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Vietnam

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Doing Business in Vietnam

Market Overview

"""The growth of the middle class and the increasing purchasing power in Vietnam are further incentives to strengthening our long-term trade and investment relationship"
Secretary of Commerce Wilbur Ross
May 31, 2017, Washington, DC

"We have overcome many difficulties and challenges to turn from foes to friends and now a comprehensive partnership built on a strong foundation. Our economies are fully complementary and with increasing trade come stronger mutual benefits."
Prime Minister Nguyen Xuan Phuc
May 30, 2017, New York City

The U.S.-Vietnamese commercial relationship has grown dynamically 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. Conversely, over the last two years, Vietnam has become the United States' fastest growing export market, demonstrating the increasing demand for U.S. technologies and goods. This populous country of over 93 million consumers, with a positive view towards the U.S., exhibits the demographics needed for continuous growth over the next twenty years, and is a rising star among Asia's bustling economies. U.S. firms, previously slow to take advantage of the growing opportunities that Vietnam presents, 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:

- Strong GDP growth expected to continue for medium term.
- 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.
- Extraordinary growth in U.S. exports.
- Large population of over 93 million consumers.
- Political stability in a region known for its uncertainty.

Over the past 25 years, since economic reforms were initiated in the late 1980s, Vietnam's annual economic growth rate of 5.3% has been second only to China in Asia. Vietnam has rebounded from the doldrums of the last decade's global

financial crisis as the country has regained its luster as an investment destination and export market. Last year closed with GDP growth of 6.2%, down from the 6.7% growth in 2015, but stronger than regional peers. Vietnam started 2017 with high expectations, as the Asian Development Outlook report forecasts Vietnam's economy to expand by 6.5% in 2017 and 6.7% in 2018, due to rising activity in the manufacturing, construction, wholesale and retail trade, banking and tourism sectors. This has lead PriceWaterhouse Coopers to predict that: 1) Vietnam will have the strongest average GDP growth till 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 $52 billion in 2016, considerably to the benefit of Vietnam, which held a $31 billion trade surplus with the U.S.

U.S. exports to Vietnam grew by 23.3 percent to $7.1 billion 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 the U.S.'s top 50 export markets, and not just in percentages. Over 2015 and 2016, U.S. exports to Vietnam increased by over $4.4 billion, more than twice that of second place Ireland, which saw an increase in U.S. exports of only $1.7 billion.

U.S. export of agricultural products account for nearly half of total exports to Vietnam, and the country jumped from the 11th highest value destination for U.S. agriculture exports in the world to 8th in just one year (2015 – 2016). Industrial inputs continued to see steady growth as Vietnam continues to import machinery, chemicals, instruments and software to support its growing industrial sector.

As a December 2016 Harvard Business Review article noted, Vietnam is one of the "frontier economies" forecast to grow the fastest over the next five years. Such economies are "characterized by politically manipulated markets, weak legal systems, and low per capita income," but are increasingly becoming targeted by multinationals seeking double-digit growth.

Market Challenges

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.

While Vietnam's anti-corruption law is considered amongst the best legal frameworks in Asia for anti-corruption, implementation remains problematic. Corruption and administrative red tape within the government has been a vast challenge for governmental consistency and productivity and for foreign companies doing business in Vietnam. Vietnam ranked 113 (out of 176) on Transparency International's 2016 Corruption Perceptions Index, placing it low in a region infamous for its levels of corruption. As comparison, regional neighbors scored – Philippines and Thailand tied at 101, Indonesia 90, China 79, and Malaysia 55). 55 percent of respondents felt that public officials and civil servants were corrupt or extremely corrupt.

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 78 percent in 2015, a small improvement from 92 percent ten years earlier, but a signaling a steady but slow decline.

"Tied" official development assistance (ODA), in addition to corruption, continues to be a significant challenge for U.S. firms bidding on infrastructure projects. Some companies have successfully partnered with Japanese companies to be eligible to bid on Japanese ODA funded projects, which represents the largest source of foreign ODA.

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

Investors often run into poorly developed infrastructure, high start-up costs, arcane land acquisition and transfer regulations and procedures, and a shortage of skilled personnel. Vietnam ranked 82nd (of 190) in the World Bank's Ease of Doing Business report released in October 2016. This is an improvement from its

ranking of 91st in 2015. Of note, the World Bank reported that Vietnam is working to make it easier to trade across borders, and introduced or improved electronic submission and processing of documents for imports. 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 $5,370 in 2014 (in 2011 PPP). The government's recently 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, as evidenced by strong growth in the number of Vietnamese students attending university in the United States, and the growing number of middle-class that are choosing the U.S. as a vacation destination.

Telecommunications, information technology, oil and gas exploration, power generation, transportation infrastructure construction, environmental project management and technology, aviation and education will continue to offer the most promising opportunities for U.S. companies over the next few years as infrastructure needs continue to expand with Vietnam's pursuit of rapid economic development. Health care 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, which includes 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, as noted earlier, and are responsible for U.S. agricultural products accounting for nearly half of total exports to Vietnam. Demand continues to also grow for consumption oriented 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 of 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.

For the most part, U.S. companies entering the Vietnamese market will need to consider two marketing efforts; one for targeting the northern part of the country, which has a higher concentration of government ministries and regulatory agencies, and one for the south, which is the dominant industry hub. 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, manpower and capital. Firms seeking a direct presence in Vietnam should establish a commercial operation utilizing the following options: first, a representative office license; second, a branch license; and lastly, a foreign investment project license under Vietnam's revised Foreign Investment Law.

Vietnam 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. 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.

Political Environment

Political Environment

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

Selling US Products & Services

Using an Agent to Sell US 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 commonly in a contract of high dollar value.

Legal and Practical Considerations

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

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

Foreign-Invested Trading Companies in Vietnam

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

Establishing an Office

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 has 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. A new Decree 07/2016/ND-CP dated January 25, 2016 guiding the Commercial Law on representative offices ("RO") and branches of foreign business entities in Vietnam took effect from 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 the Decree 72. In particular, an RO can conduct the following activities: (i) being a liaison office, (ii) doing 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 Department of Industry and Trade (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 3 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 7 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:

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

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

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;

a) Medical service, educational, scientific, cultural, sports and other services;
b) Establishments which conduct investment activities for profit-making purposes;
c) Other economic organizations in accordance with law.

3. To invest in the contractual forms of Business Cooperation Contract (BCC); Build- Operate-Transfer (BOT); Build-Transfer-Operate (BTO); and BT (Build-Transfer).
4. To invest in business development. Investors shall be permitted to invest in business development through expanding scale, increasing output capacity and business capability and renovating technology, improving product quality and reducing environmental pollution.
5. To purchase shares or to contribute capital in order to participate in management of investment activities. Investors shall be permitted to contribute capital to and to purchase shareholding in companies and branches operating in Vietnam. The ratio of capital contribution and purchase of shareholding by foreign investors in a number of sectors is regulated by the government.
6. To invest in the carrying out a merger or acquisition of an enterprise. Investors shall be permitted to merge with and to acquire companies and branches. The conditions for the acquisition of companies and branches

are largely regulated by the 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 franchise brands itself.

Decree No. 35/2006/ND-CP dated Mar 31, 2006, and Decree No. 120/2011/ND-CP dated January 25, 2016, provided the legal basis for franchising operations, outlining key definitions and requirements of franchise agreements, as well as regulations for State administration of franchises. Companies wishing to utilize the franchise model should consult with qualified legal counsel for the latest franchise laws and regulations. Please see the Franchising Sector under Best Prospects of this report for additional information on franchising.

Direct Marketing

Direct marketing and multi-level marketing in Vietnam were initially spurred by the arrival of internationally recognized players in the market roughly a decade ago. Decree 42/2014/ND-CP, the Decree on Management of Multi-level marketing activities, issued May 14, 2014, provides the most recent basis for regulation of this sector. Under the Decree No. 42/2014/ND-CP, multilevel marketing firms must have a charter capital of at least VND10 billion ($454,545). The new regulation also bans multilevel marketing firms from direct selling as pyramid schemes besides banning the firms from requiring people to pay any money or buy the firms' unauthorized goods to participate in the firms' business. Multilevel marketing sales people are also not allowed to provide wrong or dubious information to cheat people.

Per the new decree, the Ministry of Industry and Trade (MoIT) will take responsibility of granting the business licenses for multilevel marketing firms, instead of municipal and provincial Departments of Industry and Trade as was done previously. Licensed multilevel marketing firms that have no operations or have stopped operations for 12 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 which meets regularly to discuss industry developments.

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 – and a few have set up production in Vietnam as well.

Foreign life insurance companies have been licensed for some time and have assembled large teams of agents who engage in traditional telemarketing, door-to-door selling, and workplace marketing in urban areas.

Joint Ventures/Licensing

Joint Ventures

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 SOE's are included, the potential for sales to this sector is very large. Bolstering state budget allocations, Vietnam is also the recipient of significant levels of Official Development Assistance (ODA). Infrastructure is the principal development priority for ODA, but other key sectors include transportation, telecommunications, energy, environmental/water, civil aviation, education and financial services. 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 as of Jan 1, 2009. Distribution services include commission agent sales, wholesaling, retailing and franchising.

Some products are excluded from Vietnam's commitment to open distribution services. Foreign Invested Enterprises (FIEs) are currently prohibited from distributing cigarettes and cigars, books, newspapers and magazines, video recordings, precious metals and stones, pharmaceutical products and drugs, explosives, processed oil and crude oil, rice, cane and beet sugar (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 with the global economy has also increased. Market observers speak of the growth of "consumerism" in Vietnam, but it must be kept in mind that per capita GDP is relatively low, at approximately $2,000. The market for most imported consumer goods is concentrated in a handful of large cities where incomes are considerably higher than the national average, and in some parts of the Mekong Delta.

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

issues from manufacturers in Asia have increased consumer awareness in Vietnam.

Awareness of brands comes from word of mouth, the internet, market promotions and advertising. Consumers are remarkably familiar with leading foreign products, even those not generally available in Vietnam. One major reason for this is a high penetration of internet users; another key reason is contact with relatives abroad. 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

Overview

E-commerce in Vietnam has made great progress in recent years. Vietnamese businesses are making an effort to reduce transaction risks and expand into larger markets while Vietnamese consumers will benefit from more options and convenience.

According to a 2015 survey in Vietnam E-Commerce and Information Technology Agency (VECITA), online sales in 2015 were $4.1 billion, a 20% increase from 2014. However, traditional retail still drives overall sales growth. eCommerce is expected to continue to grow thanks to the explosion of smartphone usage to an estimated 17.6 million units in 2016, an annual growth of 17.3% from the prior year. There are also an estimated 50 million internet users in Vietnam, a 7.5% increase between 2014 to 2015. VECITA expects the number of online shoppers will increase 52% by 2020

The most popular categories purchased by consumers were: clothing, footwear, and cosmetics, followed by technology and electronic equipment, household appliances, books, stationery, flower, and gifts. Most online shoppers prefer cash on delivery, with 91% of survey respondents choosing this payment method; 48% chose bank transfer and 20% used credit cards.

Internet usage over population (2015)	**Estimated expense online per capita (2015)**	**Internet users shop online**	**Estimated B2C e-commerce revenue (2015)**
49%	$160	62%	$4.07 billion

<u>Internet penetration:</u> The number of internet users in Vietnam has grown from 23.2 million in 2009 to nearly 54 million at the in 2016. The

broadband penetration rate, however, is relatively low, with an estimated 9.3 million subscribers at the end of 2016.

Current Market Trends

The Vietnamese government is committed to modernizing Vietnam's IT infrastructure and encouraging investment in the sector through lower taxes. Online payments have recently been adopted by more services, including public utilities. As an example, in 2007, Vietnam Electricity (EVN) Ho Chi Minh City began working with local banks to collect payments electronically. It currently receives nearly half its revenue through this service.

As part of the commitments that Vietnam made to accede to the WTO, Vietnam is opening its internet and telecommunication services sectors to greater foreign investment. This is one area of opportunity for new entrants that can partner effectively with local firms. In addition, the government is developing the supporting infrastructure and providing the legal framework for e-commerce through plans for more tenders to be submitted online and providing online public services.

Prominent local players, namely Mobile World JSC and Lazada.vn, continue to dominate the online shopping market in terms of revenue, with competition from Tiki.vn and Vatgia.com. International sites like Amazon, Alibaba and eBay are also among the top ten most visited websites.

Price is the top concern for Vietnamese consumers when it comes to the online shopping behavior, followed by the reputation of the seller/website and brand of products/services. Major issues, however, remain unchanged including customers' low trust in online shopping, unpopular online payment platforms, and quality of delivery and fulfillment services.

Domestic eCommerce (B2C)

In 2016, only 45% of businesses in Vietnam had websites that allow consumers to purchase online, which is unchanged from 2015. However, online retailers that updated their inventory daily improved slightly in 2016 from 54% compared to 50% in 2015. eCommerce in Vietnam has seen a growing trend of selling through social media sites like Facebook, especially for SMEs and private/household businesses. Mobile commerce has also begun to grow rapidly as Vietnam's mobile infrastructure has improved. Many businesses have invested more in this new platform, from upgrading to mobile-friendly websites to developing applications. Only 13% of Vietnamese retailers have developed their own standalone website instead of using a third party online retailer such as eBay and Alibaba to sell their products.

Cross-Border eCommerce

Vietnam online-shoppers favor U.S products because of the reputation of Amazon, eBay and other larger internet retailers. Most commonly bought products are fashion and electronics. Revenue growth for online retailers in 2016 grew by 140% over 2015 and is expected to double in 2017.
Amazon only sells books directly to Vietnam. Therefore, customers in Vietnam who want to buy goods on Amazon.com use an intermediary service. Through 2016, Vietnamese customers have purchased more than 800 million products on Amazon. Amazon will launch its online shopping service in Indonesia, Malaysia, Singapore, Philippines, Vietnam and Thailand by the end of 2017, per April 2017 media reports. The company is working with iPrice Group Sdn Bhd, a Malaysian retailer, to enter these markets.

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 to promote cross-border e-commerce activities. However, there are still unclear customs mechanisms, policies, decrees, and circulars guiding cross-border e-commerce transactions that pose an obstacle to growth.

B2B eCommerce

According to VECITA's 2016 survey, 32% of businesses in Vietnam have established their business relationship with foreign partners through online channels, 11% have joined an e-commerce /platform, and 49% own a website. Even though Vietnamese businesses prefer face-to-face meetings to negotiate and sign contracts, online channels are still acceptable. The usage of E-commerce platforms like Alibaba and Amazon as a source for suppliers has become more popular recently.
In 2016, Alibaba, through its local partner OSB, partnered with VPBank and PTI to form Vietnam Export Support Alliance, which offers a joint package to local exporters in assisting them with seeking financial and banking assurances and export-import insurance.

Since its first launch in April 2014, VNACCS/VCIS (Vietnam Automated Cargo Clearance System) is an integrated Vietnam electronic customs clearance system with one single window policy. The service has encouraged the cross-border trading with 86% local businesses benefit from it.

eCommerce Services

Logistics remains the main burden for the sector, particularly for customers in rural areas or second-tier cities. Per Vietnam's Ministry of

Industry and Trade, small cities accounted for 25% of e-commerce sales in 2015, while Hanoi and Ho Chi Minh accounted for 75%.

Logistics services for e-commerce, which includes packaging, shipping and money collection, as well as customer relations, is expensive compared to traditional retail channels, which are still favored by the Vietnamese consumer.

Amongst the major players in the market, Lazada, now partly owned by Alibaba, is best positioned to overcome logistical challenges. Alibaba currently operates in 6 Southeast Asian countries, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam, where it has opened 12 warehouses and 92 distribution centers. The company's investments in local delivery and supply chains together with their 14.5% stake in Singapore Post (SingPost), a regional player offering logistics and delivery services in 15 countries, will allow it to overcome logistical hurdles and provide end-delivery support.

On December 9, 2016, in Ho Chi Minh City, Vietnam Logistics Enterprise Association and Vietnam E-Commerce Association signed an agreement to collaborate in communication, counselling on policies, raising awareness, and promoting E-commerce and E-logistics applications.

eCommerce Intellectual Property Rights

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.

Procedures in handling of administrative violations in e-commerce:

Traders, organizations, or individuals that commit the following violations shall, depending on the nature and severity of their violations, be administratively sanctioned in accordance with the law on handling of administrative violations in e-commerce:

1. Violation of provisions on prohibited acts in e-commerce activities in Article 4 of the decree;
2. Violation of regulations on conclusion of contracts in e-commerce;
3. Violation of regulations on responsibilities of subjects in e-commerce;
4. Violation of regulations on notification of set-up of sales e-commerce websites;
5. Violation of regulations on registration of e-commerce service provision websites;

6. Violation of regulations on rating and certification in e-commerce;
7. Violation of regulations on protection of personal information in e-commerce;
8. Violation of regulations on payment safety in e-commerce;
9. Non-compliance with requests of competent state agencies conducting inspection and examination in accordance with law;
10. Continued operation after having their registrations for provision of e-commerce services terminated, for traders and organizations;
11. Continued operation after having their registrations terminated or being deregistered or having their licenses for rating, supervision and certification in e-commerce invalidated or revoked;

In addition to the administrative sanctions, management agencies will consider the nature and severity of violations to issue decisions to stop operation, cancel the right to use licenses or deregister e-commerce websites.

In the case of traders, organizations, or individuals that commit violations, causing damage to material interests of other traders, organizations or individuals, they will pay compensations in accordance with 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.

Popular eCommerce Sites

B2G E-commerce platforms: Vietnam's Prime Minister Nguyen Xuan Phuc has approved the framework to implement the electronic government procurement system in a bid to enhance transparency and reduce costs in the procurement.
Muasamcong.mpi.gov.vn serves as the e-procurement portal. Via the portal, suppliers can get access to public procurement law and regulations, notices of invitations to tenders, guidelines to participate in a tender, and bidding results. However, most of the portal is not translated into English.

Vietnam expects to start rolling out the national bidding network system in 2018 that can be utilized by any business looking to work with government agencies, mainly at the ministerial level

B2B E-Commerce platforms: The most popular B2B sites:

Alibaba
Vietnam Business Directory
Vietnam B2B Direct

Bizviet.Net
VietAZ
Vietnam Tradeford

Most popular B2C E-commerce websites include:

1. **Lazada.vn**
2. **Chotot.com**: A joint venture between Singapore Press Holdings Limited, Schibsted Media Group and Telenor Group. Chotot is also sister of Kaidee Thailand, Mudah Malaysia, Berniaga Indonesia (now merged with OLX)
3. **Tiki.vn**: Founded in March 2010, the website initially sold books then expanded to selling more popular products in electronics, accessories, gifts, fashion, beauty, and health.
4. **Thegioididong.com**: The largest digital and home appliance product retail chain in Vietnam with more than 1000 stores, recently expanded into daily grocery delivery.
5. **Amazon.com**
6. **Sendo.vn**: General shopping site with that is well known for selling fashion and cosmetic products. Sendo is the ecommerce arm of FPT – one of the largest telecom companies in Vietnam that specializes in retail, software outsourcing and is an internet service provider. FPT also owns one of the largest online news site VnExpress.net
7. **5giay.vn**: A classified ad website.
8. **Vatgia.com**: Once the most popular eCommerce site in Vietnam thanks to its content and SEO strategy, started as a price comparison site.
9. **Adayroi.com**: B2C site backed by Vin Group. The group owns some of the largest shopping malls in Hanoi and Ho Chi Minh city, and has diversified into online business.
10. **Foody.vn**: Started as a restaurant review website. Currently, Foody also offers travel, online reservations, and a food delivery service. Foody is backed by Garena and Tiger Global.
11. **Fptshop.com.vn**: Digital product retail chain of FPT, sister site to Sendo
12. **Yes24.vn**: Online retailer from Korea, that sells fashion and cosmetics products.

Online Payment

Cash payments are still the most popular method of payment in Vietnam, especially in the rural areas. Vietnamese consumers are still wary of online payments and credit cards because of product quality and privacy of personal data. Per VTCPay, an electronic payments business in Vietnam that processes 8 million daily electronic transactions, 90% of payment transactions in Vietnam are still conducted by cash.

Cash on delivery remains the main form of payment for eCommerce, reflecting the country's underdeveloped systems of online payment. But, online payments are expected to gain in popularity with the growth of domestic online payment start-ups.

Electronic Payment Services

Six non-banking institutions were licensed to provide electronic payment services, including: Banknetvn, VNPay, M_Service, BankPay, Vietnam Online, and VietUnion. 38 commercial banks collaborated with these institutions to provide electronic payment services.

Payment Card Switching System

In April 2015, Vietnam National Financial Switching JSC (Banknetvn) and Smartlink Card Services (Smartlink) were officially merged into one company, allowing customers of any bank to execute transactions at most ATM/POS, regardless of the affiliation.

Payment Cards

In 2015, Vietnam had approximately 69 million cards issued, in which 6.25 million were international cards. Basic services of these cards included withdrawal, transfer, account statement services. Commercial banks have also integrated new functions into payment cards such as allowing customers to pay various bills including electricity, telecommunications, insurance, flight tickets, or other online bills of goods and services. Per statistics of the State Bank of Vietnam, the ratio of cash in circulation over the total value of payment methods decreased from 12.3% in 2012 to 11.89% in October 2015.

Online Payment Services via Internet or Mobile Phone: 67 commercial banks provided internet banking services and 37 commercial banks provided mobile banking services.

Cross-border Payment Cards: International payment card systems in Vietnam such as VISA, MasterCard, American Express, Diners Club/Discover (US), Union Pay (China) provide debit and credit card services. These cards have functions such as ATM withdrawal, POS, online payment.

Mobile eCommerce

The number of businesses that chose to develop mobile platforms for e-commerce are also increasing. In 2016, 19% of Vietnamese businesses have customized their website to be mobile-friendly and 15% have developed their mobile apps.

The Android platform is the most popular platform chosen by businesses for developing their mobile applications (72%), followed by the Windows platform (49%) and iOS (46%). The trend of mobile payments will continue to drive demand for mobile wallets and other Mobile Financial Services (MFS), further stimulating eCommerce.

Digital Marketing

Social networks are the most popular methods used to promote commercial website and apps; 47% of the businesses use this method while 41% are also advertising their website and apps through search engines. Other forms of digital marketing used are direct SMS/email and online news websites.

Most businesses in Vietnam spend VND10 million (approx. US$440) a year for online advertising; only 10% of local businesses spend more than VND50 million (approx. $2,200) for the promotion. Among top digital marketing agencies in Vietnam are:

Saatchi & Saatchi: Established in Vietnam in 1995, is the largest advertising agency in Vietnam with three subsidiaries under Publicis Group: Saatchi & Saatchi, Vivaki and Publicis.

Isobar: Isobar established its office in Vietnam in 2016, and is a subsidiary of Dentsu Aegis Network. Isobar Vietnam is responsible for digital marketing for the Dentsu Aegis Network in Vietnam.

Other local digital advertisers are: Mirum, Adflex, Adtima, Adsota, Firstcom.

Major Buying Holidays

Local holidays like Lunar New Year (Tet) and the Full Moon Festival are popular gift giving occasions. Vietnamese consumers will also give gifts for major international buying holidays like Valentine's Day, Mother Day, and Christmas.

The biggest local eCommerce event of the year in Vietnam is Online Friday organized on the first Friday of December. According to organizers, Online Friday 2016 saw many leading retailers such as The Gioi Di Dong (Mobile Worlds), FPTShop, Viettel Store, Pico, Nguyen Kim, and Lotte participate.

Major brands like Acer, Asus, HP, Oppo, and Nagakawa also advertise special sales to customers and assisted retail businesses during the 2016 event. Customers may use coupons/vouchers to shop at stores and trading centers participating in the Online Friday.

Social Media

In 2016, 35 million Vietnamese people used social networks, accounting for approximately 36% of the population. In 2015, Nielsen's report showed that over 30% of Vietnamese consumers use online shopping services on a regular basis and used social networks for reference before making purchase decisions. VECITA reports that 34% of the surveyed businesses have their sales channel on social media, an increase of 6% from the previous year.

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

Per Vietnam Advertising Association (VAA), the country now has more than 4,000 domestic ad companies, of which about 3,000 are operating in HCM 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 approximately 87 percent. There are 64 local and one national broadcaster (VTV). With the emergence of satellite dishes and cable networks, many households also watch international networks (CNBC, CNN, StarTV).

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, only 57% 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 significantly. 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, SOEs, and industry associations. Common venues are the Giang Vo Exhibition Center, the National Convention Center and the Viet-Xo Cultural House in Hanoi. In Ho Chi Minh City, the Reunification Palace, international hotels, the Ho Chi Minh City International Exhibition and Convention Center and the newly opened Saigon Exhibition 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:

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

Price also plays an important role in consumer perception of the product. Although Vietnamese consumers expect to pay a premium for a foreign label or brand, in practice, the actual number of consumers who are willing to pay the higher price is limited. Market analysts agree that one notable exception to this generalization is big-ticket purchases of motorbikes, cars, and some fashion items 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 will be especially true for SOE or government customers. Foreign firms should invest in customer service training for front-line local sales staff, as well as technical training for technicians.

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

Protecting Intellectual Property

Several general principles are important for effective management of intellectual property ("IP") rights in Vietnam. First, it is important to have an overall strategy to protect your IP. Second, IP may be protected differently in Vietnam than in the United States. Third, rights must be registered and enforced in Vietnam, under local laws. For example, your U.S. trademark and patent registrations will not protect you in Vietnam. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works in accordance with international agreements.

Granting patents registering are generally is based on a first-to-file [or first-to-invent, depending on the country], first-in-right basis. Similarly, registering trademarks is based on a first-to-file [or first-to-use, depending on the country], first-in-right basis, so you should consider how to obtain patent and trademark protection before introducing your products or services to the Vietnam market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government cannot enforce rights for private individuals in Vietnam. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Vietnam law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the U.S. government stands ready to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and

enforcing their IP in a timely fashion. In no instance should U.S. government advice be seen as a substitute for the responsibility of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Projects and sales in Vietnam require constant attention.

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

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

IP Resources:

For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or visit the website.

- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**.

- For more information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: 1-202-707-5959.

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits website. The toolkits contain detailed information on protecting and enforcing IP in specific markets and contain

contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.

In any foreign market, companies should consider several general principles for effective management of their intellectual property. For background on these principles please link to our article on Protecting Intellectual Property and also Corruption.

IP Attaché Contact Vietnam
Vacant
U.S. Embassy Bangkok
Foreign Commercial Service
Room 302, GPF Witthayu Tower A,
93/1 Wireless Road
Bangkok, 10330, Thailand
+66 2-205-5913

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 music, motion picture, software and trademark violations. Most major cities in Vietnam are rife with pirated music CD and DVD shops. A wide variety of consumer products bearing false or misleading labels are also readily available in the markets, as are counterfeit labels themselves.

There are several enforcement agencies involved in and vested with authority to address IPR infringement issues. These include the Ministry of Science and Technology Inspectorate, the Ministry of Culture, Sports and Tourism Inspectorate, the Ministry of Industry and Trade's Market Management Bureau, the Ministry of Public Security's Economic Police, the Ministry of Finance Customs Office and the People's Court (Civil Court). 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 SOE's 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*, *Vietnam Economic Times* and *Thanh Nien*. These sources may be helpful in determining whether negative information on a company has been published.

Local Professional Services

Foreign Law Firms

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

Other Professional Services

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

Principle 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, which are:

Promote the development of trade and investment between the United States and Vietnam.

Provide a forum where American businesses in Vietnam can identify and discuss common interests regarding commercial activities in Vietnam

Work with organizations in Vietnam on matters of mutual interest

Maintain relations with chambers of commerce in the United States and other chambers of commerce or commercial organizations

US – ASEAN Business Council

The US-ASEAN Business Council is an advocacy organization for U.S. corporations operating within the dynamic 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 US Products and Services

Since entering the U.S.-Vietnam Bilateral Trade Agreement in 2000, Vietnam has granted the United States the 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 WTO, the country is in the process of liberalization of the trading 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

During President Obama's visit to Vietnam in May of 2016, it was announced that the U.S. would lift the ban on sales of lethal arms to Vietnam.

Web Resources

American Chamber of Commerce (AmCham) HCMC
American Chamber of Commerce (AmCham) Hanoi
National Office of Intellectual Property of Vietnam
U.S. Foreign Commercial Service in Vietnam
Vietnam Embassy in Washington DC
Vietnam Consulate General in San Francisco
Vietnam Ministry of Planning and Investment
Vietnam Ministry of Industry and Trade
Vietnam Customs
Vietnam Chamber of Commerce and Industry
Vietnam Economy
Vietnam Investment Review
Vietnam Trade Promotion Agency

Leading Sectors for US Exports & Investments

The following list of leading sectors for U.S exports and investments is not intended to be an exhaustive list, and the U.S. Commercial Service has successfully worked with U.S. firms from a broad array of industry sectors. If your firm's industry is not listed below, it does not mean that there is no market potential for your product of service in Vietnam, and we encourage you to contact our offices in either Hanoi or Ho Chi Minh City for more information on this market.

Environmental and Pollution Control Equipment and Services

Overview

Vietnam is facing an increasing number of environmental pollution challenges including air, water, and solid waste. Major factors contributing to these problems include a high population growth rate, rapid urbanization, accelerating industrialization, weak enforcement of the laws on environmental protection, and a lack of education and cultural awareness.

Leading Sub-Sectors

Water Supply

A lack of clean water is one of Vietnam's most pressing environmental concerns. Presently, it is estimated that only about 70 percent of the population has access to potable water. A high rate of water loss, averaging 27 percent (equivalent to 1.8 million cubic meters per day), further exacerbates the problem. To improve this situation, the Prime Minister issued Decision 1929/QD-TTg on the "Orientation for Development of Water Supply in Vietnam's Urban Centers and Industrial Parks Leading to 2025, and Vision for 2050" and Decision 2147/QD-TTg on approval of the "National Unaccounted for Water and Nonrevenue Water Reduction Program to 2025". These decisions set a target of supplying clean water to all urban cities and towns and limiting the rate of water loss in these cities to less than 15 percent by 2025. By 2050, all urban cities, towns, and industrial parks will be supplied in a stable manner with higher quality services.

Waste Water

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

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

Municipal Waste Water

It is estimated that over 90 percent of households utilize on-site treatment, generally in the form of septic tanks, but only 4 percent of sewage is treated. Approximately, 60 percent of households dispose of wastewater to a public sewage system, primarily through combined systems where sewage and rainwater runoff are collected but less than 10 percent of the wastewater in the country is being treated today.

Currently, there are 17 centralized urban wastewater treatment plants in six cities in Vietnam with total capacity of 565,000 cubic meters per day. Thirty-one wastewater treatment plants, primarily comprising of combined systems, with total capacity of over 1.5 million cubic meters per day are under design or construction in urban areas. Both storm water and household wastewater are commonly discharged through combined and outdated drainage systems into canals, rivers and lakes without treatment.

The estimated total investment requirement for implementation, excluding resettlement cost, was estimated to be at $3.4 billion. It is mandatory for new urban residential areas and industrial parks to plan and construct separate drainage systems for storm water and wastewater. Municipal and industrial wastewaters are further required to be pre-treated to ensure compliance with environmental standards before being discharged into the city's drainage systems. Thus, the government encourages cost-effective and environmental friendly wastewater treatment technologies and products into Vietnam.

Industrial Waste Water

The country's industrial production has grown around 15 percent per year during for the last decade. Statistics show that as of June 2012, there were 334 industrial parks and export processing zones in the country. Industrial wastewater treatment is a critical need as 75 percent of wastewater is being discharged into lakes and rivers without treatment. Per a report

from Ministry of Natural Resources and Environment (MONRE), 240,000 cubic meter of wastewater is being discharged directly to the environment every day.

Pollution violations by industrial manufacturers have drawn much attention recently. Public interest groups have begun to focus on the impact of industrial waste has on the environment and economy. Violating manufacturers are beginning to feel the impacts of boycotts by their associates and customers. These companies have also had some difficulty accessing bank funding, as more banks are adjusting their policies to avoid clients on the environment black list. Recent developments have triggered an intensification of monitoring and inspection of industrial pollution. Industrial parks represent an attractive market for wastewater treatment plants since the government is pushing industry harder on environmental compliance.

Solid Waste

The Vietnam Environment Administration (VEA) states that solid waste continues to increase throughout the country, and is expected to reach a rate of 44 million tons annually. Accelerating industrialization and urbanization, along with a population increase, are the major causes for this surge.

It is estimated that 46 percent of this solid waste is being discharged from the urban areas, 17 percent from industrial production zones, and the remaining from rural areas, trade villages and the medical sector. About 80 percent of the waste is being buried; the rest is treated by burning or composting. Currently, the country has more than 450 landfills but only around 120 follow proper sanitary regulations.

Another concern is waste collection and separation. Most of the solid waste produced in urban areas is not classified at its source. Organic and inorganic wastes are often mixed together. Waste collection in urban areas is only at 80-82 percent and 40-55 percent in rural areas. Additionally, there is very little recyclable material left once the waste reaches the treatment plants, as scavengers and garbage collectors have already collected the recyclable material including cans, PET bottles, scrap metal, wiring, plastic bags, and paper to sell.

The government strongly encourages private sector participation in solid waste collection, separation, transportation, and treatment. There are regulations in effect, but again, the enforcement level is very low. Entities generating solid waste are responsible for their waste collection, transportation and treatment fees. It is also required that waste be separated at the sources of generation. To minimize burying waste, the

government encourages new technologies to treat less degradable waste. Over the past decade, efforts have been made to develop a policy and legal framework for environmental protection, particularly for the management and disposal of waste streams.

Air Pollution

Vietnam's Ministry of Natural Resources and the Environment (MONRE) found that the deterioration in air quality in recent years is severe in many urban areas, especially in Hanoi and Ho Chi Minh City. A 2013 National Environment Report showed that air pollution in Hanoi was graded from unhealthy to hazardous for over 265 days of the year. The primary sources of urban air pollution are traffic and industrial activities, per the Vietnam Environment Administration.

The Vietnamese government has plans to address industrial air pollution. The Ministry of Natural Resources and Environment (MONRE) has drafted a National Action Plan on Air Quality Management (2020 to 2025). The plan includes a 20 percent reduction target for NOx, SOx and particulate matter emitted by cement, chemicals, fertilizer and petroleum production facilities. Separately, a draft National Technical Regulation on Emissions for the Steel Industry is also in progress. Vietnam's draft Environmental Law (55/2014/QH13) also contains air quality management requirements, including point source registration, emissions inventory and installation of continuous emission monitoring systems for the biggest stationary source emitters. Improving air pollution control also will require industrial parks to install emissions treatment systems. This increasing regulatory stringency is likely to drive growth in the air quality management market and provide opportunities for U.S solution providers.

Opportunities

Vietnam's Law on Environmental Protection was enacted in 1994 and updated and strengthened in 2005 and 2014. Central-level attention on protecting the environment also includes setting environmental sustainability goals in its 2015-2020 long term plan, issued in 2016.

In February 2017, Decree No. 155/2016/ND-CP on Sanctioning Administrative Violations in Environment Protection went into effect. The decree puts in place fines up to VND 1 billion (USD 44,400) for individuals violating environmental laws, and up to VND 2 billion (USD 88,800) for organizations, the highest administrative fines ever to be put into effect.

Funding for water supply and wastewater projects comes mainly from Official Development Assistance (ODA) sources with the major donors being the World Bank (WB) and the Asian Development Bank (ADB), committing billions of dollars to Vietnam's water projects. However, given

the public finance constraints and the phasing out of ODA assistance of several bilateral development partners, the Government hopes to source a significant portion of the capital through Public Private Partnership (PPP), including foreign investors. The issuance of the PPP Decree in February of 2015, as a single regulation governing PPP transactions and the issuance of a Decree on Investor Selection provides a strong political will and credibility to give investor and financier confidence. The water and sanitation sector has been identified as a potential for PPP projects. Many development partners are providing support to promote the government's PPP program, including the ADB, which in partnership with Agence Francaise de Development (AFD) is providing on-going financing support of $30 million to the Project Development Facility (PDF) for building a pipeline of bankable PPP projects. As it aims to reach industrialized nation status by 2020, Vietnam faces substantial challenges. It is estimated that from now until 2020, Vietnam would need around $170 billion to develop its infrastructure, including transport, bridges, power plants, water supply network, waste water treatment plants and ports.

Local production of environmental equipment does not currently meet market demand, especially the requirements of ODA-funded projects. Technical conditions/requirements governing many ODA projects dictate that many materials must be imported (water meters, valves, pumps, motors, water treatment chemicals, water filtration systems, water control and monitoring equipment, etc.) WB or ADB-funded projects are typically procured through an international competitive bidding that offers a transparent and fair selection for U.S. companies.

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

The market for water and wastewater treatment services centers on consultant contracts for ODA funded projects. More than 2,000 projects in Vietnam are required to make environment impact assessment (EIA) reports each year. Domestic engineering and consulting firms can perform EIAs for developers, but foreign developers prefer to work with foreign engineering and consulting firms because domestic firms often don't have the expertise to perform EIAs to global standards. Foreign environmental impact assessment capabilities will continue to be in demand in Vietnam.

Web Resources

Asian Development Bank
Ministry of Natural Resources and Environment (MONRE)
Vietnam Environment Administration

Vietnam Water Supply and Sewerage Association (VWSA)
Vietwater 2017, Hochiminh city, November 8-10, 2017
World Bank

For more information about this sector please contact:
Ms. Ngo Anh, Commercial Specialist
U.S. Commercial Service, U.S. Embassy in Hanoi
Email: Ngo.Anh@trade.gov

Mr. Triet Huynh, Senior Commercial Specialist
U.S. Commercial Service, U.S. Consulate General
Email: Triet.Huynh@trade.gov

Education and Training

Overview

Educational exchange is a cornerstone of the U.S. bilateral relationship with Vietnam as a top prospect opportunity for U.S. educational institutions. In the 2015/16 academic year, Vietnam topped Southeast Asia in students studying in the United States: 21,403, up 14.3% from the previous year. This figure is also the sixth highest among countries which have students in the United States. 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.

A significant increase in per capita income in the past ten years, the robust 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 about 600,000 students of the over 1.8 million candidates who took the university/college entrance exams.

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. To this end, 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 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. Thus, many Vietnamese students are looking for education opportunities outside of Vietnam.

Most Vietnamese students study at the undergraduate level. In 2015/16, the breakdown was 67.2 percent undergraduate, 15.1 percent graduate, 9.9 percent other, and 7.8 percent OPT (Optional Practical Training).

Marketing Strategies

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

Appoint a Representative

Local representation is essential for the success of any U.S. schools in the market. Students and parents tend to depend on people from Vietnam with whom they can 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, outreach and serve as a local point of contact. U.S. education institutions often appoint a professional education agent to market their school. Education agents typically represent 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.

Establish an Alumni Network

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

Exhibit at Major Education Fairs

There are several education fairs in Vietnam annually, including events organized by Education USA. The Education USA fairs seem to be the largest and most-attended events of their kind in Vietnam.

Stand-alone Marketing Events

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

Become Familiar with Vietnamese Education-related Organizations

U.S. Schools should familiarize themselves with the many groups in Vietnam that are promoting U.S. - Vietnam education exchange such as the nonprofit organization VietAbroader and the Vietnam Education and Training Consortium – VETEC.

Vietnamese Materials and Websites

While many prospective students are comfortable with English, schools will reach a wider audience and have more appeal with promotional material in 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.

1. Targeting the Agent Market, Virtual Agent Fairs: Participating schools join these virtual matchmaking fairs that introduce appropriate education agents, school counselors, and other partners via web-based "webinar" meetings. Virtual partner fairs will concentrate on different segments each time, such as the undergraduate, community college, and Intensive English Program segments.
2. Targeting the Agent Market, Gold Key Matchmaker Programs: Participating schools get individually tailored programs and

come to Vietnam for face-to-face meetings with prescreened potential partners and important contacts from the educational market.

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

Leading Sub-Sectors

Top areas of study for Vietnamese students include business and management, finance, science, technology, engineering, and math (STEM), IT, and social sciences. In addition, many opportunities exist that target the specific needs of the Vietnamese market.

4-year Degree University Study

More Vietnamese students are pursuing 4-year programs at universities. Business management, banking and finance, engineering, science and technology, and IT programs are often their top choices.

ESL and English Preparatory Programs

As Vietnam transitions to a market economy, English skills are becoming essential for many job seekers. Schools that offer English as a second language (ESL) or English preparatory programs are attractive choices for students who need to develop these skills before starting their college programs.

Technical and Vocational Training

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

Community Colleges

Community colleges offer financial and academic accessibility, serve as a bridge for Vietnamese students to acclimate to the English language and American culture, and the U.S. educational system as well as a transition point to a four-year university. Vietnam is the 3rd largest country of origin for students at U.S. community colleges.

Programs Aimed at Cultivating 'Soft Skills'

Due to the rote-learning style of the Vietnamese education system, there is a need to cultivate skills such as leadership, public speaking, creative problem solving, and a teamwork environment.

High Schools/Boarding Schools

In the past, very few students from Vietnam pursued their high school education in the United States. Recently, 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. In addition, parents in Vietnam cite their desire for providing a safe, comfortable environment for their kids as a primary criterion for selecting boarding schools. Several education recruiters in Vietnam have expressed interest in representing U.S. private high schools and boarding schools to address this growing trend.

Vietnam's per capita GDP is around $2,000 and most Vietnamese families cannot easily afford an overseas education. Providing clear information about available financial aid and payment plans is important for U.S. providers.

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

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

Given the high demand for visas to the U.S., many unscrupulous "visa brokers" and consultants promising access to the U.S. have gravitated toward education advising and recruitment. U.S. schools that wish to identify a legitimate recruitment agent needs to carefully review and investigate any prospective candidates and avoid the disreputable ones at all costs. Schools should avoid agents that are solely motivated by commissions, disregarding the needs of the student, and those who do not transparently disclose their fees and commission structure to clients. Due diligence is should be a top priority for all U.S. providers working here.

Opportunities

The greatest opportunities are for community colleges and four-year degree programs.

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.

Higher Engineering Education Alliances
Institute of International Education
Vietnam Education and Training Center
Viet Abroader
Vietnam Education Foundation

For more information about this sector please contact:

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

Ms. Nguyen Huong, Commercial Assistant
U.S. Commercial Service Ho Chi Minh City – U.S. Consulate General in HCMC
E-mail: Huong.Nguyen@trade.gov

Architecture, Construction and Engineering

Overview

The General Statistics Office (GSO) reported that in 2016, the construction value reached $47.3 billion, an increase of 10.1 percent over 2015. Most of the fields in the real estate industry had growth in the year and are expected to continue to grow, as the retail market continues to perform better (though the vacancy rate has remained at 10% -12%). The reason for this high growth rate is that construction activity in 2016 was driven by stable materials prices, low interest rates, and improved real estate markets. In addition, the government, ministries and sectors have taken measures to remove difficult obstacles and accelerate the disbursement of capital for construction projects.

The government recently approved a restructuring plan for the sector for the 2014-2020 timeframe. Per that plan, the government will provide incentives through financial aid and tax and credit programs to encourage other economic sectors to invest in social houses for war victims, public employees, armed forces members, and low-income households. This restructuring includes speeding up the equitization of state-owned companies. The plan set an annual growth target of 9- 14 percent for the construction sector during that period.

In 2014, the National Assembly passed the Law on Housing No. 65/2014/QH13 and the Law on Real Estate Business No. 66/2014/QH13 that went into effect on July 1, 2015. The new legislation looked to address the needs of a developing real estate industry in Vietnam and gave foreign individuals and entities more opportunities to access property and develop businesses in the real estate sector. In 2016, Vietnam attracted more foreign direct investment (FDI) from Japan, Korea, Singapore, Taiwan, U.S., Canada, E.U. and China. This will help push the development of the construction industry in Vietnam even further.

The Ministry of Planning and Investment (MPI), estimates that Vietnam needs to invest $200 billion for infrastructure development during the 2010- 2020 period. Private investment funds and multilateral development banks (WB, ADB, and ODA) by foreign countries such as Japan, have spurred investment in infrastructure, but financing continues to be a major challenge.

Leading Sub-Sectors

The competition in this sector is strong, and many international architects and construction services companies already have a foothold in the market. Several U.S. firms have been active here for many years. However, their market share is still relatively modest in comparison to that of the Japanese, European, and Korean companies.

Nevertheless, American products and services are desired and can compete, due to their expertise and reputation for quality of U.S. suppliers and an increasing demand among developers for new and innovative technologies and services. Architecture services, concept design, construction management, project management, and new building technologies represent the best opportunities for U.S. firms. Specific prospects include high-end hotels and resorts, high-rise office towers, and mixed-use projects, many of which are foreign invested and require high-quality design and construction. Awareness of sustainable and "green" buildings is just beginning to emerge, and suppliers in this area will need to educate project owners on the benefits of green technologies as environmental protection is not necessarily a priority here.

Other key areas include:

- Landscape architecture, water features and swimming pools
- Hotel and restaurant interior
- City/Town planning/master planning
- Green design/building materials (energy efficient, HVAC, lighting and building materials)
- Airport design

- Healthcare design
- Use of high-end architectural interior products and designs; Decorative surfaces/finishes
- Distortion-free glass, Hardwood floors and architectural features
- Fire safety, Illumination and alarm systems and structural safety

Opportunities

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

New Towns

Vietnam is developing several "new towns" as satellites of major metropolitan or industrial areas. These master-planned developments will call for investments in projects of industrial parks, commercial areas, housing, hospitals, schools, and retail. The Thu Thiem New Urban Area is an example of this and is the next division in Ho Chi Minh City's expansion. It encompasses 737 hectares of green-field development and is connected by the development of five bridges and a 1.49 km tunnel linking Thu Thiem to the city.

Hospitality/Resort Development

Vietnam is attracting the vacationing and second-home demographics with more than 3,200 kilometers of coast-line, over one hundred beaches, beautiful landscapes, and a rich cultural heritage. Prominent areas that have been targeted for tourism development include Quang Ninh, Da Nang, Quang Nam, Nha Trang, Binh Thuan, Ba Ria-Vung Tau, and Phu Quoc Island. While many projects are underway (including top international hotels, and deluxe villas), there are many projects still in the planning stages or partially completed. There are also a few hotel and resort projects being developed in Ha Long Bay, Bai Tu Long, Van Don in Quang Ninh province, Do Son, and Cat Ba Island in Hai Phong. City planners are also citing needs for accompanying airports, roads, water and wastewater treatment and other tourism infrastructure to support these projects.

Industrial Land and Warehousing

U.S. companies will likely target the industrial land in the southern provinces of Vietnam, where some textile mills are located. It is predicted

that manufacturers from other countries will certainly consider moving from countries like China, Thailand, Cambodia, Indonesia, and India to look at the favorable environment in Vietnam.

Office and Housing

The foreign investment and development needs of companies established in Vietnam will increase the demand for international standards. The expected growth of foreign companies will surge the demand for serviced apartments, rental, and sales of apartments in Vietnam. Due to the new Housing Law, which allows foreigners to buy houses in Vietnam, many foreign customers will be encouraged to own instead of renting, especially since the price of housing in Vietnam is significantly lower than prices in neighboring countries.

Web Resources

Asia Development Bank – Vietnam Projects and Operations
General Statistics Office
HCMC Department of Urban Planning and Architecture (DUPA)
HCMC Planning Information Center – DUPA
HCMC Association of Architects
Ministry of Construction
Ministry of Planning and Investment
Vietnam Green Building Council
Vietnam Association of Architects
World Bank – Vietnam Projects and Operations

For more information, please contact the following Commercial Specialists:
Ms. Ngo Minh Phuong, Commercial Specialist
U.S. Embassy Hanoi
Email: Ngo.Phuong@trade.gov

Oil and Gas, Machinery and Service

Overview

Vietnam has great potential in oil and gas reserves (ranked third in Southeast Asia) and oil and gas is a top priority sector for development by the Government. The oil and gas industry is the country's highest value export sector and a major procurer of imported technology, services, and equipment. Vietnam National Oil and Gas Group (known as PetroVietnam, PVN) is a leading state-owned economic group with revenue accounting for 20 percent of the nation's GDP and contributing to 23-25 percent of the State budget.

PVN holds a monopoly in the upstream, mid-stream, and downstream areas of the industry. In 2016, PVN produced 27.73 million tons of crude oil (a 7.3 percent increase over 2015), and 10.67 billion cubic meters of natural gas, generating $22 billion in revenue. Vietnam currently exports crude oil, but imports processed petroleum products for domestic use. PVN exported 7.59 million tons of crude oil in 2016.

Vietnam's domestic demand for crude oil is expected to increase as the country expands refinery capacity. The demand for natural gas is expected to rise by 12.1 percent per year up to 2020, reaching 24.8 billion cubic meters (bcm). Southern provinces are expected to show above average growth in natural gas consumption due to new gas-fired power plants, and fertilizer factories, as well as industrial and commercial sites. The completion of the gas industry infrastructure in the South and the formation of the infrastructure in the North and Central regions will ensure sufficient gas supply to industries and the public. PVN's objective is to produce 22-29 bcm of gas and 3-4 million tons of liquefied petroleum gas (LPG) by 2025.PVN plans to focus on oil exploration and production, oil refining, natural gas and power generation, and high quality petroleum services. They have applied some state-of-the-art technologies to enhance output, increase oil and gas recovery factors, and protect the environment and natural resources.

Leading Sub-Sectors

Vietnam's expanding offshore exploration and production has created a demand for oil and gas equipment and services. American companies have captured a share of the market and this is expected to expand. In the local market, American companies are well known as world leaders for advanced technologies, quality, and experience. U.S. suppliers of oil and gas equipment and services are quite competitive in the upstream and midstream sub-sectors where advanced technologies and reliability have strict requirements. Opportunities are also promising in offshore exploration and production technologies, equipment and services; engineering steel fabrication; LNG export; and petrochemical technologies and equipment.

Opportunities

Under its WTO commitments, Vietnam opened its oil and gas sector to foreign companies to bring capital, expertise, and technology to achieve the country's industry goals. Vietnam's "Master Plan Toward 2015 and Vision to 2025" states the industry will require an investment of $203 billion to achieve the goals set forth by the government up to-2025. PVN is working to promote the key projects now.

Oil and Gas Vietnam (OGAV) 2017

Vung Tau City, Vietnam, December 5-7, 2017
Organizer: Fireworks Vietnam Co., Ltd
Email: viet@asiafireworks.com
Tel: (+84-8) 3911-7400. Fax: (+84-8) 3911-7401

Web Resources

Ministry on Industry and Trade (MoIT)
Vietnam Oil and Gas Group – PetroVietnam (PVN)
Vietnam Investment Review (VIR)

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

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

Mr. Triet Huynh
Senior Commercial Specialist
U.S. Consulate General in Ho Chi Minh City
Email: Triet.Huynh@trade.gov

Franchising

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 this consumer-driven sector.

Franchising began in Vietnam in the 1990's with the introduction of well-known fast food chains like KFC, Lotteria, and Jollibee. In July 2016, per the Vietnam Ministry of Industry and Trade, 148 foreign brands had registered their franchising businesses in Vietnam. This includes fast food, bakery, coffee, drinks and restaurants, which accounted for 43.7 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.

In 2016, franchise deals rose 15 to 20 percent compared to 2015. Along with a growing interest in western-style food and beverage, there is a considerable demand for lifestyle-oriented products and services.

Increasingly, Vietnamese businesses have been exploring the business opportunities available through franchising. Several Vietnamese businesses have joined the trend of franchising, such as Trung Nguyen Coffee, Kinh Do Bakery, Wrap and Roll, Café Cong, AQ Silk, and Shop and Go. Nationwide, Highland's Coffee is one of the most visible franchise concepts. Several local restaurant chains have successfully franchised their formulas throughout the country and are now in overseas markets as well, such as Mon Hue, Wrap and Roll, and Trung Nguyen Café.

Leading Sub-Sectors

Vietnamese consumers often associate Western brands with quality, life-style, and 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 brands in Vietnam. With the strong consumer awareness of American food and beverages, U.S. franchise brands have become the key players with such brands as McDonald's, KFC, Subway, Starbucks Coffee, Burger King, Carl's Jr, Pizza Hut, Hard Rock Café, Domino's Pizza, Popeye's Chicken, Dunkin' Donuts, Z Pizza, Baskin Robbins, and Coffee Bean and Tea Leaf.

The food and beverage industry has seen franchising develop strongly. Food consumption in the country is expected to grow by 61.6 percent between 2012 and 2017 and nearly 50 percent of household expenditure is food and beverage. Franchising is a common strategy companies choose when expanding internationally. Of the 10-leading food franchise brands, only two still own more than 50 per cent of their outlets. In 2008, Burger King owned 12 percent of its outlets, but the number fell to 0.4 per cent in 2013, while Subway does not own any outlets.

The franchise convenience store has also become a popular concept with various brands including; Circle K, Family Mart and Shop & Go expanding quickly in larger cities. Education and training is a growing franchise area as well, with such brands as Mathnasium, Crestcom, Cleverlearn, Dale Carnegie (U.S.), and Kumo (Japan), among others.

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

Opportunities

Vietnam was ranked 9th of the top 12 markets identified by the members of the International Franchise Association as markets most valuable to them for international expansion and was profiled in the Top Markets Report.

With a population of 94 million, Vietnam has experienced strong economic growth in recent years, has the fastest growing middle class in Southeast Asia and is America's fastest growing export market in the world. There are several factors that have contributed to the growth of franchises and attracted foreign franchisors to expand into this market.

- 65% of the population is under 30 years old and 34.1% are living in urban areas. Per capita GDP is around $2,000 and rising.
- A steady growing GDP has created a new middle-class of consumers who now have disposable income to spend on their desired lifestyle as living standards improve.
- American brands enjoy a reputation for quality. Best prospects for American franchisors include: fast food, quick service restaurants, business services, health and nutrition, fitness, education services, health care, children's services, cleaning and sanitation, hospitality, fashion, beauty and skincare, entertainment, and convenience stores.

There are also several challenges that new-to-market franchisors should take into consideration:

- The biggest challenge is identifying and conducting due diligence on partners to determine their suitability and financial capability. Many local companies may not have a full understanding of brand value/integrity and/or legal regulations relating to franchising.
- Weakness in the local real estate and security markets in recent years has improved, but left investors a bit wary of new concepts that require high investment. They are also reluctant to invest in a new brand that has not already been proven successful in the region.
- Although there are rapidly emerging modern retail channels and retail development in Ho Chi Minh City and Hanoi, finding suitable and affordable locations remains a challenge for retail franchisors. A difficulty that foreign franchisors face in Vietnam is high rent for retail premises.

Web Resources

Franchising Law Website
International Franchising Association
Local Franchising Registration Procedure (in Vietnamese)

For more information about Vietnam's franchising sector, please contact:
Ms. Huong Nguyen, Commercial Assistant

U.S. Embassy in Ho Chi Minh City
E-mail: Huong.Nguyen@trade.gov

Information and Communication Technologies

Overview

Coupled with Vietnam's upward economic trend, the Vietnamese government and businesses are strategizing to upgrade the country's information technology (IT) infrastructure. The strategy is aimed to increase total revenue of the IT sector as a percentage of Vietnam's GDP. In April 2015, the Prime Minister issued Resolution #26/NQ-CP, instructing all Ministries and local governments to promote the application and development of IT to serve the purpose of successfully developing economy sustainably and integrating internationally. In addition, as Vietnam has become a member of ASEAN's Economic Community, enterprises are expected to increase spending to upgrade their IT infrastructure. The goal of the upgrades is to improve operational efficiency and expand business.

A recent Economist Intelligence Unit report shows that demand in the ICT sector in 2016 was estimated to reach $11.8 billion and forecasted to grow to $13.1 billion in 2017. To meet this dynamic market growth, Vietnam imports the lion's share of IT hardware and software as Vietnamese manufacturers are still relatively new and may not be able to offer the same range of solutions and services as foreign suppliers. This trend is expected to continue and offers good opportunities for U.S. suppliers.

Per the EIU, spending on IT will rise to $5.1 billion in 2017, an increase of 9.8 percent y-o-y. In 2016, spending on IT hardware continues to dominate the biggest share (86 percent) of the total spending, with software and services representing 6 percent and 8.3 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.

Telecommunications

Total telecom service revenue in 2017 is expected to reach $6.9 billion. Mobile data services own the major share (36.8 percent) of the sector. Viettel, Mobifone, and VNPT-Vinaphone continue to dominate Vietnam telecom market with over 90 percent shares. Viettel is the largest player currently and estimated to be at the same position through 2020. As of October 2016, the four operators had gained 4G licenses were Viettel, VNPT-Vinaphone, Mobiphone, and Gtel. In 2017, with strong investment, 4G services are estimated to rollout and expand rapidly.

Mobile Phone Networks

At present, there are six mobile operators in Vietnam; VNPT-Vinaphone, Mobiphone, Viettel, Vietnammobile, Gtel, SPT. Per Vietnam's Ministry of Information and Communications, last year there were 128 million subscribers of mobile phones, of which 63 million were Viettel users, 34.6 million on Mobiphone, 20.5 million used VNPT-Vinaphone, 5.9 million on Gtel, and 3.6 million are subscribers to SPT and Vietnammobile.

Fixed Phone Networks

In fixed phone networks, the five operators (VNPT, Viettel, FPT Telecom, SPT, and VTC) provide services to over 7.3 million fixed phone subscribers in Vietnam.

Internet

As of January 2017, number of fixed broadband internet subscribers is 9.3 million, while the number of mobile broadband internet users via 3G network is nearly 44 million. Per Business Monitor International, the internet market in Vietnam is forecasted to grow at a rapid 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

From 2010 to 2015, urbanization in Vietnam increased 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 the year 2040, placing an increasing burden on municipalities. Vietnamese governments at both the central and city levels have institutionalized their strong support of smart city development in Vietnam to help improve services to the growing urban areas while reducing or maintaining costs.

The growing Internet and mobile phone penetration is helping to drive smart city development and e-government solutions. It is estimated that 52 percent of Vietnamese population use the internet. The country has 128 million mobile phone subscribers and of them, 16 percent are smart phone users. Significant financing support provided by international donors, such as the World Bank, is behind this growth area. As the Vietnamese government continues to encourage and facilitate public-private partnerships in urban infrastructure projects, more funding will likely become available for the development of smart cities in the larger cities in Vietnam.

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 presents good opportunities for U.S. suppliers. 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).

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 good market opportunities as virtually all mobile operators and internet service providers in Vietnam are increasingly making investments to protect and keep their customers.

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 in Vietnam 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.

- HCMC's Green Transport Development Project, $124 million, 2015-2019
- Da Nang City's Sustainable City Development Project, $272.20 million
- Secondary Cities Development Program (Green Cities), $176 million
- Urban Environment and Climate Change Adaptation Project, $140 million
- Water Sector Investment Program PFR4, $235 million
- Strengthening Sustainable Urban Transport for Hanoi Metro Line 3, $53 million Da Nang City's E-Government Phase 2 Project, $60 million

- HCMC's Flood Risk Management Project, $435 million, 2016-2020
- 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)
- Saigon Water Corporation's ICT Upgrade Project, $27 million (phase 1) and $50 million (phase 2)
- Digitization of Vietnam's Broadcast Industry, $200 million, 2015-2020

Web Resources

Vietnam Internet Network Information Center
Vietnam Ministry of Information and Communication

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

Nguyen Nhung, Commercial Assistant
U.S. Commercial Service – U.S. Embassy in Hanoi
E-mail: nguyen.nhung@trade.gov

Huynh Triet, Commercial Specialist
U.S. Commercial Service – U.S. Consulate in Ho Chi Minh City
E-mail: Triet.Huynh@trade.gov

Ms. Lan Tran, Commercial Assistant
U.S. Commercial Service, U.S. Embassy in Hanoi
Email: Lan.Tran@trade.gov

Healthcare and Medical Equipment

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, but also in second-tier cities and provinces as well. Healthcare demand and growth in second-tier cities and provinces is helping to drive the development of the healthcare system. 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. Identified as a national development priority, the public healthcare sector has received increasing government budget allocations as well as interest from the private sector. Experts estimated the market size at $265 million in 2014. The market growth was

approximately 12 percent during 2009-2011; but is currently only growing at 5-6 percent.

The Vietnam healthcare sector is currently facing the following challenges:

1. Most 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.

Due to low quality service in country, around 30,000 Vietnamese people go abroad for higher quality treatment. This group spends approximately $2 billion USD every year out of pocket, an indication that domestic healthcare needs drastic improvement.

Market Access

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 the 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 purchase 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.

Import License

The registration process for medical devices manufactured within Vietnam is different than those that are imported. Imported devices are not required to be registered. Instead, a product specific import license is utilized. In 2011, the MOH issued the Circular 24 to provide an updated

guidance on import of medical equipment in Vietnam. U.S. exporters should be aware of Article 5 that requires a Certificate of Free Sale to be copied and certified by the embassy of Vietnam in the producing countries.

Imports of used and refurbished medical equipment are strictly controlled by the MOH. Decision 2019/1997/QD-BKHCNMT dated December 1, 1997, stipulates that the Ministry of Science and Technology (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 just 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. In this decree, there is a decentralization of the role of the state management agency, the importer's supplier, the consumer's use, and the quality assurance responsibility for the use of medical devices.

Leading Sub-Sectors

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

The demand for investment in medical equipment will continue to increase and focus on imaging equipment, operating rooms, and emergency resuscitation testing. Currently, about 90% of medical equipment in Vietnam is imported, with major suppliers from Japan, Germany, U.S., China, and Singapore, which account for 55% 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.

The best opportunities for medical devices are those which help fight liver cancer, diabetes, and cardiovascular diseases. 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

The government of Vietnam has approved a national master plan to develop the healthcare network up to 2020. These 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 70 percent of the market. Foreign-owned hospitals and clinics are also large purchasers; however, these facilities usually purchase supplies from their sponsoring country. Local private hospitals will 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

Asia Development Bank
Circular Guide to the Import of Brand New Medical Devices
HCMC Department of Public Health
Ministry of Health
Vietnam's Ministry of Health
The World Bank

For more information about the Vietnamese health care industry, please contact:

Mr. Triet Huynh, Senior Commercial Specialist
U.S. Commercial Service, U.S. Consulate General in HCMC
Email: triet.huynh@trade.gov

Ms. Ngo Phuong, Commercial Specialist
U.S. Commercial Service – U.S. Embassy in Hanoi
Email: ngo.phuong@trade.gov

Power Generation, Transmission and Distribution

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. They 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, though external assessments forecast a more conservative 8 percent annual growth. 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 during from now through 2020 to meet demand.

Power Generation

Per EVN, by the end of 2016, the total installed capacity was approximately 38,553 MW and power generation was 164.31 billion kWh.

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 the retail price up to 7%, twice a year, without approval from the Ministry of Industry of Trade or the Prime Minister.

Independent Power Producers (IPPs)

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 US$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% share.

Transmission and Distribution

Per EVN's Annual Report 2016, by the end of 2015, 100% of the districts were connected to electricity; 99.59% of the communes with 98.22% 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 addition to the transmission system, Jetnam 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. The estimated investment for the development of 500 and 220 kV power transmission systems from 2014 to 2020 is estimated at $6.7 billion and the estimated investment in the distribution system during 2014–2020 is $6.6 billion, per the "Viet Nam: Energy Sector Assessment, Strategy, and Road Map," a report issued by ADB in December 2015.

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.

Power Master Plan VII Revised

In 2016, the Prime Minister approved the revision of the power development plan for 2016-2020 to a vision towards 2030. The Power Master Plan VII revision emphasized renewable energy and the liberalization power market.

Establishment of a Competitive Power Market

In 2004, the Vietnamese National Assembly passed the new Electricity Law that outlines the development of a competitive electricity market. In 2006, the Prime Minister issued Decision 26/2006/QD-TTg to detail the implementation of a competitive power market.

Renewable Energy

Master Plan VII 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.

The plan is 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. 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 US$10.5 cents per KW/h.

The GVN promulgated Decision 37/2011/QD-TTg outlining incentives for wind power development, under which EVN will pay US$6.8 cents per KWh and the State will contribute US$1 cent per KWh, allowing investors to receive a total US$7.8 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. The GVN approved a new FIT for solar power which is 9.38 cents, effective from June 2017.

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 reduce 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 will 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.

A 2016 EVN report, for the period of 2015-2017, stated that EVN secured US$2.8 billion for their important power projects from official development assistance and foreign concessional loans. WB and ABD are the two largest donors.

In detail, 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 *Smart Grid Top Market January 2017 Update* Report, Vietnam ranked as number 14 for overall opportunities for electricity transmission, distribution, and storage firms. It further was ranked fourth for transmission and distribution equipment. The country is also regarded to have an unmatched supply of wind resources in Southeast Asia, which could thrive under the right energy policies. This could bring opportunities for U.S. engineering firms that have expertise in wind power projects.

Opportunities

USTDA has funded nearly 80 activities valued at US$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's Project Development Program helps overseas 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. In addition, USTDA will host a reverse trade mission (RTM) in August 2017 that focuses on smart grid development and implementation, with an emphasis on power distribution efficiency technologies.

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)
Ministry of Industry and Trade (MoIT)
PetroVietnam Power Corporation (PV Power)
Vinacomin
Vietnam National Power Transmission Corporation (NPT)

For more information please contact:
Tuyet Trees, Commercial Specialist
U.S. Embassy in Hanoi
E-mail: Tuyet.Trees@trade.gov

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

Defense Sector

Overview

Vietnam has seen some of the highest increases in military expenditures in the region. Between 2005 and 2014, its military spending increased nearly 400 percent. In that time, it has developed the most lethal power projection capabilities in Southeast Asia, including one of the largest navies, with advanced Kilo-class submarines, and now has the most sophisticated missile force in the region. Defense equipment suppliers and subcontractors can expect increased demand for naval combatants, aerial defense and 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, Vietnam's military expenditures totaled $5.0 billion in 2016, or 8 percent of total government spending, however, this number is not publicized by the government. Vietnam's military spending has hovered around 4 percent of its budget for most of the past decade, but has now rapidly increased as mentioned above. The country's military budget is expected to climb to $6.2 billion by the year 2020. The country 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 and in 2011 they issued a detailed maritime strategy for 2011-2020, making the protection of maritime sovereignty and the maritime economy key national security pillars. As Vietnam has a 2,000-mile coastline facing the South China Sea and 50 percent of its population living along the coast, the government sees its largest security threat as maritime in nature. About $1.6 billion was earmarked for defense purchases in 2016, and that is set to increase to $2 billion by 2020.

The Vietnamese Navy and Air Force, which until the early 2000's had very little capacity to protect Vietnam's maritime interests, have over the past decade undergone some modernization. Russia is Vietnam's main arms supplier and the major platforms acquired since 2011 have served to upgrade their ability to conduct sea operations off its coast and around military installations in the disputed islands.

Vietnam has also continuously upgraded its defensive missile systems. It put in place two batteries of the K-300P Bastion coastal missile system in 2011, and two batteries of the S-300 PMU-2 long-range surface-to-air missile systems in 2012. In 2014, they upgraded its short-range surface-to-air missile systems and their missile systems while also boosting its radar surveillance systems and successfully built its first UAV in 2013.

Vietnam is gradually expanding its national defense industrial base through overseas partnerships and technology transfers. Damen Shipyard in the Netherland 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 transfers from Russia, Vietnam has begun the production of the KCT 15 anti-surface warfare missile. India is fast emerging as a defense industry partner to Vietnam. It is currently upgrading Vietnam's Petya-class light frigates for anti-submarine

warfare. India is also expanding its existing service 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 (MOND) limits the number of businesses that may import or export defense equipment. Per the Ministry of Defense's decision No. 84, from 2007, regulating the import and export of defense equipment, General Import-Export Vanxuan Corporation (VAXUCO), a military goods importer owned by the MOND, is the designated importer for MOND for military goods, and is authorized to sign purchases on behalf of the MOND. 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 the MOND.

The lack of private participants and transparency severely restricts 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 MOND maintains 100 percent control. Furthermore, the country does not publish any data or specifics about the defense budget or procurement. This lack of transparency can be extremely discouraging to investors and can prevent entering the market.

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 largely dominated by 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 MOND. This event was created to allow U.S. defense firms to promote their goods and services directly to MOND, while educating MOND officials about U.S. licensing requirements. There is no date currently set for the third installment of this conference, though late 2017 is being proposed.

Web Resources

Office of Defense Attaché – US Embassy
Vietnam Ministry of Defense

Customs, Regulations, & Standards

Trade Barriers

Overview

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 on January 1, 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 dated November 20, 2013, 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, plan 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 MoF may apply price controls when prices increase or decrease without a "legitimate excuse" and subjects an extensive list of goods to pricing registration, including 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 on Jan 1, 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.

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%, 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 on September 1st, 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% 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).

ICT

The Ministry of Information and Communications issued Decree 72/2013-ND-CP on the management, provision, and use of internet services and online information in September 2013. This decree has raised serious concerns among the online business community and freedom of information advocates. Key concerns are the requirement for online service providers to enforce prohibitions on a broad and vaguely defined range of online activities, and 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 the Circular 31/2015/TT-BTTT guiding 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, on May 6, 2016, the Prime Minister of Vietnam 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 January 2010, Vietnam allows foreign equity of up to 65 percent for non-facilities-based public telecommunications services (i.e., services provided by a supplier that does not own its own transmission capacity but contracts for such capacity, including submarine cable capacity, from a facilities-based supplier).

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 issued by Government of Vietnam on May 15, 2016 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 issued by Ministry of Health on June 21, 2011, and Circular 20/2014/TT-BKHCN issued by MOST in 2014 stipulates that used medical devices for commercial purpose are not allowed into Vietnam.

On Jan 19, 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 June 2010. In 2013, the Government Office issued instructions to the relevant agencies for the implementation of Directive No. 23/CT-TTg dated September 7, 2012, of the Prime Minister on strengthening state management over the activities of temporary import for re-export, trans-shipment and bonded warehouses. Prior to that, Directive No. 23, from 2012, banned imports for re-export and trans-shipment of a variety of hazardous waste items and temporarily banned imports for re-export and transshipment of a variety of products including used consumer goods, frozen animal by-products, and offal. The directive made a third category of items, including 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.

Decision 1079/QD-BTC issued in 2014 by MoF, concerns the application of price stabilization measures for milk products for children less than six years of age. The decision applied price ceilings and mandates price reductions on a wide range of dairy products for an initial period of 12 months but is still in effect. It also dictated a maximum profit margin for retail sales of targeted products. The U.S. Government is actively raising concerns about these measures to the Vietnamese government.

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, is effective from March 21, 2016, and 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 January 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 new regulations are aimed at improving the capital position of the banking industry, they have also introduced new requirements and restrictions, such as those for calculation of capital adequacy ratios 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.

Investment Barriers

Vietnam's Investment Law 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 with in 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 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 the Vietnamese officials.

In April of 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 Tariff

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 (MoF) of Vietnam on Jan 1, 2016, regulates preferential export and import tariffs under the categories of taxable goods. U.S. companies who 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 (Jan 30, 2015). Decree 134/2016/ND-CP, issued by the Government of Vietnam in on September 01, 2016, provides guidelines for the law of export and import duties.

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.

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 and 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 regulate the export and reexport of items with chiefly 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.

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 or by contacting the Office of Exporter Services at the following numbers:

Washington, D.C. Tel: (202) 482-4811 Fax: (202) 482-3322
Western Regional Office Tel: (949) 660-0144 Fax: (949) 660-9347
Further information on export controls is available at the BIS website.

BIS has developed a list of "red flags," or warning signs, intended to discover possible violations of the EAR. These are posted at on the BIS website.

Also, BIS has "Know Your Customer" guidance.

BIS provides a variety of training sessions to U.S. exporters throughout the year. These sessions range 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 their website.

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 or in Supplement No. 3 to Part 730 of the EAR, which is available on the Government Printing Office Web site.

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: ITA's Developer Trade, Export.gov search consolidated screening list, and ITA's 8-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 and explosives (excluding industrial explosives subject to separate regulations); military technical equipment; antiques; narcotics of all kinds (excluding pre-substances subject to separate regulations); toxic chemicals of all kinds; wildlife and natural, rare and precious animals and plants; special-use codes of all kinds and code software programs used for the protection of state secrets; discarded materials and waste (excluding those permitted for import for use as raw materials for domestic production).

Regarding discarded materials and the procedure of temporary import for re-export of waste products, MOIT issued a decision document in 2008, and 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. This license is issued by the import country.

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, per former Minister Vu Huy Hoang, 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.

Labeling/Marking Requirements

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

In 2006, the Vietnamese government issued Decree 89/2006/ND-CP, which became effective in 2007, (Decree 89). Decree 89 and the accompanying regulations provided the requirements for labeling goods produced in Vietnam for domestic circulation or for export and of goods produced in foreign countries that are imported for sale in the Vietnamese market. These regulations do not apply to goods temporarily imported for re-export; goods temporarily imported for re-export after participation in fairs or exhibitions; transited goods, goods transported from border gate to border gate; gifts; presents; personal effects of persons on entry and exit; or moving property.

According to these regulations, all goods labels must show the following contents so that consumers can easily and clearly see them in a normal goods display condition:

- Name of goods
- Name and address of the organization or individual responsible for the goods
- Origin of goods
- Quantity
- Date of manufacture

- Expiration date
- Ingredients or ingredient quantities
- Hygiene and safety information and warnings
- Instructions on use and preservation
- Composition
- Technical specifications

Depending on the substance of each kind of goods, different compulsory contents and relevant specialized laws must be shown on labels.

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

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

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

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

The government issued Decree No 21/2011/ND-CP on Mar 29, 2011, requiring producers and importers to affix equipment and vehicles with energy labels pursuant to the Law on Energy Conservation. The regulation provides for two

types of energy labels: comparative labels, which provide information on energy consumption, efficiency, and other information to help consumers select energy-saving equipment and vehicles; and certification labels, which certify equipment and vehicles which have the highest energy efficiency compared to those of the same type.

Prohibited & 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 Customs Law, which was ratified by the National Assembly in 2001 and was amended in 2005, provides a legal foundation for the operation of the customs sector and creates a favorable environment for import-export activities.

Standards for Trade

Overview

Vietnam's standards system currently consists of over 8,600 national standards (TCVN—based on the Vietnamese language). The first TCVN was developed in 1963. The Directorate for Standards, Metrology and Quality (STAMEQ) of the Ministry of Science and Technology is Vietnam's national standards body. Vietnam's weights and measures standards are based on the Metric system. The electric current is AC 50-60 Hz and voltage ranges are 220/380 volts. The electric distribution system of Vietnam is being standardized at three phase, four wires.

The 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 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. As a member of the World Trade Organization (WTO), Vietnam must comply with. Currently, over 45 percent of Vietnam national standards are harmonized with international and regional standards. 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

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

- Prepare rules and regulations on standardization, metrology and quality management and submit them to the appropriate authorities for approval.
- Organize the supervision and implementation of approved rules and regulations.
- Establish an organizational system on standardization, metrology, and quality management and 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.
- Conduct studies on standardization, metrology and quality management.
- Carry out training and informational activities related to standardization, metrology and quality management.

STAMEQ now participates as a member in 18 international and regional standardization organizations, including ISO, IEC, PASC, ILAC, OIML, APLAC, APMP, and APLMF, APEC/SCSC, ASEAN/ACCSQ. For more information, see the Ministry of Science and Technology of the Socialist Republic of Vietnam.

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 comments for at least 60 days, then passed onto the standards appraisal committee, and then submitted by STAMEQ to MOST for final approval and declaration.

In recent years, most of TCVN's are developed by way of 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 incipient stages of development up 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 responsible for organizing national technical committee (TCVN/TC) activities - developing, publishing and issuing national standards and providing other related services. It has established relationships with relevant domestic ministries/agencies, as well as international and foreign national standardization organizations.

National standards (TCVN's) are developed based on research and the application of scientific and technological advances. 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 and 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 other 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.

NIST Notify U.S. Service

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

Testing, Inspection, and Certification

All conformity assessment bodies (CAB) operating in Viet Nam must register at STAMEQ. 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's website.

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.

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

QUATEST1
QUATEST2
QUATEST3
QUACERT (Vietnam Certification Centre)
Vietnam Metrology Institute
tcvinfo

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: ISO 9001, ISO 14001, OHSAS 18001, ISO 22000, HACCP, GMP, ISO 27001, ISO/TS 29001, ISO 50001
- Product certification (the Quality Mark) to TCVNs ASTM is a US standards developer whose standards meet the TBT Committee definition of international, JIS, DIN, GOST, GB, EN, CEN, 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 business management solutions in applying information technology.
- Testing of construction materials and bio-chemical testing
- Provision of commercial inspection

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

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 and 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, similar to the U.S. Federal Register. Technical regulations are printed in the gazette, which is issued in both Vietnamese and English.

Contact Information

For more information about standards in Vietnam, please contact:

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

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 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, architect, law, and education. To receive a license, each professional needs to meet certain requirements that are developed by a ministry that oversees that specific professional sector. For example, the Ministry of Finance has its own offices that issue licenses and specific requirements for accountants and auditor's, the Ministry of Health oversees the medical and pharmaceutical areas, and construction management and supervision is managed by the Ministry of Construction. Professionals wishing to officially practice in Vietnam need to contact the appropriate ministry to inquire about professional licensing requirements and application forms.

Web Resources

Conformity Assessment in Vietnam:
QUATEST1

QUATEST2
QUATEST3
QUACERT (Vietnam Certification Centre)
Vietnam Metrology Institute
tcvinfo
Notify NIST
U.S. Department of State, Directorate of Defense Trade Controls
U.S. Department of Commerce, Bureau of Industry and Security
Vietnam Bureau of Accreditation
Vietnam Certification Centre (QUACERT)
Vietnam Directorate for Standards, Metrology and Quality
Vietnam Standards and Quality Institute
Vietnam's TBT Enquiry and Notification point

Investment Climate Statement

Executive Summary

In 2016, Vietnam attracted a record level of foreign direct investment (FDI) with USD $15.8 billion, a 9 percent increase from 2015 levels. Continued strong FDI inflows are due in part to ongoing economic reforms, as well as the country's close proximity to China; 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. Political stability continued in 2016 with the government leadership transition during the 12th Party Congress last January, and the National Assembly affirming the new leaders in July 2016. Vietnam also commenced hosting the Asia Pacific Economic Cooperation (APEC) in 2017, which puts a spotlight on regional economic integration and improvements to the business climate.

While the Trans Pacific Partnership (TPP) is no longer a powerful tool to accelerate economic reforms, internal pressures remain and will continue to drive the reform process. These pressures include: 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. The new government, led by Prime Minister Nguyen Xuan Phuc, acknowledges the need to spark a 'second wave' of economic reforms in order to continue economic growth.

In 2016, manufacturing continued to dominate FDI inflows. The electronics sector attracted major investments from LG (USD $2 billion) and Samsung (USD $300 million). The FDI inflows to the IT sector are in line with Vietnam's strategic efforts to shift FDI from low-end manufacturing to the high-tech sector. Vietnam also continued to attract investment in infrastructure projects, including power generation, road, and railway construction. However, there remains an estimated USD $170 billion gap in additional infrastructure development in order to meet growing economic demand. In the energy sector alone, the Vietnam's General Statistics Office (GSO) estimates that electricity demand will continue to grow at a rate of 10 percent to 12 percent per year.

Despite strong FDI inflows, several challenges in the business climate remain, including corruption and a weak legal infrastructure, low intellectual property rights (IPR) enforcement, a shortage of skilled and productive labor that can meet the demands of an increasingly sophisticated global market, a weak judicial system, unstable labor relations, and an increasing demand for improved infrastructure. In addition, 2016 saw increased public awareness and scrutiny of the negative impact business practices such as illegally discharging waste water have on the environment and the need for better environmental protection, after a massive fish kill off the central coast in April 2016 sparked a strong public outcry.

Table 1

Measure	Year	Index/ Rank	Website Address
TI Corruption Perceptions Index	2016	113 of 176	http://www.transparency.org/research/cpi/overview
World Bank's Doing Business Report "Ease of Doing Business"	2017	82 of 190	doingbusiness.org/rankings
Global Innovation Index	2016	59 of 128	globalinnovationindex.org
U.S. FDI in partner country ($M USD, stock positions)	2015	$1.285 million	https://bea.gov/international/factsheet/factsheet.cfm
World Bank GNI per capita	2015	$1,990	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD?locations=VN

Openness to and Restrictions upon Foreign Investment

Policies Towards Foreign Direct Investment

Foreign invested companies continue to play an important role in the economy. According to the GSO, FDI accounted for 71.5 percent of total exports in 2016 (up from 47 percent in 2000), while the contribution from foreign companies towards the overall GDP increased to 18 percent from 13 percent over the same period.

Strong FDI inflows continued due to improvements in business environment. Vietnam's ranking in the World Bank's 2017 Doing Business Report improved by 9 places, to 82 out of 190 economies due to tax payment reforms and the establishment of an electronic customs clearance system which facilitated cross-border trade. Due to low labor costs, openness to trade, and an advantageous geographic location, FDI was a driver for Vietnam's strong trade and economic performance according to the World Bank's 2016 Taking Stock Report. In 2016, according to fDi Intelligence (a division of the Financial Times), Vietnam attracted over six times more new investment capital than expected given its share of global output. Vietnam far outperformed regional competitors, including Malaysia, Thailand, and China, in this metric.

The government continues to focus on attracting foreign investment, especially in sectors that will facilitate technology transfer, increase skill sets in the labor market, and improve the labor productivity. Vietnam seeks to attract FDI projects in high-tech, high value-added industries and supporting sectors with

good environment safeguards as the country strives to move up the global supply chain.

Vietnam's legal reforms related to the business climate also facilitate FDI inflows. Specifically, the 2016 Provincial Competiveness Index (PCI), which ranks provinces by transparency and business facilitation, sited several changes to regulations for registering a business that made it much easier for foreign companies to enter the market. Notably, Decree 78 issued in November 2015, expanded online business registration, greatly reduced the required business registration documents, and reduced the time to issue the Enterprise Registration Certificate (ERC) from five days to three. In addition, the 2014 Investment Law and the follow-up legislation in July 2015 allowed investors to participate in all sectors except six related to national security, and an additional 267 provisional sectors. Finally, it is easier for existing operations to shift into non-prohibited or restricted business activities not listed in their ERC than in the past. As a result, the PCI study found that 90 percent of businesses were able to obtain all required documents to start legally operating within three months, and over 40 percent within one month.

While there are no laws discriminating against foreign investors, the government continues to support domestic companies through various incentives. Although regulations are drafted very carefully to avoid conflicts and violations of signed bilateral or international agreements, in reality, U.S. investors do not feel there is a level playing field in all sectors. In the 2017 Perceptions of the Business Environment Report, by the Hanoi Chapter of the American Chamber of Commerce, the Chamber stated succinctly: "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."

The Ministry of Planning and Investment (MPI) oversees an Investment Promotion Department to facilitate all foreign investments, and most of the provinces and cities also have investment promotion agencies. The agencies provide information, explain regulations, and offers support to investors when requested.

The biannual Vietnam Business Forum allows for a direct dialogue between the foreign business community and government officials. The U.S. ASEAN Business Council (USABC) hosts a yearly visit by many of the biggest U.S. companies to engage directly with senior government officials. The government maintains frequent dialogue with foreign investors, and is proactive in meeting with U.S. companies to resolve issues.

Other Investment Policy Reviews

No third-party international investment policy reviews have been conducted in the last three years. Vietnam went through an Organisation for Economic Co-operation and Development (OECD) investment policy review in 2009 and will do so again in 2017. The WTO reviewed Vietnam's trade policy in 2013. Vietnam went through an UNCTAD investment policy review in 2008. Vietnam's WTO Trade Policy Review can be found online.

Business Facilitation

Vietnam's business environment continues to improve due to new laws that have streamlined business registration processes. The PCI report found that 91 percent of companies are able to operate their business three months after starting the process. Specifically, the study found that as a result of the 2014 Investment Law and 2015 Implementing Decree 78, which reduced the timeline for receiving the Enterprise Registration Certificate, entry requirements for foreign investors is no longer perceived to be a significant hurdle.

Vietnam is a member of the U.N. Conference on Trade and Development's (UNCTAD) international network of transparent investment procedures, with more information on investment regulations available online. 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 bases justifying the procedures for seven provinces. The World Bank's 2017 Doing Business Report indicates that it takes on average 24 days to start a business. Vietnam is one of the few countries to receive a 10-star rating in business registration procedures as measured by GER.co.

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. According to the PCI report, out of 222 surveyed businesses that indicated they would choose to invest in other countries instead of expanding in Vietnam, 66 selected Laos, 35 selected the United States, and 29 selected Singapore. Vietnam has also made increased investments in the oil and gas and telecommunication sectors in various developing countries.

Conversion and Transfer Policies

Foreign Exchange

Exporters must remit all foreign currency earnings into a foreign currency account with an authorized credit institution in Vietnam. Retaining foreign currency earnings overseas requires SBV approval. Any resident or institution

permitted to conduct offshore investment must open a foreign currency account at an authorized credit institution and register the account with the SBV.

Currency transfers are protected by Article VII of the International Monetary Fund (IMF) Articles of Agreement, which is available online. Funds associated with any form of investment cannot be freely converted into any world currency. As part of its efforts to de-dollarize the economy, the government issued Decree 70 in 2014, to prohibit foreigners (residents and non-residents) from holding foreign currency denominated savings accounts. Foreigners are still allowed to have checking and investment accounts in any foreign currency and Vietnamese Dong (previously foreigners were only allowed to have U.S. dollar investment accounts).

The SBV has adopted a new mechanism to determine the interbank reference exchange rate. 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, considering 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 and no limitations on the inflow or outflow of funds for 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.). Foreign investors cannot remit through a legal parallel market, including utilizing convertible, negotiable instruments.

Vietnam is a member of the Asia-Pacific Group (APG), which assesses the implementation of anti-money laundering and counter-terrorist financing (AML/CFT) measures in Vietnam. While Vietnam is mostly technically compliant with the 2012 Financial Action Task Force's (FATF) AML/CFT standards, and is not one of the FATF blacklisted countries, over the last year it has not demonstrated effectiveness in reducing AML/CFT. This could become an issue during the next country assessment in early 2019.

Expropriation and Compensation

Under Vietnamese law, the government can only expropriate investors' property in cases of: emergency, disaster, defense, or national interest. Under the law, if a property is expropriated, the government is required to compensate investors. 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. Currently the U.S. Embassy is monitoring two U.S. investment expropriation cases without just compensation. Expropriation of U.S. entities' property is rare, and there has not been a new expropriation case in several years.

Dispute Settlement

ICSID Convention and New York Convention

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

Vietnam has not yet acceded to the Convention on the Settlement of Investment Disputes between States and Nationals of other States (ICSID). The Ministry of Planning and Investment (MPI) has submitted a proposal to the government to join the ICSID, but this is still under consideration.

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 Bilateral Investment Treaty or Free Trade Agreement with the United States.

Although the law states that the court should recognize and enforce foreign arbitral awards, Vietnamese courts may reject these judgements because the award is contrary to the basic principles of Vietnamese laws. In 2014, the Ho Chi Minh City Economic Court recognized and enforced an arbitral award in Vietnam against an SOE, and the ruling was upheld on appeal.

In 2012, dozens of Vietnamese companies signed purchase contracts with U.S. cotton suppliers but failed to execute the contracts when world cotton prices fell. In compliance with standard contract provisions, international cotton traders referred the defaults to the International Cotton Association (ICA) for arbitration. The ICA rendered arbitration awards for the defaults valued at USD $76 million, but Vietnamese courts have not recognized the validity of these awards. Vietnam does not have a history of extrajudicial action against foreign investors.

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. 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 comes into effect on April 15, 2017. Decree 22 spells out in detail the principle procedures for commercial mediation. More information on Decree 22 can be found here.

The Law on Commercial Arbitration took effect in 2011. At present, there are no foreign arbitration centers in Vietnam, though the Arbitration Law permits foreign arbitration centers to establish branches or representative offices. Foreign and domestic arbitral awards are legally enforceable in Vietnam, although 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. However, in 2012, dozens of Vietnamese companies signed purchase contracts with U.S. cotton suppliers but failed to execute the contracts when world cotton prices fell. In compliance with standard contract provisions, international cotton traders referred the defaults to the International Cotton Association (ICA) for arbitration. The ICA rendered arbitration awards for the defaults valued at USD $76 million, but Vietnamese courts have not recognized the validity of these awards.

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. Per the 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.

Performance Requirements and Investment Incentives

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 that efforts to hire suitable local employees were unsuccessful before recruiting foreigners. That rule does not apply to members of the board who are elected by shareholders or capital contributors.

On February 3, 2016, the government issued Decree No.11/2016/ND-CP (Decree 11), guiding several articles of the Labor Code on foreigners working in Vietnam. Decree 11 will take effect on April 1, 2016 and replace Decree No. 102/2013/ND-CP (Decree 102) and Resolution No. 47/NQ-CP (Resolution 47) of the government dated July 8, 2014. Decree 11 proposes major changes, many of which represent positive developments from the viewpoint of the business community, including changes to the conditions, paperwork, and timeline for work permit applications and exemptions. The most prominent feature of this decree is to clarify that the requirement for a work permit or an exemption certificate does not apply to foreigners coming to work for less than 30 days and whose cumulative working time does not exceed 90 days in a year.

Another encouraging aspect of Decree 11, is that it extends the timeframe for lodging the re-issuance of work permits. Accordingly, work permit re-issuance applications will be accepted from 45 days prior to the expiry date, instead of the 15 days as per current regulations. Hence, foreigners have sufficient time to renew visas or obtain residence cards after the granting of the new work permit. The simplified terms of eligibility for work permits for individuals who have been previously granted such documents in Vietnam was welcomed by the business community.

The government does not have a forced localization policy per se, but strongly encourages foreign investors to use domestic contents in goods and technology. In the automotive industry, Circular 14/2015/TT-BKHDT includes a list of products (with Harmonized System (HS) codes) already produced in Vietnam that will be applied high import tax rates to protect domestic production. The Circular applies high import tax rates to bus spare parts (that have not been produced in Vietnam). Because these spare parts (for buses and cars) have the same HS codes, the higher import taxes will impact foreign car manufacturers in Vietnam. These higher import tax rates that will increase import component costs appears designed to entice foreign auto manufacturers to locally source component parts.

When Vietnam joined the WTO in 2007, it established minimum commitments on market access for U.S. goods and services, as well as 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 (Trade-Related Aspects of Intellectual Property Rights Agreement), customs valuation, technical barriers to trade, sanitary and phytosanitary measures, importing licensing provisions, anti-dumping and countervailing measures, and rules of origin.

As part of its WTO accession, Vietnam also committed to the removal of performance requirements that are inconsistent with the agreement on Trade-Related Investment Measures (TRIMs). The 2014 Investment Law specifically

prohibits the following requirements: giving priority to the purchase or use of domestic goods or services; compulsory purchase of goods or services from a specific domestic firm; export of goods or services at a fixed percentage; restricting the quantity, value or type of goods or services that may be exported or that may be sourced domestically; fixing import goods at the same quantity and value as goods exported; requirements to achieve certain local content ratios in manufacturing goods; stipulated levels or values on research and development activities; supplying goods or services in a particular location; or mandating the establishment of head offices in a particular location.

The list of high-tech products that are given investment priority is updated on an ad hoc basis, and companies investing in research and development for items on the list 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.

In 2016, MIC issued Circular 38/2016/TT-BTTT on Cross-border provision of General Information. While the circular does not require localization of servers, it requires offshore service providers with many users in Vietnam to comply with local content restrictions. Circular No. 38 is one of the implementing circulars of Decree No. 72/2013/ND-CP on the management, provision, and use of internet services and online information. Specific requirements under Circular No. 38 apply to an offshore entity that provides cross-border public information into Vietnam (including websites, social networks, online applications, search engines and other similar forms of services and (a) has more than one million hits from Vietnam per month or (b) leases a data center to store digital information in Vietnam to provide its services. The offshore service providers must comply with Vietnam's content requirements by providing contact information to the MIC and cooperate with the authority on taking down information that is illegal per Decree 72. There are no requirements that foreign IT providers must turn over source code and/or provide access to encryption.

There are no measures that prevent or unduly impede companies from freely transmitting customer or other business-related data outside of Vietnam. Recently issued circular 38/2016/TT-BTTT permits cross-border provision of public information (applicable for various websites and social networks that provide information to the public) with no local server requirements. The only requirement for foreign providers is point of contact information, and cooperation with the government on content takedown.

For online gaming, Vietnam has no international commitments in this area and does not permit cross-border online gaming. Therefore, the 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 Ministry of Information and Communications (MIC) is the lead agency for administrative enforcement of cyber-related regulations, including data storage requirements. The Ministry of Public Security's cyber division may also get involved if there is a suspected criminal violation of data storage rules. MIC's Decree 72/2013 on Management, Provision, and Use of Internet Services and Information Content Online, which came into effect on September 1, 2013, is the primary legal document establishing data storage requirements.

Decree 72 requires all 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. It also establishes requirements on the type of data that these companies must store (personally identifiable information of users, user activity logs, etc.) but it is unclear if that information must be stored on a local server.

Investment Incentives

Foreign investors are exempt from import duties on goods imported for their own use and which cannot be procured locally, including: machinery, vehicles, components and spare parts for machinery and equipment, raw materials, inputs for manufacturing, and construction materials that cannot be produced domestically. Remote and mountainous provinces can 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; automobile; 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 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.

Right to Private Ownership and Establishment

Foreign and domestic private entities can establish and own a business except in six prohibited business lines, such as drug, wild life trading, prostitution etc., and 243 conditional sectors.

Foreign investors must negotiate on a case-by-case basis with the government on market access in sectors that are not explicitly open through a trade or investment agreement. The government occasionally issues investment licenses on a pilot basis with time limits or to specifically targeted investors.

Foreign owners are permitted to acquire full ownership of local companies except when mentioned otherwise in Vietnam's international and bilateral commitments. Moreover, most foreign ownership limitations in the service sectors specified under Vietnam's World Trade Organization (WTO) commitments have been removed. However, there is a 25 percent cap on foreign investment in local banks from one foreign entity, and a 30 percent cap on overall foreign investment in local banks. The Prime Minister can waive these caps on a case-by-case basis. There are also limits to foreign ownership established by the government in state-owned enterprises (SOEs).

The dominant restrictions are equity caps, mandatory domestic joint venture partner and investment prohibition. Such restrictions are publicly stated in signed international agreements. For example, highly specialized and sensitive sectors such as banking, telecommunication, and transportation still maintain foreign ownership restrictions as specified in the Vietnam's WTO commitments. Vietnam also prohibits importation of old equipment and technologies which are more than 10 years old. However, there are exceptions in some special cases.

Merger and acquisition (M&A) activities can be tricky if a 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 acquired company is allowed to maintain.

Vietnamese authorities evaluate investment license applications using a number of criteria, including: 1) 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. It has also, however, given rise to 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 invested successfully, though a lack of transparency in the procedure for obtaining a business license can make investing riskier.

Investment projects that must be approved by the National Assembly include those that:

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

Investment projects that require Prime Ministerial approval include 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 VND5,000 billion (USD $233 million);
- with foreign investors in sea transportation, telecommunication or network infrastructure, forest plantation, publishing, or press; and
- Fully foreign-owned scientific and technology companies or organizations.

Projects which are not approved by the National Assembly or the Prime Minister are approved by the provincial People's Committee.

Protection of Property Rights

Real Property

State protection of property rights is still evolving, as the state can expropriate land for socio-economic development. Under the new 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 land owners 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.

Real estate rights are divided into collective land ownership by the government, and land-use and building rights, which can be held privately. All land in Vietnam is collectively owned and managed by the state, and as such neither foreigners nor Vietnamese nationals can own land. Most land in Vietnam (94.5 percent) has been issued a land use rights certificate. Vietnam is building a national land registration database, and some localities have already digitized their land records.

In addition to land, collective property includes "forests, rivers and lakes, water supplies, wealth lying underground or coming from the sea, the continental shelf and the air, the funds and property invested by the 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 new Housing Law and Real Estate Business Law extended "land-use rights" to foreign investors, allowing title holders to conduct real estate transactions, including mortgages. Foreign investors can lease land for renewable periods of 50 years, and up to 70 years in some poor areas of the country.

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.

Per the Ministry of Planning and Investment, as of December 2015, 94.5 percent of land use rights certificates had been issued. If land is not used, per the land use rights certificate, or if unoccupied, it will revert to the government.

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, and implementing regulations and decrees. Vietnam has joined the Paris Convention on Industrial Property and the Berne Convention on Copyright and has worked to meet its commitments under these international treaties. In 2009, Vietnam revised the Intellectual Property (IP) Law and IP-related provisions in the Criminal Code with respect to criminal penalties for certain acts of IPR infringement or piracy. However, enforcement agencies still lack clarity in how to impose criminal penalties on IPR violators and continue to wait for further implementing guidelines. In 2015, Vietnam continued to revise the Penal Code related to criminalization of IP crimes. Because its implementation was delayed, it led to the delay of the implementation of criminal penalties for certain IPR violations.

Although Vietnam has made progress in establishing a legal framework for IPR protection, significant problems remain and new challenges are emerging. Vietnam is listed on the U.S. Trade Representative's Special 301 Watch List and the 2016 Notorious Markets report. In 2016, Vietnam had mixed results in its efforts to protect IPR. Vietnam's continued its integration with the global economic community through instruments such as the European Union-Vietnam Free Trade Agreement. Nevertheless, infringement and piracy remained commonplace, and the impact of digital piracy and 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, also further infringed IP rights.

The number of entities involved in IPR enforcement in Vietnam is also challenges, with nine different ministries and agencies responsible for protection and enforcement. Additionally, the roles and power of these ministries and agencies varies widely.

An example of IPR actions include Ministry of Science and Technology (MOST) inspectors which, in coordination with the Ministry of Public Security, carried out 46 inspections in 2016, seizures included of counterfeit Nokia devices, bottled water, Energizer batteries, and apparel bearing U.S. brands.

In 2016, NOIP reported receiving 58,217 cases and processing 38,872 cases in 2016, increases of 14.2 percent and 9.9 percent over 2015, respectively. A breakdown of applications received by NOIP is attached. That same year, Vietnam Customs received 60 inspection requests related to 181 IPR suspected infringements. The total value of seized infringing goods reached $150,000 and all the infringing goods were destroyed. The Copyright Office of Vietnam (COV) handled 31 copyright-related complaints (nearly a 50 percent decrease from 2015). Moreover, the COV reported that it issued 6,540 copyright certificates in 2016, a 17 percent increase from the previous year.

Most often, authorities use administrative actions such as warnings and fines to enforce IPR protection because they are less demanding on enforcement time and resources. The U.S. government has conducted training for enforcement agencies, prosecutors and judges. Some businesses and rights holders have started to assert their rights under the law more forcefully. The Collective Management Organizations (CMO) has grown, particularly for the music and publishing industries. The Vietnam Center for the Protection of Musical Copyrights (VCPMC), has a membership of over 90 percent of Vietnam's music composers and collected nearly $3 million in royalties on behalf of its members in 2016. However, the ability of other CMOs to protect their members' IP and collect royalties on their behalf, remains weak. In recent years, the government pledged, but only partially implemented a plan to rid government offices of pirated software.

Vietnamese enforcement bodies have investigated, and in some cases raided and fined, businesses suspected of using pirated software. Even still, Vietnam still has one of the highest rates of online piracy in the world (over 80 percent in 2013). Rights holders continue to seek additional enforcement actions against websites containing infringing digital content. To date, however, very little enforcement action has been taken to punish or prevent digital and internet piracy.

Substantial compensation for IPR violations is only available under the civil remedies section of the IP Law. Vietnam's principal challenge continues to be its inability to effectively investigate and prosecute its intellectual property laws. Investigators, prosecutors and judges all lack significant experience in tackling intellectual property violations. Vietnam has yet to establish specialized IP courts, and knowledge on IP issues within the judiciary remains low. Significant improvements are still needed, but legal experts are optimistic that the court system is slowly improving its ability to handle civil IP cases. Criminal offenses are prosecuted under the Criminal Code, and criminal proceedings are regulated under the Criminal Procedure Code. In practice, criminal prosecutions are rarely used to address IPR violations.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles on their website.

During 2016, the government issued the following IPR-related legislation:

- NOIP Joint Circular 14/2016/TT-BTTTT-BKHCN defining the procedures for revision and withdrawal of domain names in violation of intellectual property laws.
- NOIP and MoF Circular 263/2016/TT-BTC (amending Circular 22/2009/TT-BTC) regarding for industrial property and the collection, transfer, management and use thereof.
- NOIP Joint Circular 05/2016/TT-BKHCN-BKHDT: regarding guidelines for the handling of cases of businesses using names that infringe on intellectual property rights.
- MOST Inter-Circular 05/2016/TTLT-BKHCN-BKHDT regarding corporate names and registration of company names.
- Decision No. 19/2016/QD-TTg outlining the responsibilities of and coordination among state management agencies regarding smuggling, trade fraud, and counterfeit goods.
- Ministry of Finance (MoF) Official Letter No. 15888/BTC-CST regarding the foreign contractor withholding tax (FCWT) applicable to the income of foreign contractors from the transfer of rights to use a trademark.
- Decision No. 88/2016/QD-TTg approving a government effort to enhance management and enforcement of copyright and related rights through 2020 with availability of extension until 2025.

Transparency of the Regulatory System

The 2016 PCI report found that regulatory risks were the primary concern for foreign companies investing in Vietnam. The two biggest issues cited were the amount of time complying with business regulations (taxes, social insurance, and customs procedures) and the high number of regulatory inspections in 2016. The American Chamber of Commerce (AmCham), in a report on the business

environment released in March 2017, noted that AmCham 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 Association of Southeast Asian Nations (ASEAN) region found that more than in any other ASEAN country, American companies perceive a lack of fair enforcement of laws in Vietnam, which heavily impacts their ability to do business in the country.

The PCI report also found that a significant issue facing companies is post-entry regulations (regulations businesses face after they start operations). Time spent complying with business regulations (taxes, social insurance, and customs procedures) and regulatory inspections were found to be the two biggest burdens. All regulatory processes are done by the government and there are no informal regulatory processes managed by NGOs or private sector associates.

Laws are approved by the national assembly, and ministries draft circulars to implement laws. Regulatory authority exists in both the central and provincial government, and foreign companies are bound by both central and provincial government authority. Vietnam has its own accounting standards to which publicly listed companies are required to adhere to.

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 without public notification or with little warning or opportunity for comment by affected parties. In several cases, authorities just receive comments for the first draft and make subsequent draft versions unavailable to the public. The centralized online location where key regulatory actions are published can be found here online.

The Ministry of Justice (MOJ) oversees 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 they comply with the whole legal system.

Over the course of 2016 and early 2017, the government issued three primary resolutions to improve the business environment, increase national competitiveness and productivity, and reform the economic growth model.

- Resolution 27, issued in February 2017, set out main economic targets for the five-year period of 2016-2020. The main targets included inflation of less than 5 percent per year; budget deficit reduction to less than 3.5 percent of the GDP in 2020; public debt will not exceed 65 percent of GDP; government debts will account for less than 54 percent

of GDP; and foreign debts will account for less than 50 percent of GDP by 2020. Also, the resolution set the target that by 2020 at least one million new businesses will be created, and stock market capitalization will reach 70 percent of GDP.

- Resolution 19, also issued in February 2017, set out the very ambitious goal that Vietnam will rank among the top four ASEAN countries in the World Bank's Doing Business index in 2017 by improving the country's ranking in various metrics, including reducing the time required to pay taxes and social insurance payments, deal with construction permits, get water and electricity, customs clearance, contract enforcement, and resolving insolvency.
- Resolution 35, which pertains to supporting and developing enterprises until 2020, set out a goal that by 2020 at least one million new enterprises will be established, labor productivity to increase by 5 percent per year, and the private sector will contribute to 49 percent of the national GDP.

Regulatory reform efforts announced in prior years have either been fully implemented or are in process.

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 for approval, and then submitted to the National Assembly for a series of committee and plenary-level reviews. The National Assembly during its review 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.

In Vietnam, enforcement across the board is weak. While the legal framework might comply in 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. So, while all state agencies participate in reviewing the regulatory enforcement as per their mandate, regulatory review and enforcement mechanisms continue to be weak.

Drafting agencies often lack the resources 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.

Efficient Capital Markets and Portfolio Investment

Challenges to raising capital domestically include insufficient transparency in Vietnam's financial markets and non-compliance with internationally accepted

accounting standards. 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.

Vietnam has two stock exchanges: the Ho Chi Minh City Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX). As of March 2017, 326 stocks were listed on the HOSE with total market capitalization of approximately USD $74 billion, and 381 companies were listed on the HNX with total market capitalization of approximately USD $7.3 billion. The present market capitalization of the combined exchanges accounts for approximately 39 percent of Vietnam's GDP, and the State Securities Commission (SSC) has made a strategic plan for it to reach 70 percent by 2020. A trading floor for unlisted public companies (UPCOM) was launched at the Hanoi Securities Center in 2009. As of March 2017, 493 companies were listed on UPCOM, with total market capitalization of approximately USD $19.4 billion. Government bonds are traded on the HNX. UPCOM is important because equitized SOEs list first on the UPCOM (due to lower transparency requirements) before moving to an exchange. In October 2016, Prime Minister Nguyen Xuan Phuc decided to merge the two exchanges into the Vietnam Stock Exchange (VNX), which should be complete by late 2017. Morgan Stanley Capital International (MSCI) still classifies Vietnam as a Frontier Market, which still precludes some of the world's biggest asset managers from investing in its stock markets. The government, along with the SSC and the HOSE, is working to meet the criteria necessary to attain "emerging market" status and attract greater foreign capital inflows.

While the government has tried to direct banks to loan to domestic small and medium enterprises (SMEs), they have little ability to direct where private banks choose to deploy capital. In addition, much of the credit is flowing into the real estate sector. At the end of 2016, the Central Bank, the State Bank of Vietnam (SBV) directed credit institutions to restrict lending to the real estate sector over concerns that credit was concentrating in the sector.

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

Loan rates are relatively high due to banks charging a higher interest rate on new loans to service existing non-performing loans (NPLs). The domestic sector has difficulty accessing resources for several reasons. As domestic companies' accounting standards are low, credit is granted based on collateral such as equipment. However, collecting the collateral when a company defaults is very difficult, so small and medium sized companies have little access to banking credit.

Competition from State-Owned Enterprises

Competition and Anti-Trust Laws

The Vietnam Competition Administration (VCA) of the Ministry of Industry and Trade (MOIT) reviews transactions for competition-related concerns. In 2015 (the latest available year for which data is available), the VCA conducted pre-litigation investigations in 46 unfair competition cases, and 28 cases were initiated. Of the 28 initiated cases, the Director General of the VCA issued settlement decisions in 21 cases, and 7 cases are on-going. In addition, two cases that were initiated in 2014 were brought to settlement.

The unfair competition cases investigated in 2015 were mainly regarding providing false or misleading advertisements, as well as direct comparison advertisements and illegal multilevel sales.

Per PCI report, more than 38 percent of businesses surveyed stated that "the favoritism of provincial authorities towards state owned enterprises caused difficulties to their firm's business operation". Moreover, more than 42 percent of businesses agreed with the statement "the provincial authorities seem to prioritize FDI attraction to domestic private sector development".

State-Owned Enterprises

Per the 2014 Law on Enterprises, an SOE is defined as an enterprise in which the state holds 100 percent of its equity, a definition that does not follow international standards and obscures the true number of SOEs.

There are approximately 2,000 SOE's where the state controls a majority interest, and 781 SOE's where the state controls 100 percent. However, Vietnam does not publish a full list of SOEs. SOEs operate in most industries and areas, including those such as apparel, banking and mobile phone services where the private sector would operate more efficiently. However, in 2016, the government issued Decision 58/2016/QD-TTg (Decision 58) that specifies the industries and areas in which the government will have wholly-owned and majority-owned enterprises. The industries specified in Decision 58 included 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 a board of directors, these boards are not independent, with centrally owned SOEs governed by government ministries and local SOEs governed by provincial governments. The government ministries and provincial governments have the right to appoint its staff sitting as member of the boards. In the SOEs where the government holds majority stake, the government ministries and provincial governments even have the right to appoint executive staff of the companies. While SOE senior officials do not typically retain their government positions, they still retain their 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. Foreign firms are frustrated with preferential treatment for SOEs. The PCI report found 70 percent of foreign firms polled perceived SOE's receive preferential treatment for access to resources – primarily land and capital. Foreign firms stated that preferential access to resources allowed SOE's to expand into multiple sectors at the expense of foreign firms.

In 2015, the government issued Decree 81/2015/ND-CP to improve corporate governance and transparency. The decree requires 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.

Per 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 100 percent owned SOEs is fragmented and incoherent, and the management of SOEs is not in line with sound corporate governance. Part of the issue is that the government does not have one ministry or agency that has oversight over all SOEs.

Responsible Business Conduct

The government has issued regulations intended to protect the public from adverse business impacts in relation to labor rights, consumer protection, and environmental protection. However, the enforcement of these laws is weak. The new 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 domestic companies. However, currently only the largest Vietnamese companies have CSR programs. The Vietnam Business Forum (VCCI), which is the Vietnam Chamber of Commerce, conducts CSR training and has a website dedicated to these efforts. In addition, the

American Chamber of Commerce started 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. 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."

Given the significant presence of multinational corporations in the garment manufacturing sector, there are many 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. The results of factory monitoring visits are made available to major brands and buyers, who can then use the information to help determine where they place their orders. Better Work also provides technical assistance to factories to help them improve their compliance with international labor standards. The program currently covers about 290 factories employing approximately 293,000 workers.

There are a small number of workers' organizations that are not affiliated with the Vietnam Confederation of Labor (VGCL) which monitor working conditions and advocate for worker rights. Labor activists and representatives of independent (non-VGCL) workers' organizations seeking to form unions separate from the VGCL or inform workers of their labor rights sometimes face government harassment, including being followed and detained by police.

For a detailed description of regulations on worker/labor rights in Vietnam, see the 2016 Department of State Human Rights Report.

In April 2016, a toxic spill from the Formosa Ha Tinh steel plant decimated fisheries across four central coastal provinces. In the process, millions of fishing communities lost their source of income. The local and central government came under considerable criticism which led to protests in Ho Chi Minh City, Hanoi, and in other cities across Vietnam. In the end, the government found Formosa Ha Tinh Steel Company culpable for the fish kill and issued a hefty fine. The incident was the first big test of the newly formed government. Following the incident, the government is more aware of how environmental issues can impact both the economy and political stability. The government has requested that the Ministry

of Natural Resources and Environment (MONRE) review all environmental regulations to address any inconsistencies and to develop an effective legal framework to respond to environmental incidents. A report on these findings is required to be submitted to the Government by the end of 2017, which will lay the foundation for the revision of the current Law on Environmental Protection.

Environmental Protection

The government has issued many legal documents regulating the environment, including the revision of the Environmental Protection Law of 2014, Constitution of 2013, the Law on Water Resources of 2012, the Law on Fisheries of 2003, as well as hundreds of decrees and circulars that guide the implementation of these laws.

However, as with many areas, the practical enforcement of laws on environmental protection is inadequate. For example, the 2003 Law on Fisheries clearly stipulates that fishing organizations and individuals must follow set standards when catching fish, and prohibits the use of explosives and pulse fishing. However, in practice, violations of these regulations are quite common. Additionally, the Law on Environmental Protection regulates that entities, individuals, and households that discharge waste must classify the waste to recycle and reuse effectively. However, violations of this provision are rampant with a small percentage subject to penalties.

Enforcement of Labor Rights Regulations

Enforcement of labor rights regulations remains low; and it is unclear how strict the government enforces provisions for wages, hours, and benefits or occupational safety and health restrictions, including 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 an insufficient number of labor inspector's countrywide, fines that are too low to deter violations, corruption, and a lack of prosecution of violations.

The government developed a master plan between 2012 and 2013 to strengthen its labor inspectorate. The master plan aims to improve the enforcement of labor law by strengthening the organizational structure of the inspectorate, reforming inspection methodologies, investing in equipment for labor inspectors, and enhancing training for inspectors. The VGCL has stated, and MOLISA has acknowledged, that fines levied against firms for labor violations were too low to act as an effective deterrent against violations. Fines generally range from USD $48 to USD $4,800 depending on the offense.

Corporate Governance

The Law on Enterprises in theory regulates corporate governance in line with OECD corporate governance principles. However, per Deputy Director of the Central Institute of Economic Management Mr. Phan Duc Hieu, "no company in Vietnam applies OECD corporate governance standards." While that may be harsher than the reality, corporate governance in Vietnam ranks lower than Thailand, the Philippines and Indonesia.

While corporate governance for listed securities is fairly clear and transparent, enforcement of these rules on the Ho Chi Minh stock exchange is low. However, per the Ho Chi Minh stock exchange, 182 out of 344 companies listed on the Hanoi stock exchange did not provide their point of contact to shareholders, 150 companies did not have internal policies to let shareholders approve transactions with related parties as required by law, and 50 percent of the companies were believed to not provide adequate information relating to board members or shareholders. Only 44 percent of the companies approved board and committee member's compensation.

Extractive Industries Transparency Initiative

In 2016, Prime Minister Nguyen Xuan Phuc called on the MOIT to implement the Extractive Industries Transparency Initiative (EITI) 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, withholding information on development and adjustments to mining 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 to government for projects related to the commercial development of oil, natural gas, or minerals are not made public; only aggregate contributions to the state budget from oil and gas sector are published together. The VCCI study also found that a higher number of mining companies (12 percent) reported having to pay "unofficial fees" than in other industries. However, Decree 158/2016/ND-CP issued on November 29, 2016 and came into effect on January 15, 2017, provided guidelines for implementing the Mineral law and may improve transparency in the mining sector.

Political Violence

Vietnam has a history of protests against perceived social, environmental, and labor injustices. 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. These anti-Chinese protests turned deadly at the

Formosa Steel plant in Ha Tinh province, resulting 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, 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. Demonstrations also took place in multiple cities throughout May and June, but were largely suppressed by security forces. Despite Vietnam's history of protests, most protests are relatively small and have had little effect on the operations of U.S. companies.

Corruption

Transparency International's 2016 Corruption Perception Index determined Vietnam had made positive steps to improving some areas of the legal framework and policies on anti-corruption. Specifically, it cited the government's passing of the law on access to information, and the revision of the law on anti-corruption. However, ranking 113 out of 176 in the global index reflects the country's continuing challenge fighting corruption and the ongoing risk that corruption poses.

Corruption is due, in large part, to a low level of transparency, accountability, and media freedom, as well as low pay for government officials and inadequate systems for holding officials accountable for their actions. Competition among 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 speaking at a provincial anti-corruption United Nations Development Programme (UNDP) event in March 2017, said that asset declarations by government officials do not provide 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 General Secretary Nguyen Phu Trong), 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.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Vietnam signed the UN Anticorruption Convention in December 2003 and ratified it in August 2009. Per the PCI report, 66 percent of enterprises must pay informal charges which account for 10 percent of their revenue. The trend is

increasing, with 25 percent of foreign invested enterprises admitted that they paid bribes when they attempted to acquire their investment licenses, and 13.6 percent paid bribes when competing for government contracts. The law does not cover family members of officials, but does cover ranking members of the Communist Party.

Public Procurement

According to local media reports in late 2016, conflict of interest concerns in public procurement took center stage during a National Assembly meeting on November 15, when Minister of Industry and Trade Tran Tuan Anh was asked about special interest groups influencing the approval and management of "megaprojects" that had adverse economic and environmental impacts. Also fueling outrage, a recent National Assembly report found that in 2014, 90 percent of engineering, procurement, and construction projects were awarded to Chinese companies.

However, in a signal that the new government is serious about reforming government procurement, PM Nguyen Xuan Phuc on July 13, 2016, approved a 10-year master plan for procurement. This will emphasize and promote online tendering, with the purpose of increasing transparency and reducing corruption opportunities. To this end, the government is working to roll out an e-bidding public procurement site in early 2018, which will supplement its existing e-procurement portal that provides information on public procurement laws and regulations.

Implications for the Private Sector

There are laws in place 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 internal codes of conduct.

The PCI report found that almost half (46 percent) of foreign companies cited corruption as their biggest challenge to doing business. The PCI report stated, "…Vietnam appears to rank even worse than every possible competitor when it comes to corruption and the regulatory burden. These weaknesses are broadly consistent with Vietnam's performance on other international rankings." AmCham concurred in its 2017 report on business environment perceptions: "The uncertainty caused by corruption continues to be a top business challenge faced by AmCham members. Corruption has become corrosive and widespread in Vietnam and is dangerous to the economy and society as a whole and can be a barrier between domestic and foreign partnerships."

Resources to Report Corruption

Contact at government agency responsible for combating corruption:

Mr. Phan Dinh Trac, Chairman, Communist Party Central Committee Internal Affairs
4 Nguyen Canh Chan, +84 0804-3557

Contact at NGO

Ms. Dao Thi Nga
Executive Director, Towards Transparency
12B Floor, Machinco Building, 444 Hoang Hoa Tham, Tay Ho, Hanoi
+84 (04) 3715-3532
DaoNga@towardstransparency.vn

Bilateral Investment Agreements

Vietnam maintains trade relations with 200 countries, and has 61 bilateral investment treaties and 21 treaties with investment provisions. In 2016, Vietnam exported $176 billion, an increase of 8.6 percent from 2015. Fueling Vietnam's exports is a continued focus on further integration in the global economy. While the U.S. withdrawal from TPP slows Vietnam's global economic integration plans, the country has made headway with other agreements. For example, the Korea-Vietnam Free Trade Agreement (FTA), which came into effect in 2016, was estimated to increase Vietnam's 2016 exports to South Korea by 29 percent to $11.4 billion. In addition, in 2016 the Vietnam-Russia and the Eurasian Economic Union (EAEU) FTA boosted Vietnam exports to the EAEU by 20 percent to USD $1.6 billion. Moreover, Vietnam and the EU have concluded negotiations on the EU-Vietnam FTA, which is pending review and approval from both sides. Vietnam is negotiating Regional Comprehensive Economic Partnership (RCEP) agreement. A full list of agreements Vietnam has signed can be accessed through the UNCTAD website.

The U.S. and Vietnam concluded and signed the Double Taxation Avoidance Agreement (DTA) in 2016, and the agreement is expected to be presented to the U.S. Congress for ratification in 2017.

There are no systematic tax disputes between the government and foreign investors. However, an increasing number of U.S. companies are having to dispute tax audits that retroactively tax companies. These cases stem from Vietnam's continued fiscal deficits and the need to find sources to fill the revenue gap left from falling tariffs and falling oil revenues. These 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.

OPIC and Other Investment Insurance Programs

OPIC signed a bilateral agreement with Vietnam in 1998, and Vietnam joined the Multilateral Investment Guarantee Agency (MIGA) in 1995. In October 2016, former OPIC president Elizabeth Littlefield, visited Vietnam to develop private sector investment, and in January 2017, former Secretary of State John Kerry and

former OPIC president Littlefield presented a letter of intent to Fulbright University of Vietnam.

Labor

Per official government statistics, there are 71.5 million persons aged 15 and above in Vietnam, with 54.4 million participating in the 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, many workers are still located in rural areas, making up 67.8 percent of the total labor force.

The official labor force participation rate is 76.7 percent of the total population, and the official unemployment and underemployment rates hover around 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 vast majority of under-employed workers (84.8 percent) are in rural areas. The official unemployment rate among youth, defined as those between the ages of 15 and 24 years, is 7.9 percent, accounting for 55.3 percent of the total unemployed population.

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 2016, the minimum wage for workers in businesses ranges from USD $157 to USD $107 monthly. Businesses in urban districts of Hanoi, Ho Chi Minh City, and neighboring areas are subject to a higher minimum wage.

Shortages or Surpluses of Specialized Labor Skills

Per ASEAN's Human Capital Outlook 2016, Vietnam ranked 5th in the Human Capital Index 2015 among nine ASEAN countries (after Singapore, the Philippines, Malaysia, and Thailand). Also, per this report, it is difficult to find skilled labor in Vietnam. For example, over half the Singaporean workforce qualifies as skilled labor, while in Vietnam that ratio falls to one in ten.

Vietnam has the highest ratio of low-skilled labor in the region (over 40 percent), compared to 9 percent in Thailand and 8 percent in Singapore. The government is aware of the deficiencies in higher education and vocational training, and the need for reform 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 Ministry of Labor, Invalids and Social Affairs, 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.

Layoffs and Unemployment Insurance

An employer is permitted to lay off employees due to: (1) Technological changes such as changes in part or all of the equipment, machinery or technology processes; (2) Changes in organizational structure, in cases of a merger, consolidation or cessation of operation of one or several departments or units, or where the employer faces difficulty in economic conditions. 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". The termination of two or more employees on a lay off basis can be implemented only after consultation with the grassroots trade union and after the provincial labor authority has been served with a 30-day notice. The employer must pay a job-loss allowance for a retrenched 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 for the employer, but not less than two months' salary. The length of service for calculating a job-loss allowance excludes months when the employee participated in the compulsory unemployment insurance. For this period, the job-loss allowance is paid by the Social Insurance Fund, not by the employer. Salary, for calculating a job-loss allowance, is the average salary under the employment contract for the six months immediately preceding the job loss. After being layoff, the workers will be covered under the unemployment scheme if they contribute to the unemployment fund at least 12 months. There are no exceptions in labor requirements to attract investment in Vietnam.

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 a collective bargaining agreement (CBA) is limited. Most CBAs are just copies of the law that do not include more stringent conditions. In 2015, Vietnam has approximately 25,400 CBAs accounting for 75 percent of the unionized enterprises. Vietnam is piloting the multi-employer CBAs in some industrial zones and sectoral CBA in textile sector.

Vietnam, through its participation in an industrial relations program with the ILO, has been piloting the concept of multi-employer CBAs in some industrial

zones and sectoral CBAs in the textile sector. On June 19, 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 negotiated between a group of foreign-invested enterprises and trade unions to decide basic conditions of work, including recognition of union rights. The agreement would likely benefit 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 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 it 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 sets out an extensive and cumbersome process of mediation and arbitration before a lawful strike over an interest-based collective dispute may 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. Vietnam continues to revise the Labor Code and dispute resolution is also subject to change.

Strikes in Vietnam

The Vietnam General Confederation of Labor (VGCL) reported 168 strikes in 2016. However, all strikes are unofficial (due to the impracticality of a legal strike under Vietnamese labor law), making data reliability questionable. Approximately 61 percent of strikes took place in foreign invested enterprises (FIEs) and the remaining 39 percent in domestic private companies. Much of strikes (76 percent) took place in Ho Chi Minh City and surrounding provinces where most FIEs are located, particularly in the garment, footwear, and furniture sectors. The 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 in or control over union activity.

A July 2015 report of the Better Work Vietnam program noted 62 percent of factories discriminated against or interfered in the activities of the trade union. Similarly, the data revealed that management staff continued to sit on trade union executive committees in approximately 45 percent of factories, which could undermine the function of the union as a legitimate representative voice for the workforce. At the same time, the report noted 7 percent of factories had 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 Ministry of Labor, Invalids and Social Affairs." 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. The project targets three provinces and three sectors: garments (Ho Chi Minh City), agriculture and fisheries (An Giang), and handicrafts (Hanoi and Ho Chi Minh City).

The government is also in the process of enhancing its policy and regulatory framework for occupational safety and health (OSH). A new 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 new 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, and it is expected to be considered for passage by the National Assembly in May 2018.

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 note that it is easier to implement projects in industrial zones because they do not have to be involved in site clearance and infrastructure construction, and enterprises pay no duties when importing raw materials if the end products are exported. 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.

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

Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		**USG or international statistical source**		**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)	2016	$200,000	2015	$193,600	www.worldbank.org/en/country
Foreign Direct Investment	**Host Country Statistical source***		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	2016	$10,100	2015	$1,258	BEA data available at http://bea.gov/international/direct_investment_multinational_companies
Host country's FDI in the United States ($M USD, stock positions)	N/A	N/A	N/A	N/A	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2016	12	N/A	N/A	

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment ***		
Total Inward	Amount	100%	Total Outward	Amount	100%
South Korea	7,036	29%	NA	NA	NA
Japan	2.589	11%	NA	NA	NA
Singapore	2,419	10%	NA	NA	NA
China	1,875	8%	NA	NA	NA

Direct Investment from/in Counterpart Economy Data					
Taiwan	1,860	8%	NA	NA	NA
"0" reflects amounts rounded to +/- $500,000.					

* No Date Available
Source: Vietnam's Foreign Investment Agency under the Ministry of Planning and Investment (MPI)

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities ***			**Total Debt Securities ***		
All Countries	Amount	100%	All Countries	Amount	100%	All Countries	Amount	100%
South Korea	899	26%	NA			NA		
Taiwan	533	16%	NA			NA		
Japan	433	13%	NA			NA		
Singapore	257	8%	NA			NA		
Malaysia	226	7%	NA			NA		

Contact for More Information on the Investment Climate Statement

Economic Officer
7 Lang Ha, Ba Dinh, Hanoi, Vietnam
+84-4-3850-5100
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 and 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, 51 representative offices of foreign banks, 51 branches of foreign banks, 16 financial companies, 11 financial leasing companies and five 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 in 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 procedure of strengthening its own internal processes and enhancing the level of inspections and supervision of the banks within its jurisdiction.

Although the banking sector remains small, banking networks and services have been expanding rapidly and there is great potential for banks to develop the retail banking business (approximately 75 percent of Vietnam's 93 million people use limited banking services, while the remaining 25 percent have not taken advantage of banking services.)

Foreign-Exchange Controls

Conversion of Vietnamese dong into hard currency no longer requires foreign exchange approval and Vietnam abolished foreign exchange surrender requirement in 2003. The Law on Investment allows foreign investors to purchase foreign currency at authorized banks to finance current and capital transactions and other permitted transactions. The availability of foreign exchange has been an intermittent problem since mid-2008 largely 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 money and assets under their legitimate ownership. The SBV's objective is to maintain a stable exchange rate and any devaluation would not be more than two percent.

U.S. Banks and Local Correspondent Banks

There are five U.S. banks and financial institutions operating in Vietnam. Citibank and Far East National Bank have branches here, Wells Fargo and Visa International have representative offices, while JP Morgan Chase has both a branch and a representative office.

Of the majority, state-owned banks, Vietcombank, Vietinbank, Bank for Agriculture, and the Bank for Investment and Development have the most 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 (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 three state-owned banks (Vietinbank, BARD, and BIDV) and the major joint-stock banks (Vietcombank, ACB, EXIM Bank, SACOM Bank and Techcombank).

Bilateral government tied aid, commonly offered by other governments, sometimes provides non-U.S. companies with a comparative advantage that affects American trade performance in Vietnam. These maybe in the form of soft loan programs designed to support a country's exporters. EXIM 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), 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 and inequality, improving health and 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 and the World Bank.

Web Resources

Asia Development Bank
Commercial Liaison Office to the Asian Development Bank
Commercial Liaison Office to the World Bank

Export-Import Bank of the United States
OPIC
Trade and Development Agency
Trade Finance Guide: A Quick Reference for U.S. Exporters, published by the International Trade Administration's Industry and Analysis team
U.S. Agency for International Development
USDA Commodity Credit Corporation

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" is extremely important to many Vietnamese and you should try not to put Vietnamese counterparts in an embarrassing situation or one that calls for public back-tracking. Fear of losing face may make your counterparts wary of spontaneous give-and-take, unscripted public comment, or off-the-cuff negotiation. Tact, sensitivity, and discretion are considered the most effective approach in dealing with disagreements or uncomfortable situations. Consensual decision-making is also very deeply ingrained in Vietnam. In Vietnam, it often means that all parties with a voice can wield a veto and must be brought on board. In building a consensus, it may prove impossible to "steamroll" the minority opinion, which must be wooed instead. To take the Central Government as an example, the lead ministry on a given issue may be unable to advance its positions if other ministries with seemingly minor involvement in the decision oppose it.

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

The concept of a "win-win" business scenario is not widely ingrained in local business culture. This is important to keep in mind when negotiating with a Vietnamese organization. Once a deal is struck in principle, Vietnamese companies may want to take more time to improve their terms and even re-negotiate – adding time to business deals.

Relationships are also very important in Vietnam, as they are in general throughout the region. Your counterpart will want to know with whom they are dealing before making decisions. Transactions rarely develop overnight, or without extensive relationship building.

Introductions

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

that arise in initial correspondence or meetings. The U.S. Commercial Service is well positioned to facilitate introductions.
If it is not possible to have a third party introduce you, self-introductions should start with an explanation of what led you to contact this particular organization. This will help the Vietnamese side understand how to relate to you.

Names

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

Correspondence

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

Business Meetings

Establishing operations or making sales in Vietnam entails numerous business meetings, as face-to-face discussions are favored over telephone calls or letters. A first meeting tends to be formal and viewed as an introductory session. If you are unsure of exactly who in the organization you should be meeting with, you should address the request for a meeting to the top official/manager in the organization.

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

A meeting usually begins with the guest being led into a room where there may be a number of Vietnamese waiting. The Vietnamese principal is rarely in the room when the guests arrive and you will be left to make small talk with the other meeting participants until the principal makes his or her entrance. It is common for a third person (from either side) to introduce the two principals of

the meeting. Once this is done and all participants have been introduced to each other and have exchanged name cards, participants can take a seat.

Seating for a meeting is generally across a conference table with the principal interlocutors in the center and directly across from each other. Other participants are generally arranged in a hierarchy on the right and left. Generally, the farther one is from the center of the table, the less senior one is. Sometimes the meeting will take place in a formal meeting room where there are chairs arranged in a 'U' pattern. The principals will take their seats in the two chairs at the base of the 'U' with other participants arranging themselves in rank order along the sides.

Meetings generally begin with the principal guest making introductory remarks. These remarks should include formal thanks for the hosts accepting the meeting, general objectives for the meeting, and an introduction of participants and pleasantries. This will be followed by formal remarks by the Vietnamese host. Once the formalities and pleasantries are dispensed with, substantive discussion can ensue. Even if the principal host is not heavily involved in the details of the conversation, guests should remember to address the principal in the conversation allowing him or her to delegate authority to answer. A general business call lasts no more than one hour. Usually, the visitor is expected to initiate or signal the closure of the meeting.

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

Business Attire

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

Travel Advisory

Please view the latest travel information for Vietnam provided by the U.S. State Department Travel Information Website.

Country Specific Information for U.S. Travelers

See the Department of State's Travel.State.Gov information for Vietnam. This page contains useful guidance for U.S. travelers to Vietnam - including safety, security, health, transportation, local laws, and other information.

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 on a pilot project basis.

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 National Web Portal of Immigration and Trade NOSIS website. 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. Per 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 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, you may find it more convenient to apply for a multiple-entry one-year visa, which have been available to United States citizens since August 2016. This visa category can be obtained through the Vietnamese Embassy in Washington DC through its website. 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 unfortunately and 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, DC. 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. Unfortunately, our office cannot recommend one tourism agency over another.

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)
Visa Information website

Vietnamese Consulate General
1700 California Ave, Suite 475
San Francisco, CA 94109
(Telephone: 415-922-1577, fax: 415-922-1848)
Visa Information website

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)
Visa Information website

Consulate General of Vietnam in Houston
5251 Westheimer Rd #1100
Houston, TX 77056
(Telephone: 713-850-1233)
Visa Information website

Consulate General of Vietnam in San Francisco
1700 California Ave., Suite 475
San Francisco, CA 94109
(Telephone: 415-922-1577, fax: 415-922-1848)
Visa Information website

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 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 about 22,700 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/Electric

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 Wi-Fi 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. Some U.S. carriers do not provide 3G roaming in Vietnam, due to the high roaming rate that U.S. providers are required to pay local telecom companies for service. As of the publishing of this report, the government of Vietnam was taking steps to decrease the 'floor' rate that local providers charge international telecom companies, so check with your provider before traveling for confirmation on what services you will have access to while in Vietnam. 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.

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 relatively inexpensive, especially in the large cities. A car with a driver is also an option in most cities and can be rented for between $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 Uber and 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 workweek and are no longer open on Saturdays.

During the Lunar New Year, falling in January or February, business and government activities in Vietnam come to a virtual standstill for the weeklong Tet holidays. Business travel 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, dated Dec 15, 2005, stipulate that the following items are allowed, without any duty, to temporarily enter Vietnam and must be re-exported within 90 days: goods for presentation or use at trade fairs, shows, exhibitions or similar events, professional machinery and equipment, spare parts and components serving the repair of foreign ships or aircraft.

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

exported out of Vietnam, VCCI is responsible to Vietnam Customs for any import duties.

Web Resources

American Chamber of Commerce in Vietnam
U.S. Foreign Commercial Service in Vietnam
Vietnam Embassy in Washington DC
Vietnam Consulate General in San Francisco
Vietnam Chamber of Commerce and Industry
Vietnam National Newspaper