliance on 63 companies, a decline from 2016. Authorities discovered 54 violations that resulted in fines of USD 68,700, a 31 percent decrease in fines from 2016. The inspectors also carried out five inspections of individuals and companies selling art and photography that resulted in one infringement finding and a fine of USD 88. In September 2017, the MIC-affiliated Authority of Broadcasting and Electronic Information (ABEI) published a list of 83 websites found to infringe on copyrighted information.

For more information, please see the following reports from the U.S. Trade Representative:

Special 301 Report: https://ustr.gov/issue-areas/intellectual-property/special-301/2018-special-301-review

Notorious Markets Report: https://ustr.gov/sites/default/files/files/Press/Reports/2017 percent20Notorious percent20Markets percent20List percent201.11.18.pdf

For additional information about national laws and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Financial Sector

Capital Markets and Portfolio Investment

Although Vietnam welcomes foreign portfolio investment, Morgan Stanley Capital International (MSCI) still classifies Vietnam as a Frontier Market, which precludes some of the world's biggest asset managers from investing in its stock markets. Vietnam is working to meet the criteria necessary to attain "emerging market" status and attract greater foreign capital inflows.

While the government has acknowledged the need to strengthen both the capital and debt markets, there has been no substantial progress, leaving the banking sector as the primary capital source for Vietnamese companies. Challenges to raising capital domestically include insufficient transparency in Vietnam's financial markets and non-compliance with internationally accepted accounting standards.

Vietnam has two stock exchanges, which are the HCMC Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX). The State Securities Commission (SSC) regulates both. As of February 2018, HOSE and HNX had total market capitalization of approximately USD 220 billion, surpassing 110 percent of Vietnam's GDP. Government bonds account for one fifth of the total market capitalization traded on the HNX. A trading floor for unlisted public companies (UPCOM) operates at the Hanoi Securities Center, where many equitized SOEs first list their shares (due to lower transparency requirements) before moving to HOSE or HNX. Roughly 90 percent of the combined market capitalization is in HOSE.

Vietnam complies with International Monetary Fund (IMF) Article VIII. The government notified the IMF that it accepted the obligations of Article VIII, Sections 2, 3, and 4, effective November 8, 2005.

Banks charge relatively high interest rates for new loans because they must continue to service existing non-performing loans (NPLs). Domestic companies, especially small and medium enterprises (SMEs), often have difficulty accessing credit. Foreign investors are generally able to obtain local financing.

Money and Banking System

The State Bank of Vietnam (SBV) estimates that around 70-80 percent of the total population are underbanked or do not have bank accounts, due to an inherent distrust of the banking sector, the engrained habit of holding assets in cash, foreign currency, and gold, and the limited use of financial technology tools. Since recovering from the 2008 global downturn, Vietnam's banking sector has been stable. However, despite various banking reforms, Vietnam's banking sector continues to be concentrated at the top and fragmented at the bottom.

By the end of 2017, state-owned or majority state-owned banks accounted for over 46 percent of total assets, and over 40 percent of equity capital in the banking sector. The estimated total assets in the banking system is USD 454.6 billion. In addition, 31 private joint-stock commercial (private) banks, all smaller than the state-owned banks, are gradually gaining market share. There were also nine foreign-owned banks (HSBC, Standards Chartered, Shinhan, Hong Leong, Woori Bank, Public Bank, CIMB Bank, ANZ and United Overseas Bank), 49 branches of foreign banks, 47 representatives of foreign banks, and two joint-venture banks (Vietnam-Russia Bank and Indovina Bank).

Vietnam has made some progress on reducing its NPLs, but most domestic banks remain under-capitalized with high NPL levels that continue to drag on economic growth. Accurate NPL data is not available and the central bank frequently underreports the level of NPLs. Other issues in the banking sector include state-directed lending by state-owned commercial banks, cross-ownership, related-party lending under non-commercial criteria, and preferential loans to SOEs that crowd out credit to SMEs. By law, banks must maintain a minimum chartered capital of VND 3 trillion (roughly USD 134 million).

Currently, the ceiling for total foreign ownership in a Vietnamese bank remains at 30 percent, with a 5 percent limit for non-strategic individual investors, a 15 percent limit for non-strategic institutional investors, and a 20 percent limit for strategic institutional partners. In early 2017, the Prime Minister promised to increase the limits of foreign ownership in local banks, though he did not specify the new ceiling. Prudential measures and regulations apply the same to domestic and foreign banks.

We are unaware of any lost correspondent-banking relationships in the past three years. However, after the SBV took over three failing banks (Ocean Bank, Construction Bank, and Global Petro Commercial Bank (GP Bank)), and placed Dong A Bank under special supervision in 2015, correspondent-banking relationships with those banks may have been limited.

Vietnam has begun studying blockchain technologies in financial services and SBV established a steering committee on financial technology (fintech) in March 2017.

Foreign Exchange and Remittances

Foreign Exchange Policies

There are no restrictions on foreign investors converting and repatriating earnings or investment capital from Vietnam. However, funds associated with any form of investment cannot be freely converted into any world currency.

The SBV has a mechanism to determine the interbank reference exchange rate. In order to provide flexibility in responding to exchange rate volatility, the SBV now announces the interbank reference exchange rate daily. The rate is determined based on the previous day's average interbank exchange rates, taking into account movements in the currencies of Vietnam's major trading and investment partners.

Remittance Policies

Vietnam allows foreign businesses to remit profits, capital contributions, and other legal investment activity revenues in hard currency. There are no time constraints on remittances or limitations on outflow remittances of profits or revenue. However, outward foreign currency transactions require certain supporting documents (such as audited financial statements, import/foreign-service procurement contracts and proof of tax obligation fulfillment, and approval of the SBV on loan contracts etc.).

Sovereign Wealth Funds

The State Capital Investment Corporation (SCIC) technically qualifies as a sovereign wealth fund (SWF), as its mandate is to invest dividends and proceeds from privatization in assets outside of the state-owned sector. It was estimated at USD 2.8 billion in June 2016 (an updated estimate is not available.) However, the SCIC does not manage or invest balance-of-payment surpluses, official foreign currency operations, government transfer payments, fiscal surpluses, or surpluses from resource exports. SCIC's primary mandate is to manage the non-privatized portion of SOEs. By July 2017, the SCIC managed a portfolio of 141 equitized SOEs, including 134 joint-stock companies, and three limited companies in various sectors. The SCIC invests 100 percent of its portfolio in Vietnam, and the SCIC's investment of dividends and divestment proceeds does not appear to have any ramifications for U.S. investors. The SCIC budget is reasonably transparent, audited, and can be found at http://www.scic.vn/. In addition, the SCIC is working toward membership in the IMF-hosted International Working Group on SWFs.

State-Owned Enterprises

In 2017, Vietnam had 505 wholly SOEs (100 percent state owned) and approximately 2,000 SOEs in which the state owned a majority interest. Vietnam does not publish a full list of SOEs and they operate in nearly every industrial sector. However, in 2016, the government issued Decision 58/2016/QD-TTg (Decision 58) specifying the industries and areas in which the government will have wholly owned and majority-owned enterprises, including electricity distribution, airport management and operation, large-scale mineral mining, production of basic chemicals, and telecommunications services with network infrastructure, among others.

While SOEs have boards of directors, these boards are not independent. Ministries govern centrally owned SOEs, while provincial governments govern local SOEs; both have the right to appoint their staff to the boards. For SOEs in which the government holds the majority stake, the government ministries and provincial governments still have the right to appoint executive staff of the companies. SOE senior officials do not typically retain their government positions, but they still retain links to the government, and may return to government service once they terminate their employment with the SOE.

SOEs do not operate on a level playing field with domestic companies and continue to benefit from preferential access to resources such as land, capital, and political largesse. The 2016 PCI report found 70 percent of foreign firms polled perceived SOEs receive preferential treatment and access to resources – primarily land and capital. Foreign firms alleged that preferential access to resources allowed SOEs to expand into multiple sectors at the expense of foreign firms.

In 2015, the government issued Decree 81/2015/ND-CP to require SOEs to implement strict information disclosure procedures in accordance with listed company requirements. However, because there is no clear punishment for violations, SOEs have little incentive to follow the decree. By the end of 2017, only 42.6 percent SOEs disclosed the required information, according to MPI. Of those, SOEs only disclosed an average of five of the nine required financial reports. Also in 2017, only 55 out of 77 SOEs under provincial and ministerial managements made information public, but even those disclosures were not made on a comprehensive or timely basis. MPI confirmed the quality of reporting was insufficient to assess the SOEs' transparency. Although there are penalties for insufficient disclosure and non-disclosure, these penalties are not significant enough to improve information disclosure.

According to the World Bank, SOEs would benefit from a "modern corporate governance system that separates state ownership rights from regulatory functions and implements an objective and transparent mechanism for the selection of CEOs and board members." The government framework for wholly owned SOEs is fragmented, incoherent, and the management of SOEs is not in line with sound corporate governance. To improve corporate governance and SOE efficiency, the government established the ministerial-level agency of Commission for State Ownership Management in January 2018, to oversee all SOEs (both wholly owned and partially privatized), but its function and structure are not yet finalized.

Privatization Program

Vietnam has been working to reform the SOE sector for over 15 years. Because SOE share sales have historically only transferred a nominal interest (2 to 3 percent) to the private sector, the process of privatization (also known as equitization) has been slow. While only 8 percent of state-owned capital has passed to private investors since 1992, 92 percent still remains in the government hands. Inadequate regulations specifying equitization procedures and pressure from vested interests present the biggest obstacles. Decree 58 specified sectors targeted for equitization, including airport management and related services, mineral mining and extraction, financial service and banking, chemical manufacturing, rice wholesale, petro and oil importation, telecommunications, rubber and coffee processors, and electricity distribution.

The slow pace of SOE reform may change as the government appears more committed to privatization due to budget pressures and the necessity of growing the private sector for continued economic growth. In 2016, the government received an estimated USD 800 million in equitization proceeds and applied some funds to reduce the budget deficit. In July 2016, the government wholly divested out of 10 large SOEs, including Vinamilk, the most heavily invested stock in frontier market funds, and Sabeco, which controls 47.5 percent of the beverage market. In August 2017, the government released decision 1232/2017/QD-TTg, which listed 406 SOEs it would divest during the 2017-2020 period, along with specific target divestment percentages. The total target value of these divestments is VND65.000 billion (approximately USD 2.86 million), but not all SOEs will be attractive to investors. It appears the government plans to sell the best, most efficient SOEs first to quickly raise cash, but has been slow to address inefficiencies in the rest.

Foreign investors can invest in SOEs. SOE share bidding process information can be found at https://www.hsx.vn/Modules/Auction/Web/AucInfoList?fid=271f94f836a14eb0a7d2207c05f7a39e, https://www.hnx.vn/en-gb/dau-gia/lich-dau-gia.html, and http://www.scic.vn/english/index.php/investment.html. SOE financial information is available on http://business.gov.vn/C%C3%B4ngb%E1%BB%91Th%C3%B4ngtin/Th%C3%B4ngtindoanhnghi%E1%BB%87p.aspx.

Responsible Business Conduct

The government has issued regulations intended to protect the public from adverse business practices in relation to labor rights, consumer protection, and environmental protection. However, the enforcement of these laws is weak. The Enterprise Law allows shareholders to take court action against the management of a company and can nullify fully, or partly, a resolution of a shareholder general meeting through a court order or an arbitration decision. Companies are required to publish their corporate social responsibility activities, corporate governance work, information of related parties and transactions, and compensation of the management. Companies must also announce extraordinary circumstances, such as changes to management, dissolution, or establishment of subsidiaries, within 36 hours of the event.

Most multinational companies implement Corporate Social Responsibility (CSR) programs that contribute to improving the business environment, and awareness of CSR programs is increasing among large domestic companies. The Vietnam Chamber of Commerce and Industry (VCCI) conducts CSR training and highlights corporate engagement on a dedicated website (http://www.csr-vietnam.eu/) in partnership with the UN. In addition, AmCham also has a CSR group that organizes events and activities to raise awareness of social issues.

Overall, the government has not defined responsible business conduct (RBC), nor has it established a national plan or agenda for RBC. The government has yet to establish a national contact point or ombudsman for stakeholders to get information or raise concerns about RBC. In order to improve RBC efforts, the 2016 report by Transparency International found that Vietnam should "develop and ensure the enforcement of regulations requiring companies to do business with ethics and social responsibilities, creating an environment that enables and protects companies doing business with integrity."

Environmental Protection

The government has issued many legal documents regulating the environment, including the revision of the Environmental Protection Law of 2014, the Constitution of 2013, the Law on Water Resources of 2012, the Law on Fisheries of 2017, as well as hundreds of decrees and circulars that guide the implementation of these laws. However, as in many areas, the practical enforcement of environmental protection laws is inadequate. For example, the Law on Environmental Protection requires that entities, individuals, and households that discharge waste must classify the waste for recycling and reuse. However, violations of this provision are rampant and rarely punished. For example, the 2017 Law on Fisheries stipulates that fishing organizations and individuals must follow set standards when catching fish, specifies significant financial penalties for individuals and organizations engaged in illegal fishing, and prohibits the use of explosives for fishing. However, in practice, violations of these regulations are quite common. At the international level, Vietnamese fishers are coming under increasing criticism for illegal and unreported fishing. In October 2017, the European Union issued Vietnam a “Yellow Card” warning for illegal fishing.

Labor Rights Regulations

Given the significant presence of multinational corporations in the garment-manufacturing sector, there are a several labor-related codes of conduct and other similar initiatives designed to ensure that working conditions and workers’ rights in factories producing clothes for U.S. or European markets meet certain minimal standards. One of the largest programs is Better Work Vietnam, which is implemented by the International Labor Organization (ILO). Better Work monitors garment-producing factories’ compliance with international labor standards and national laws, and the results of factory monitoring visits are made available to major brands and buyers. Better Work also provides technical assistance to factories to help them improve their compliance with international labor standards. In 2017, the program covered 516 factories employing approximately 708,000 workers.

While the Vietnam Confederation of Labor (VGCL) is the only officially recognized trade union, there are a small number of workers’ organizations not affiliated with VGCL that monitor working conditions and advocate for worker rights. VGCL is working with the ILO and other organizations to enhance its capacity to advocate for worker’s rights, and address widespread concerns about its effectiveness. Labor activists and representatives of independent (non-VGCL) workers’ organizations sometimes face government harassment.

Enforcement of labor-rights regulations remains low, and it is unclear how strictly the government enforces provisions for wages, hours, and benefits or occupational safety and health, especially in the informal economy. Enforcement has been irregular for many reasons, including low funding and a shortage of trained enforcement personnel. The VGCL has asserted that authorities do not always prosecute violations. The Ministry of Labor, Invalids, and Social Affairs (MOLISA) has acknowledged shortcomings in its labor inspection system and emphasized the number of labor inspectors countrywide is insufficient. Shortcomings include a lack of labor inspectors countrywide, fines that are too low, corruption, and a failure to prosecute.

For a detailed description of regulations on worker/labor rights in Vietnam, see the Department of State’s Human Rights Report (https://www.state.gov/j/drl/rls/hrrpt/2017/).

The Law on Enterprises in theory regulates corporate governance in line with OECD corporate governance principles. However, according to the MPI-affiliated think tank Central Institute of Economic Management (CIEM), “no company in Vietnam applies OECD corporate governance standards.” While that may be harsher than reality, corporate governance in Vietnam ranks lower than Thailand, the Philippines, and Indonesia, according to the most recent ABD report (2015) on ASEAN listed companies.

While corporate governance requirements for listed securities are relatively clear and transparent, enforcement of these rules on the stock exchanges is low. According to the HOSE, 182 out of 344 companies listed did not provide a point of contact to shareholders, 150 companies did not have internal policies to let shareholders approve transactions with related parties as required by law, 50 percent did not provide required information relating to board members or shareholders, and only 44 percent approved board and committee member's compensation.

The government does not have regulations encouraging companies to adhere to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Afflicted and High-Risk Areas, but many multinational companies already comply. In 2016, the Prime Minister called on the MOIT to implement the Extractive Industries Transparency Initiative (EITI) in order to improve the efficiency of the minerals extraction industry. However, to date, Vietnam has not agreed to do so. Vietnam remains only an observer in EITI.

A study by the VCCI released in March 2017 on transparency in the mining sector found issues with inaccurate financial disclosure, unreliable reports on mine reserves throughout the country, and the withholding of information on development and planning, especially at the provincial level. Because of low reported revenues, taxes from the mining sector accounted for just 1 percent of government revenues. Payments made by companies to the government for projects related to the commercial development of oil, natural gas, or minerals are not made public, and only aggregate contributions to the state budget from the oil and gas sector are published. The VCCI study also found that a higher number of mining companies (12 percent) reported having to pay "unofficial fees" than in other industries. Decree 158/2016/ND-CP, that came into effect on January 15, 2017, provides guidelines for implementing the Mineral Law and may improve transparency in the mining sector.

Corruption

Transparency International's 2017 Corruption Perception Index (CPI) determined Vietnam had taken positive steps to improve some areas of its anti-corruption legal framework and policies. However, Vietnam's rank of 107 out of 176 in the global index reflects the country's continuing challenges. The CPI narrative section recommends more public-sector reforms, such as government protection for whistleblowers, encouraging NGO participation in investigating anti-corruption, and enforcing an independent judiciary and legislature.

Corruption is due, in large part, to low levels of transparency, accountability, and media freedom, as well as poor remuneration for government officials and inadequate systems for holding officials accountable. Competition among agencies for control over business and investments has created overlapping jurisdictions and bureaucratic procedures that, in turn, create opportunities for corruption.

Vietnam's 2005 Anti-Corruption Law requires that government officials declare their assets and sets strict penalties for corrupt practices. However, a government official acknowledged in March 2017 that asset declarations by government officials do not include actual income and asset levels, and are not useful in fighting corruption.

The Government has tasked various agencies to deal with corruption, including the Central Steering Committee for Anti-Corruption (chaired by the Communist Party of Vietnam General Secretary Nguyen), the Government Inspectorate, and line ministries and agencies. The Central Steering Committee for Anti-Corruption was formed in 2007, and since February 2013, has been under the CPV Central Commission of Internal Affairs. The National Assembly is also mandated to provide oversight to the operations of government ministries. Civil Society Organizations (CSOs) have encouraged the government to establish a single independent agency with oversight and enforcement authority, and to ensure enforcement is carried out.

A new Penal Code came into effect in January 2018 which introduced a number of provisions relating to corporate criminal liability and corruption, increasing the risks for businesses in the country. While the previous Vietnamese criminal code only provided for criminal liability for individuals, now corporate entities can face criminal sanctions too. The New Penal Code also criminalizes private-sector corruption—something that was absent from Vietnam's previous anti-corruption regime.

Vietnam signed the UN Anticorruption Convention in December 2003 and ratified it in August 2009. According to the 2017 PCI report, corruption declined, with 59 percent of enterprises reporting paying informal charges (bribes), which accounted for about 10 percent of their revenue. The law does not cover family members of officials, but does cover ranking members of the Communist Party.

The government increased its scrutiny of conflict-of-interest concerns in public procurement since late 2016. For example, in 2017, the National Assembly called the Minister of Industry and Trade for "question and answer" hearings to address whether special interest groups influencing the approval and management of "megaprojects" had adverse economic and environmental impacts.

However, to signal the government is serious about reforming government procurement, the Prime Minister approved, in July 2016, a 10-year master plan for procurement, to develop the national e-Government Procurement Application. This will emphasize and promote online tendering to increase transparency and reduce corruption opportunities. To this end, the government is working to roll out an e-bidding public procurement site in late 2018, which will supplement its existing e-procurement portal.

There are laws prohibiting companies from bribing public officials. While some private companies have internal controls, ethics, and compliance programs to detect and prevent bribery of government officials, the government does not require companies to establish such internal codes of conduct.

For the past two years, the government has embarked on a large anti-corruption initiative. As a result, perceptions of corruption, and the burden of administrative procedures, are both declining. While high-profile arrests have grabbed the focus of the news media, less attention has been paid to institutional changes meant to prevent corrupt activities, including greater transparency and civil-service reforms to encourage accountability. In 2017, there were statistically significant declines in three core indicators of corruption in the PCI survey report: 1) the share of firms believing informal charges are common; 2) the estimated bribe payments by firms as a share of revenue; and 3) whether commissions are necessary to win government procurement contracts. The 2017 PCI findings are consistent with the annual UN Development Program's Provincial Administrative Performance Index (PAPI) survey.

Resources to Report Corruption

Contact at government agency responsible for combating corruption:
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Political and Security Environment

Vietnam has a history of protests against perceived social, environmental, and labor injustices. There have been anti-China protests since 2008. In May 2014, Vietnam experienced some of the largest protests in history against China's movement of Haiyang Shiyou Oil Rig 981 into Vietnam's territorial waters. Anti-China protests resulted in at least one death and dozens of injuries among the plant's Chinese workers; protesters separately destroyed and looted multiple foreign-owned factories.

In April 2016, after the Formosa Steel plant discharged toxic pollutants into the ocean and caused a massive fish death, the affected fishermen and residents in central Vietnam began a series of regular protests against the company and the government's lack of response to the disaster. Protests continued into 2017 in multiple cities until they were largely suppressed by security forces. Many activists who helped organize or document these protests were subsequently arrested and are serving long prison terms, including influential blogger Nguyen Ngoc Nhu Quynh (aka "Mother Mushroom"), labor activist Hoang Duc Binh, and videographer Nguyen Van Hoa. The majority of protests are relatively small and have had little effect on the operations of U.S. companies.

Labor Policies and Practices

According to the official government statistics, in 2017, there were 71.5 million people aged 15 and above in Vietnam, with 54.48 million participating in the formal labor force. The labor force is relatively young, with 15-to-39 year olds currently accounting for about half of the total labor force. Despite the strong shift towards urbanization, the majority of workers are still located in rural areas, making up over 67 percent of the total labor force.

The official labor force participation rate in 2017 was over 78 percent of the total population, and the official unemployment and underemployment rates hover round 2 percent. These figures, however, likely under-report rates of unemployment and under-employment by counting people who have multiple, very low-paying informal jobs, along with those with one formal job. The official unemployment rate among youth, defined as those between the ages of 15 and 24 years, was 7.51 percent in 2017.

While literacy rates, enrollment, and graduation rates for primary and secondary education are high -- less than 20 percent of the employed population have ever attended college or received vocational training or mid-term professional training -- those who complete a post-secondary degree are often unprepared with the types of skills necessary to enter a highly skilled workforce. Many Vietnamese companies report a shortage of workers with adequate skills. While there is a shortage of educated and skilled labor, Vietnam is a labor surplus country overall, with an un- and under-employed labor force that serves as an abundant source of migrant labor regionally as well as globally.

Minimum wage varies geographically. In 2017, the minimum wage for workers in businesses ranges from USD 165 to USD 113 a month. Businesses in urban districts of Hanoi, HCMC, and neighboring areas are subject to a higher minimum wage.

Shortages or Surpluses of Specialized Labor Skills

According to *World* Economic Forum's 2017 Global Human Capital Index, Vietnam ranked 64th overall (after Singapore (11), Malaysia (33), and Thailand (40)). Many businesses reported that it was difficult to find skilled labor in Vietnam. The government is aware of the deficiencies in higher education and vocational training, and admits the need for reform in order to increase skillsets. To this end, the Law on Vocational Education took effect in 2015, and stressed the importance of vocational training in human resource development, as well as the government's strategy for vocation education through 2020. In addition, the national employment fund, managed by the MOLISA, will sponsor targeted vocational training programs for poor households, youth, members of the military, and entrepreneurs.

Foreign nationals are restricted to employment in high-skilled professions, such as managers, executives, and consultants. In 2017, nearly 84,000 foreigners were working in Vietnam (compared to 12,600 in 2004), and the country was developing policies and methods to collect social insurance, according to media reports. Most were skilled workers with work-permits; work-permits are more relaxed for high-skilled foreign workers, especially those working at multinational corporations, and NGOs.

Layoffs and Unemployment Insurance

An employer is permitted to lay off employees due to technological changes or changes in organizational structure (in cases of a merger, consolidation or cessation of operation of one or several departments), or where the employer faces economic difficulties. If these changes lead to the termination of two or more employees, the employer, in conjunction with the grassroots trade union, is required to form and implement a “labor usage plan.” Companies can terminate two or more employees only after consultation with the grassroots trade union and after a 30-day notice to the provincial labor authority.

The employer must pay a job-loss allowance for a laid-off employee who had regularly worked for the employer for at least 12 full months. The job-loss allowance is equal to one month's salary for each year of service with the employer. After being laid off, workers will be covered under the unemployment scheme if they contributed to the unemployment fund for at least 12 months.

There are no waivers made to labor requirements to attract foreign investment.

Collective Bargaining

Chapter 5 of the Labor Code provides conditions for collective bargaining. Although collective bargaining is not a new concept in Vietnam, the quality of collective bargaining agreements (CBA) is limited. In 2017, Vietnam had approximately 27,866 CBAs accounting for 68 percent of unionized enterprises. While CBAs have been weakly enforced, VGCL in recent years has partnered with the ILO to pilot multi-employer CBAs in some industrial zones and sectoral CBAs in the textile sector.

In June 2016, the Hai Phong Economic Zone Trade Union and five Korean manufacturing enterprises based in Trang Due Economic Zone signed the country’s first multi-enterprise collective bargaining agreement between a group of foreign-invested enterprises and trade unions to set basic conditions of work, including recognition of union rights. The agreement likely benefits nearly 2,500 workers through improved recruitment and female worker policies, increased base wages, better bonuses, allowances, leave, and rest time as well as conditions for ensuring trade union operations in the affected enterprises.

Labor Dispute Resolution Mechanisms

The 2012 revised Labor Code introduced a process of mediation and arbitration for labor disputes. The law allows trade unions and employer organizations to facilitate and support collective bargaining, and requires companies to establish a mechanism to enable management, and the workforce to exchange information, and to consult on subjects that affect working conditions. Regulations require conducting workplace dialogues every three months.

The Labor Code stipulates that trade unions have the right and responsibility to organize and lead strikes, and establishes certain substantive and procedural restrictions on strikes. Strikes that do not arise from a collective labor dispute, or do not adhere to the process outlined by law, are illegal. The law makes a distinction between “interest-based” (“a dispute arising out of the request of the workers’ collective on the establishment of a new working condition,… in the negotiation process between the workers’ collective and the employers”) and “rights-based” (“a dispute between the workers’ collective with the employer arising out of different interpretation and implementation of provisions of labor laws, collective bargaining agreements, internal working regulations, other lawful regulations and agreements") disputes. In contravention of international standards, the law forbids strikes over "rights-based" disputes. This includes strikes arising out of economic and social policy measures that are not a part of a collective negotiation process, as they are both outside the law's definition of protected "interest-based" strikes.

The Labor Code prescribes an extensive and cumbersome process of mediation and arbitration before a lawful strike over an interest-based collective dispute can occur. Before workers may hold a strike, they must submit their claims through a process involving a conciliation council (or a district-level labor conciliator where no union is present). If the two parties do not reach a resolution, unions must submit claims to a provincial arbitration council. Unions (or workers' representatives where no union is present) have the right either to appeal decisions of provincial arbitration councils to provincial people's courts, or to strike. Individual workers may take cases directly to the people's court system, but in most cases they may do so only after conciliation has been attempted and failed.

Strikes in Vietnam

The VGCL reported 314 strikes in 2017, almost double the number in 2016. However, all strikes are unofficial (due to the difficulty of conducting a legal strike under Vietnamese labor law), making data reliability questionable. Approximately 60 percent of strikes took place in FIEs and the remaining 40 percent in domestic private companies. The majority of strikes (70 percent) took place in HCMC and surrounding provinces where most FIEs are located, particularly in the garment, footwear, and furniture sectors. The government rarely takes direct action against "illegal" strikers, but has prosecuted independent labor organizers.

Gaps in Compliance in Law or Practice with International Labor Standards

Vietnam has been a member of the ILO since 1992, and has ratified five of the core ILO 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, although the government is currently taking steps toward ratification. Under the 1998 Declaration on Fundamental Principles and Rights at 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.

The constitution affords the right to association, but limits the exercise of these rights, including preventing workers from organizing or joining independent unions of their choice. The law requires every union to be under the legal purview and control of the country's only trade union confederation, the VGCL. Since the VGCL answers directly to the Community Party's Vietnam Fatherland Front, no trade unions are protected from government interference or control over union activity.

A 2017 report of the Better Work Vietnam program alleged 37 percent of factories discriminated against or interfered in the activities of the trade union, down from 62 percent in 2015. Similarly, the data revealed that management staff continued to sit on trade-union executive committees in approximately 30 percent of factories, which could undermine the union's function. At the same time, the report noted only 4 percent of factories reported cases of direct and overt management interference in union activities, and fewer still were found to have prevented workers from meeting without management present.

Vietnam's legal framework on child labor appears generally in accordance with international standards, however, the Labor Code allows children under age 13 to work in "specific work regulated by the MOLISA." Since 2012, the U.S. Department of Labor's List of Goods Produced by Child Labor or Forced Labor has included Vietnamese garments, produced with child labor and forced labor, and bricks, produced with child labor, in violation of international standards. Vietnamese garments are also included in a list of products produced by forced or indentured child labor under Executive Order 13126: Prohibition of Acquisition of Products Produced by Forced or Indentured Child Labor. Based on the results of Vietnam's National Child Labor Survey, in 2016, the U.S. Department of Labor included 14 additional goods produced by child labor in Vietnam to the List of Goods Produced by Child Labor or Forced Labor: cashews, coffee, fish, footwear, furniture, leather, pepper, rice, rubber, sugarcane, tea, textiles, timber, and tobacco.

The government has increasingly acknowledged the issue of child labor in recent years and is a participant in a five-year, USD 8 million dollar project implemented by the ILO, to enhance national capacity to reduce and prevent child labor, which is scheduled to finish in December 2019. The project targets three provinces and three sectors: garments (HCMC); agriculture and fisheries (An Giang); and handicrafts (Hanoi and HCMC).

The government is also in the process of enhancing its policy and regulatory framework for occupational safety and health (OSH). The OSH law, passed in June 2015, extends OSH protections to all workers, including the informal economy, and includes the establishment of an injury compensation system for workers in the informal economy, which constitutes more than 60 percent of the workforce. The ILO is assisting the government with the drafting of implementing regulations for the law and finalizing a national OSH program for 2016-2020.

New Labor Related Laws or Regulations

As Vietnam revises the 2012 Labor Code, significant changes, especially to industrial relations and workers' organizations, are expected to be included in the revision when National Assembly approves it in 2018.

OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) signed a bilateral agreement with Vietnam in 1998, and Vietnam joined the Multilateral Investment Guarantee Agency (MIGA) in 1995.

In October 2016, then-OPIC President and Chief Executive Officer (CEO) Elizabeth Littlefield visited Vietnam to develop private-sector investment opportunities in Vietnam. In January 2017, former Secretary of State John Kerry along with OPIC presented a letter of intent to Fulbright University Vietnam to support the design and construction of the university's main campus in HCMC, which will bolster the university's academic programs as well as expand enrollment up to 7,000 students. In November 2017, OPIC President and CEO Ray W. Washburne presented a letter of intent to Virginia-based energy company AES to support the construction of a liquefied natural gas (LNG) terminal plant and 2,250MW combined cycle power plant in Vietnam which would provide around 5 percent of the country's power generation capacity.

Foreign Direct Investment and Foreign Portfolio Investment Statistics

TABLE: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

					USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	

Host Country Gross Domestic Product (GDP) ($M USD)	2017	$220,000	2016	$205,276	www.worldbank.org/en/vietnam
Foreign Direct Investment					USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2017	$9,875	2016	$1,492	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the United States ($M USD, stock positions)	2017	N/A	2016	$1,392	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2017	16%	2016	12%	

TABLE: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data

From Top Five Sources/To Top Five Destinations ***(U.S. Dollars, Millions)***

Inward Direct Investment*			**Outward Direct Investment****		
Total Inward	Amount	100%	Total Outward	Amount	100%
Japan	$9,112	25%	N/A		
South Korea	$8,494	24%	N/A		
Singapore	$5,307	15%	N/A		
China	$2,168	6%	N/A		
British Virgin Island	$1,651	4%	N/A		
"0" reflects amounts rounded to +/- USD 500,000.					

* No IMF Data Available; Vietnam's Foreign Investment Agency under the Ministry of Planning and Investment (fia.mpi.gov.vn)

** No local data available

TABLE: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, U.S. Dollars)								
Total*			**Equity Securities****			**Total Debt Securities****		
All Countries	Amount	100%	All Countries	Amount	100%	All Countries	Amount	100%
British Virgin Island	$1,165	19%	N/A			N/A		
South Korea	$839	14%	N/A			N/A		
Netherland	$699	11%	N/A			N/A		
Singapore	$693	11%	N/A			N/A		
China	$487	8%	N/A			N/A		

* No IMF Data Available; Vietnam's Foreign Investment Agency under the Ministry of Planning and Investment (fia.mpi.gov.vn)

** No local data available

Contact for More Information on the Investment Climate Statement

Economic Section
U.S. Embassy
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+84-24-3850-5000
InvestmentClimateVN@state.gov

Trade & Project Financing

Methods of Payment

Most U.S. firms exporting to Vietnam conduct business using various methods of payment, such as letters of credit (L/C’s), drafts, and wire transfers. Vietnamese companies often resist the use of confirmed L/C's because of the additional cost and collateral requirements from banks. Local companies with acceptable credit risk, including major private enterprises and State-Owned Enterprises (SOEs), can usually obtain credit facilities, including import financing from foreign banks. For these importers, confirmation of L/C’s opened by their foreign bank may not be required and faster payment can be expected. At present, L/C’s up to 60, 90, or 120 days are most common. 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 34 private joint stock commercial banks.

Banking Systems

The central bank, the State Bank of Vietnam (SBV), is the main financial regulatory agency. The SBV supervises one policy bank, the Social Policy Bank of Vietnam, four majority state-owned commercial banks (SOCB’s) Vietcombank, BIDV, Vietinbank and Agribank, 31 joint-stock (private) banks, four joint-venture banks, 47 representative offices of foreign banks, 49 branches of foreign banks, 16 financial companies, 11 financial leasing companies, and 9 wholly-owned foreign banks (Source: SBV). The SBV is not an independent body like the U.S. Federal Reserve and it continues to operate under government oversight.

The International Monetary Fund, the World Bank, and other international donors, including the United States, are assisting Vietnam with the implementation of financial reforms to help ensure stability and promote the effectiveness of the banking system in Vietnam. The reform programs focus on three main areas: the restructuring of joint-stock banks; the restructuring and equitization of the SOCB's; and improving the regulatory framework and increasing transparency. Other ongoing projects aim to modernize the interbank market, create an international accounting system, and allow outside audits of the major Vietnamese banks. The SBV is in the process of strengthening its own internal processes and enhancing the level of inspections and supervision of the banks within its jurisdiction. In November 2017, Vietnam introduced a new law, effective in January 2018, amending and supplementing a number of articles of the 2010 Law on Credit Institutions. In this law, bankruptcy was introduced for the first time as a plan for restructuring the banking system.

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 (75 percent of Vietnam’s 93 million people use limited banking services, while the remaining 25 percent do not use any banking services.)

Foreign Exchange Controls

Vietnam has imposed exchange control mechanisms designed to limit foreign currency outflows. However, the Law on Investment allows foreign investors to purchase foreign currency at authorized banks to finance current and capital transactions and other allowed transactions. The availability of foreign exchange has been an intermittent problem since mid-2008, because of persistent balance of trade deficits.

Foreign businesses can remit in hard currencies all profits, shared profits, losses from joint ventures, income from legally-owned capital, properties, and services and technology transfers. Foreigners also can remit royalties and fees paid for the supply of technologies and services, principal and interest on loans obtained for business operations, investment capital, and other assets under their legitimate ownership. The SBV’s objective is to maintain a stable exchange rate so that any devaluation would not be more than two percent.

U.S. Banks & Local Correspondent Banks

There are five U.S. banks and financial institutions 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.

The majority of state-owned banks – Vietcombank, Vietinbank, Bank for Agriculture, and the Bank for Investment and Development – have active 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 – no relation to the U.S. 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

United States Government supported export financing, project financing, loan guarantees and insurance programs are available for transactions in Vietnam through the U.S. Export-Import Bank (U.S. 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 (USTDA), which provides grants for feasibility studies, technical assistance, reverse trade missions, and training for commercial projects being pursued by U.S. firms, has enhanced the competitiveness of U.S. companies doing business in Vietnam.

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

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

Bilateral government "tied" aid, commonly offered by other governments, sometimes provides non-U.S. companies with a comparative advantage that negatively affects American trade performance in Vietnam. These may be in the form of soft loan programs designed to support the financing-country's exporters. U.S. EXIM Bank and OPIC financial services may be a tool to offset this disadvantage for American companies.

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), German Development Bank (KFW) and the United Nations Development Program (UNDP). American firms can also participate in projects funded by these agencies.

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 instead of the state banks as the state banks tend to favor Vietnamese state-owned enterprises.

Multilateral Development Banks

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the Asian Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty, inequality, improving health, education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the Asian Development Bank (*http://www.export.gov/adb/*) and the World Bank (*http://export.gov/worldbank*).

Financing Web Resources

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

Commercial Liaison Office to the Asian Development Bank: http://www.export.gov/adb/

Commercial Liaison Office to the World Bank: http://export.gov/worldbank

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

OPIC: http://www.opic.gov

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

Trade Finance Guide: A Quick Reference for U.S. Exporters, published by the International Trade Administration's Industry and Analysis team: http://www.export.gov/tradefinanceguide/index.asp

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

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

Business Travel

Business Customs

Vietnam is a markedly Confucian society and its business practices are often more similar to those of China, Japan, and Korea than to those of its Southeast Asian neighbors. 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", saving of, or not losing of, is extremely important to many Vietnamese and you should try not to put your 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. The Vietnamese (in a formal meeting), will almost always ask for your talking points prior to the meeting so that they won't be caught off guard in any way. The use of 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. This 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 persuaded instead. To take the Central Government as an example, the lead ministry on a given issue may be unable to advance its position if other ministries with seemingly minor involvement in the decision oppose the idea. This can also be time consuming for our way of doing business. 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 and the actual decision maker may not even be in the room and relies on the say of others to make his decision.

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 – again, adding time to business deals.

Relationships are also very important in Vietnam, as they are 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. It is important to know that deals can take several trips to the area – even if it seems like a perfect situation for both parties.

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 as Mr. Quang. Personal pronouns are always used when addressing or speaking about someone. You should always address your contacts as Mr., Mrs., or Ms., 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. Try to speak to the older person in the group as age is respected here; again, asking is the best way to avoid embarrassement.

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 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 business cards are exchanged (this is done with two hands and then held and not put away, you may want to comment on the persons position when presented with their card), participants can then 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 as will you from their side as well. When working with an interpreter, one should speak slowly and clearly in simple sentences (1 or 2 sentences at a time) and pause often for interpretation. Brief the interpreter on each meeting and the topic in advance. If there are some technical terms, be sure to talk through them with the interpretor for them to figure out the best way to convey the meaning. Some things here are literally lost in translation or there is not a word for it in Vietnamese.

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

Please view the latest travel information for Vietnam provided by the U.S. State Department Travel Information Website: https://travel.state.gov/content/passports/en/alertswarnings.html

Country Specific Information for U.S. Travelers

The Department of State's Travel.State.Gov information for Vietnam: https://travel.state.gov/content/passports/en/country/vietnam.html contains useful guidance for U.S. travelers to Vietnam - including safety, security, health, transportation, local laws, and other information.

You may also register your trip with the State Department's Smart Traveler program (STEP). This is a free service that allows U.S. citizens and nationals traveling abroad to enroll their trip with the nearest U.S. Embassy or Consulate. https://step.state.gov/

Visa Requirements

U.S. passports are valid for travel to Vietnam. Visas are required of U.S. Citizens, and the visa type must correspond to the purpose of travel in Vietnam. In 2016, Vietnam began issuing one-year multiple entry visas in addition to 30-day single entry visas. In 2017, the country began to issue e-Visas. The new process simplifies procedures by allowing travelers to apply directly on-line.

http://vietnamembassy-usa.org/consular/visa-application-process

30-Day Single Entry Visa

As of 2017, Vietnam launched a 30-day, single entry e-Visa pilot program, of which the United States is included. The program uses an online application process to issue 30-day, one-entry visas for $25, payable via bank transfer. E-visa holders may enter and exit Vietnam through 28 designated international border gates, including all international airports. The pilot program will continue through January 31, 2019, subject to review and extension. Your 30 days will start when you arrive into Vietnam, not when your e-Visa is approved. This visa will only be valid for a single entry into Vietnam for up to 30 days, meaning you can't fly into Vietnam, stay for a few days, travel to Thailand, and then return to Vietnam for your flight back to the United States. You can only enter Vietnam once. If you need a multiple-entry visa or want to stay in Vietnam for longer than 30 days, you must apply for a different visa.

Vietnam E-Visa Application Process

The Vietnamese e-visa instructions and application are available online. The correct Vietnamese government websites for e-visas are https://www.immigration.gov.vn/ and https://www.xuatnhapcanh.gov.vn. Both web addresses link to the same Vietnamese government-operated website. Other websites advertising Vietnamese e-visas are operated by private travel companies and may charge additional fees in addition to the standard application fee.

You will need a scanned copy of your valid passport details page and a scanned passport photo. According to the website instructions, the passport photo must be "straight looking and without glasses."

1. Click on "E-Visa Issuance" and then click on "For Foreigners."
2. Upload your passport photo and a copy of your passport details page. These are two separate uploads. You can't upload your passport details page twice.
3. Enter in all the required information.
4. Pay your $25 USD fee and submit your application. Your fee is non-refundable even if your application is later denied.
5. Once you have submitted your application, you will receive a "registration code." Keep this code.
6. At the time of this posting, the e-Visa turnaround time is approximately 3 business days. After the processing time, return back to the website and click on "Search" in the top menu bar.
7. Enter in your registration code to search for your application to see if it was approved.
8. If approved, you can print out your Vietnam e-Visa as proof for travel.

Multiple-Entry One Year Visas

If you intend to visit Vietnam several times over a year period, (or plan to travel in the area and return to Vietnam as your departure country) you may find it more convenient to apply for a multiple-entry one-year visa, which has been available to United States citizens since August 2016. This visa category can be obtained through the Vietnamese Embassy in Washington, D.C. through its website at http://vietnamembassy-usa.org/consular. Please also note while there is a standard visa stamping fee of $130 for these visas, on-line third-party agencies and even the Vietnamese embassies or consulates abroad at times inconsistently assess and collect visa fees. There are also private Vietnamese tourism companies registered with the Ministry of Foreign Affairs that can manage the visa application process for you, often at fees that are less than or the same as applying directly with the Vietnamese Embassy in Washington, D.C. These firms will often arrange for your visa to be delivered upon your arrival into Vietnam, after you exit the aircraft but before you pass through immigration. This may be more convenient, since you do not have to mail your passport into the Vietnamese Embassy, but it does result in a longer wait time at the airport once you arrive.

Additional information about Vietnam visas may be obtained from the Embassy of Vietnam and Consulates located in the United States:

Embassy of Vietnam

1233 20th St, Suite 501, N.W.

Washington, DC 20036

(Telephone: 202-861-0737, fax: 202-861-0917)

http://www.vietnamembassy-usa.org/145

Visa Information: http://vietnamembassy-usa.org/consular/visa-application-process

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/en/

Visa Information: http://www.vietnamconsulate-sf.org/en/consular-services/visas/

Consulate of Vietnam in New York

866 United National Plaza, Suite 435

New York, NY 10017

(Telephone: 212-644-0594, 212-644-2535, Fax: 212-644-5732)

http://vietnamconsulate-ny.org/

Visa information: http://vietnamconsulate-ny.org/consular-services/visa

Consulate General of Vietnam in Houston

5251 Westheimer Rd #1100

Houston, TX 77056

(Telephone: 713-850-1233)

http://vietnamconsulateinhouston.org/

Visa Information: http://vietnamconsulateinhouston.org/en/consular-services/visa-information

Consulate General of Vietnam in San Francisco

1700 California Ave., Suite 475

San Francisco, CA 94109

(Telephone: 415-922-1577, fax: 415-922-1848)

http://www.vietnamconsulate-sf.org/en/

Visa Information: http://www.vietnamconsulate-sf.org/en/consular-services/visas/

U.S. travelers MUST have the correct type of Vietnam visa for their purpose of travel. Vietnamese embassies in other countries or travel agents that organize travel to Vietnam can also issue or facilitate the issuance of a visa. Of note, Vietnam also allows third-party businesses and organizations – such as travel agents – to facilitate "Visas on Arrival," usually through various websites. The U.S. Mission to Vietnam has had reports of unscrupulous travel agencies, businesses, organizations, and individuals taking advantage of travelers and sometimes charging unexpectedly high fees and additional charges upon landing in Vietnam. In addition, because many of the Vietnam Visa on Arrival websites request personal identity information along with a credit card or other payment, U.S. travelers should understand the risks and vulnerabilities in providing such information to a public website. The U.S. Department of State, nor the U.S. Commercial Service, cannot make recommendations about using third-parties to obtain a visa to Vietnam, and suggest the most reliable method is to obtain a visa directly from an Embassy or Consulate of Vietnam.

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 State Department Visa Website or Embassy of the United States in Hanoi.

Currency

The official currency in Vietnam is the Vietnamese Dong (VND). At the time of this report, the exchange rate was 22,780 Dong per 1USD. The State Bank of Vietnam controls the exchange rate, and its fluctuation has been limited over the last year. ATM's are used throughout Vietnam and there is usually a fee associated with their use. Some ATM's will only allow a two million dong withdrawal (just under $100) so you may want to check the maximum amount prior to committing to the transaction. Visa and Mastercard are the most commonly accepted cards.

There are money exchanges throughout the major cities, but these can have high rates and be questionable. Be sure to count your money prior to leaving the window as scams can be common. Do not accept ripped or torn bills as you will have a hard time using them and some vendors will refuse to take them. Credit cards are becoming more widely used in Vietnam but cash is preferred. Some vendors will accept foreign currency and Travelers checks are difficult to cash and not widely used here. When paying for goods or services it is customary to flatten out the bills straight and present them with both hands.

Telecommunications/Electronics

International Direct Dial (IDD) and fax services are available at most hotels. Internet services can be accessed through hotel business centers or at numerous Internet cafes. Most hotels offer broadband access in their rooms and many coffee shops and restaurants offer WiFi access for patrons. Smart phones are ubiquitous and internet penetration is around 44 percent. International Roaming for mobile telecommunications is available in Vietnam, although it may be expensive. The electric current is AC 50-60 Hz and voltage ranges are 220/380 volts.

Transportation

Travel within Vietnam is becoming easier with good domestic air connections between major cities and an increasing number of flights to secondary destinations. A round trip ticket between HCMC and Hanoi is currently about $200 for economy class and $500 for business class. Vietnam Airlines, VietJet, and Jetstar Pacific Airlines are the three 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 inexpensive, especially in the large cities. A car with a driver is also an option in most cities and can be rented for between $80 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. Ride-sharing firms like Grab Taxi also operate in some cities.

Language

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

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. Please reference the links below for lists of health care facilities in Ho Chi Minh City and in Hanoi.

Local Time, Business Hours and Holidays

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 are on a 5-day work week and are not open on Saturdays.

During the Lunar New Year, in January or February, business and government activities in Vietnam come to a virtual standstill for the weeklong Tet holidays. Business travel during this period is not advised. The following link lists both U.S. and Vietnam holidays.

Temporary Entry of Materials or Personal Belongings

Articles 30, 31, and 32 of Government Decree 154/2005/ND-CP 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; 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.

Travel Related Web Resources

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

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

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