

26 May 2006



Country Report on Vietnam



1. GEOGRAPHY

- Total area: 329,560 km² (approximately 533 times that of Singapore's)
- Capital: Hanoi
- Largest cities:
 - Ho Chi Minh City (pop. = 3.5 mil)
 - Hanoi (pop. = 1.4 mil)
 - Hai Phong (pop. = 0.6 mil)

2. SOCIO-DEMOGRAPHY

- Population: 84 million, as of July 2006 (about 21 times that of Singapore's)
- Population growth rate: about 1%
- Languages: Vietnamese (official), Chinese, English, French, Khmer and other tribal languages
- Ethnic groups: Vietnamese (86% of pop.), Tay (2%), Thai (1.7%), Muong (1.5%), Khome (1.4%), Hoa (1%), Nun (1%), Hmong (1%) and others (4-5%)
- Religions: Buddhist (9%), Catholic (7%), Hao Hao (2%), Cao Dai (1%), Protestant (0.5%), Islam (0.1%) and indigenous beliefs (80%), based on 1999 census



Source: CIA World Factbook

- Administratively, Vietnam is divided into 59 provinces and 3 municipalities.

Provinces in Vietnam:

An Giang	Can Tho	Ha Tinh	Nghe An	Tay Ninh
Bac Giang	Cao Bang	Hoa Binh	Ninh Binh	Thai Binh
Bac Kan	Dac Lac	Hung Yen	Ninh Thuan	Thai Nguyen
Bac Lieu	Da Nang	Khanh Hoa	Phu Tho	Thanh Hoa
Bac Ninh	Dien Bien	Kien Giang	Phu Yen	Thua Thien-Hue
Ba Ria-Vung Tau	Dong Nai	Kon Tum	Quang Binh	Tien Giang
Ben Tre	Dong Thap	Lai Chau	Quang Nam	Tra Vinh
Binh Dinh	Gia Lai	Lam Dong	Quang Ngai	Tuyen Quang
Binh Duong	Ha Giang	Lang Son	Quang Ninh	Vinh Long
Binh Phouc	Hai Duong	Lao Cai	Quang Tri	Vinh Phuc
Binh Thuan	Ha Nam	Long An	Soc Trang	Yen Bai
Ca Mau	Ha Tay	Nam Dinh	Son La	

Municipalities in Vietnam: Hai Phong, Hanoi and Ho Chi Minh

3. GOVERNMENT, POLITICAL AND LEGAL SYSTEMS

- Vietnam may be classified as a communist state with only a single political party – the Communist Party of Vietnam (or CPV).

National Assembly

- This is highest body of state power with constitutional and legislative powers.
- Its members are elected every five years and they meet twice a year.
- There are a total of 498 seats in the Assembly.

President of Vietnam

- Elected for a five-year term by the National Assembly and is (i) the Head of State, (ii) Commander of the Army and (iii) Chairman of the Council on National Defence and Security, all rolled into one.
- Currently the president is Tran Duc LUONG.

Prime Minister of Vietnam

- Appointed by the President, from the National Assembly, for a five-year term.
- He is the Head of Government and is aided by Cabinet Ministers.
- Currently the prime minister is Phan Van KHAI.

Cabinet

- Made up of deputy prime ministers and ministers appointed by the president on the proposal of the prime minister and confirmed by the National Assembly

Key Cabinet Ministers:

First Deputy Prime Minister: Nguyen Tan DUNG
 Deputy Prime Minister: Vu KHOAN
 Deputy Prime Minister: Pham Gia KHIEM
 Minister of Industry: Hoang Trung HAI
 Minister of Nat'l Res. & Environment: Mai Ai TRUC
 Minister of Planning & Investment: Vo Honh PHUC
 Minister of Trade: Truong Dinh TUYEN

Minister of Construction: Nguyen Hong QUAN
 Minister of Posts, Telcomm & Tech: Do Trung TA
 Minister of Educa & Training: Nguyen Minh HIEN
 Minister of Transport & Comms: Dao Dinh BINH
 Minister of Finance: Nguyen Sinh HUNG
 Minister of Justice: Uong Chu LUU
 Minister of Science & Tech: Hoang Van PHONG

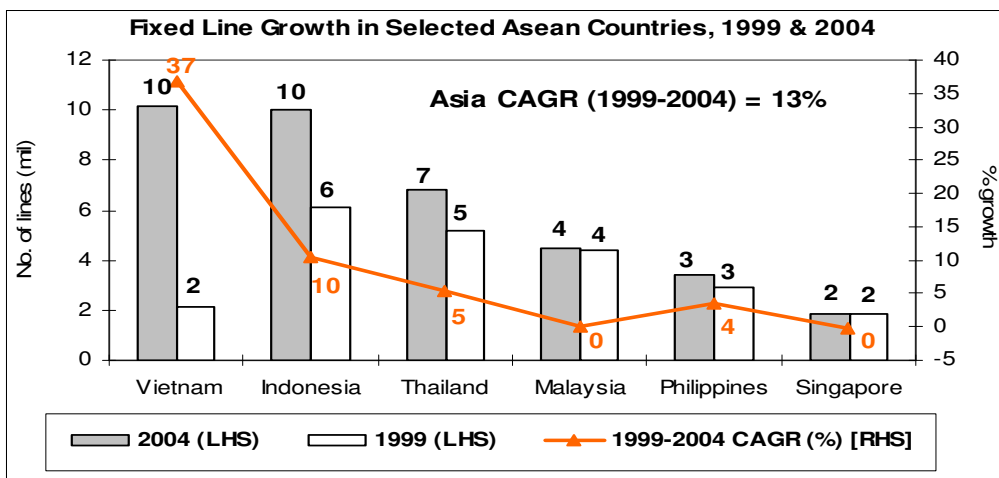
Judicial/Legal System

- The judicial system of Vietnam consists of the:
 - Supreme People's Court
 - Local People's Court
 - Military Tribunals and
 - Special Tribunals, set up by the National Assembly for specific purposes
- The legal system is based on communist legal theory and French civil law.
- Disputes and claims settlement systems are relatively under-developed.
- Economic Courts have jurisdiction over bankruptcy and business disputes.
- Additionally, disputes are also resolved via the Economic Arbitration Centers.

4. TELECOMMUNICATIONS SECTOR

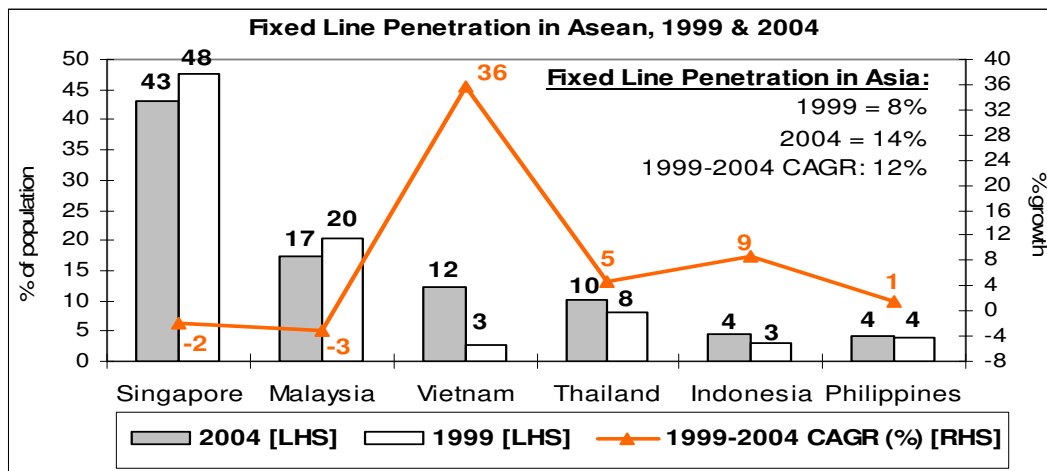
A. Fixed Lines

- As of 2004, there were about 10 million fixed line subscriptions in Vietnam
- Vietnam witnessed the highest compounded growth (+37%) in fixed line subscription between 1999 and 2004 among Asean countries



Source: International Telecommunications Union, 2005

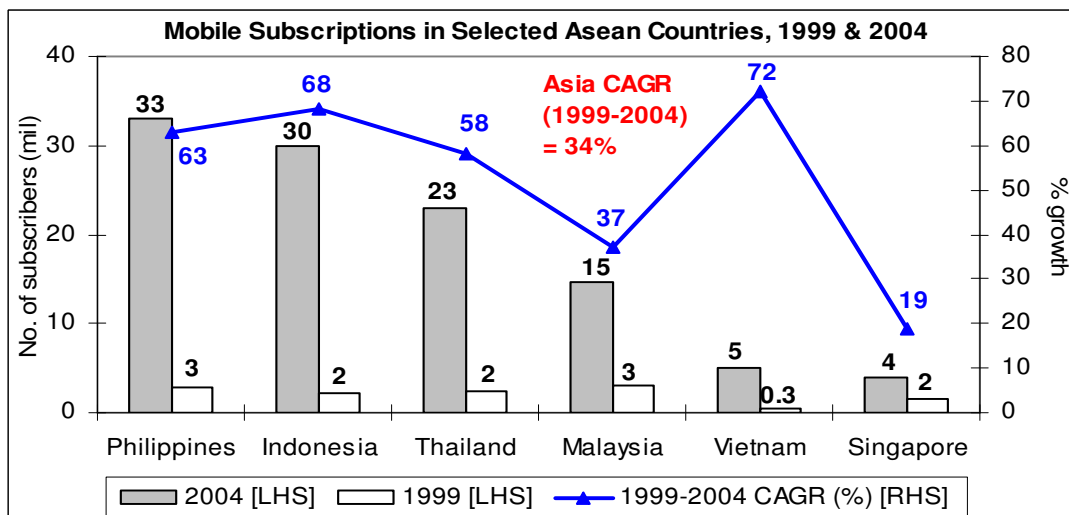
- Vietnam's fixed line penetration at 12% in 2004 was the third highest (after Singapore and Malaysia), while its 5-year CAGR in fixed line penetration (+36%) was the highest in Asean



Source: International Telecommunications Union, 2005

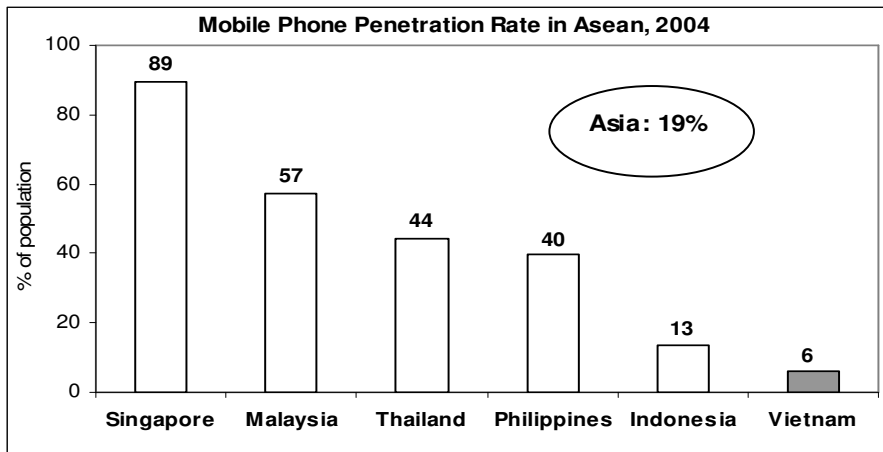
B. Mobile Lines

- There were 5 million mobile subscriptions in Vietnam in 2004. The Ministry of Post and Telecommunications forecast that this will hit 13.5 million by 2010
- The 5-year CAGR in mobile subscription (+72%) was the highest in Asean



Source: International Telecommunications Union, 2005

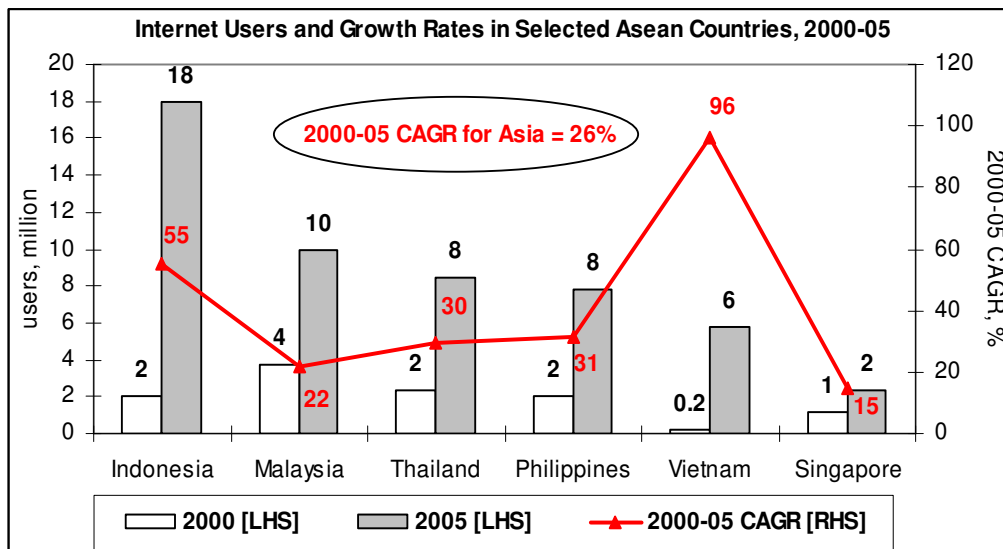
- Despite the high growth in mobile subscriptions, the mobile penetration rate of 6 owners per 100 persons in Vietnam is among the lowest in Asean



Source: International Telecommunications Union, 2005

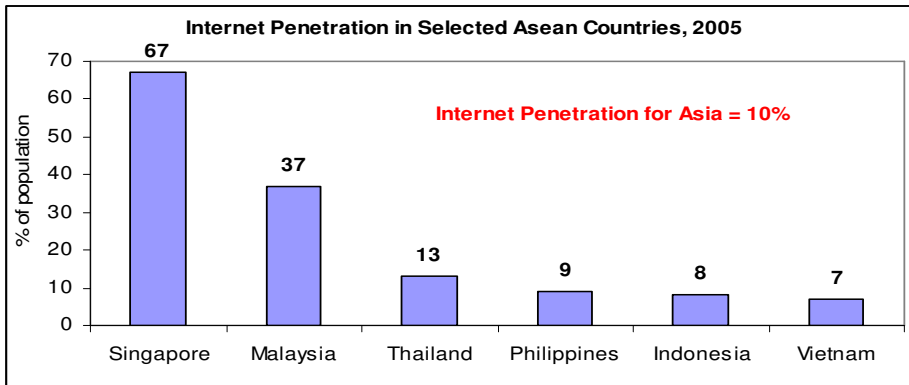
C. Internet

- There were about 6 million internet users in Vietnam in 2005 (0.2 mil in 2000)
- Vietnam's CAGR (+96%) in internet usage between 2000 and 2005 was the highest in Asean



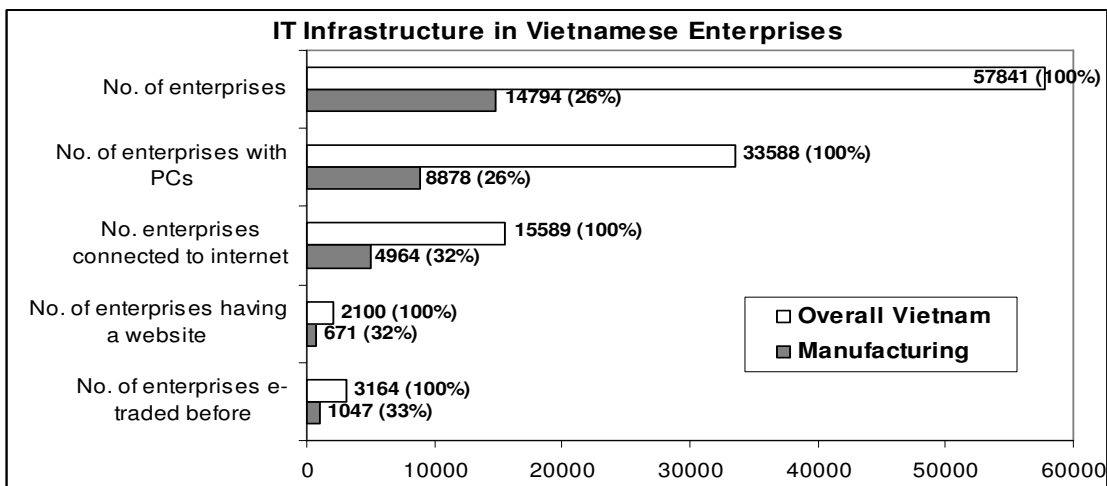
Source: www.internetworldstats.com

- Despite Vietnam's high growth in internet user population, internet penetration is comparatively low (7% of total population) among Asean countries
- Internet users are highly concentrated in the urban centers of Ho Chi Minh City, Hanoi, Hai Phong and Da Nang. These cities made up about 10% of the total population but accounted for 86% of the internet user base (source: Vietnam Internet Network Information Centre)

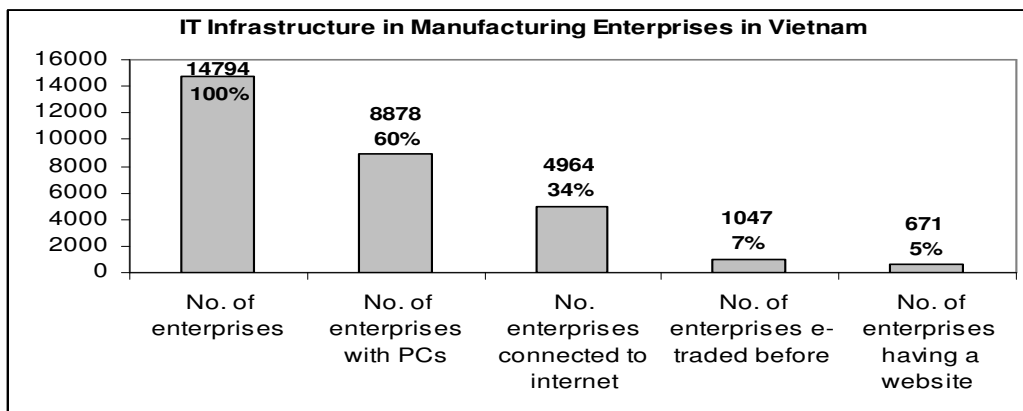


Source: www.internetworldstats.com

- At the enterprise level, slightly more than a quarter of the companies with PCs are engaged in manufacturing
- Manufacturing companies made up a third of the companies with internet connectivity or have their own website or have e-traded before



Source: General Statistics Office, 2003

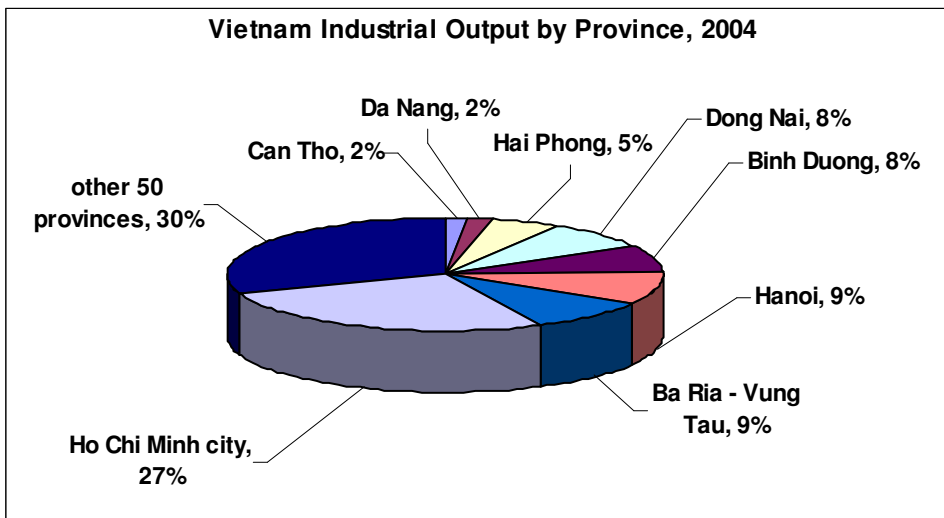


Source: General Statistics Office, Vietnam 2003

5. ECONOMY

A. Economic Policy

- Vietnam is slowly moving from a centrally-planned to a market economy.
- It is shifting from a policy of macroeconomic stability to economic growth.
- While it is seeking foreign investments, the government still controls key sectors like the domestic banking industry and state-owned enterprises.
- The emphasis is on developing the private sector to create more jobs.
- The 2001 Bilateral Trade Agreement (BTA) between Vietnam and the US changed Vietnam's trade regime and helped to liberalise its economy.
- Besides normalising Vietnam-US diplomatic relation, the BTA also accorded normal trade relations (NTR) status to Vietnam's imports into the US.
- Vietnam has also committed to other trade agreements including the Asean Free Trade Agreement (AFTA) and is aspiring to accede to WTO in 2006.
- Major economic centres are located in southern and northern Vietnam: Ho Chi Minh City, Ba Ria- Vung Tau province, Hanoi and Binh Duong province
- The northern and southern region each account for 15% of GDP and exports, 25% of industrial output and 23% of foreign investment capital
- Northern region: manufacture of equipment, auto/motorbike parts, electrical equipment, electronic components, engines and electro motors
- Southern region (more highly developed): telecommunications, transportation, finance, banking, info-comm and electronics

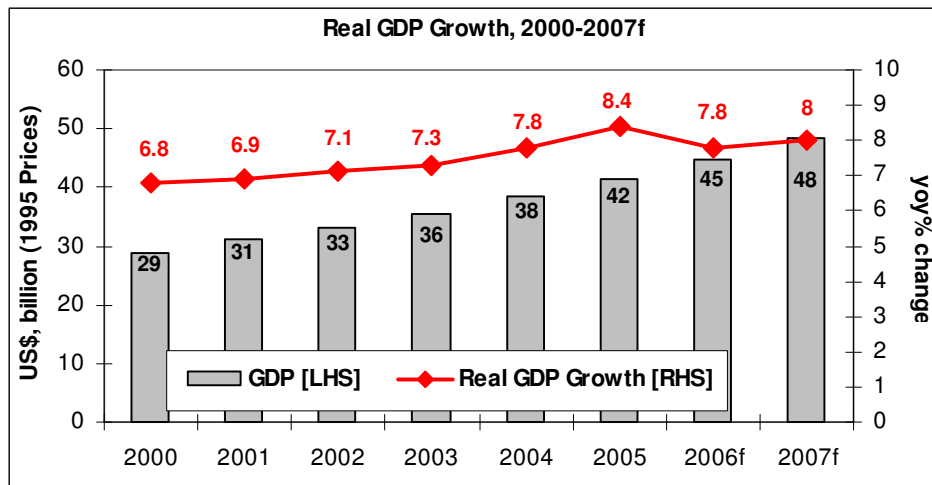


Source: www.vietpartners.com

B. Gross Domestic Product (GDP)

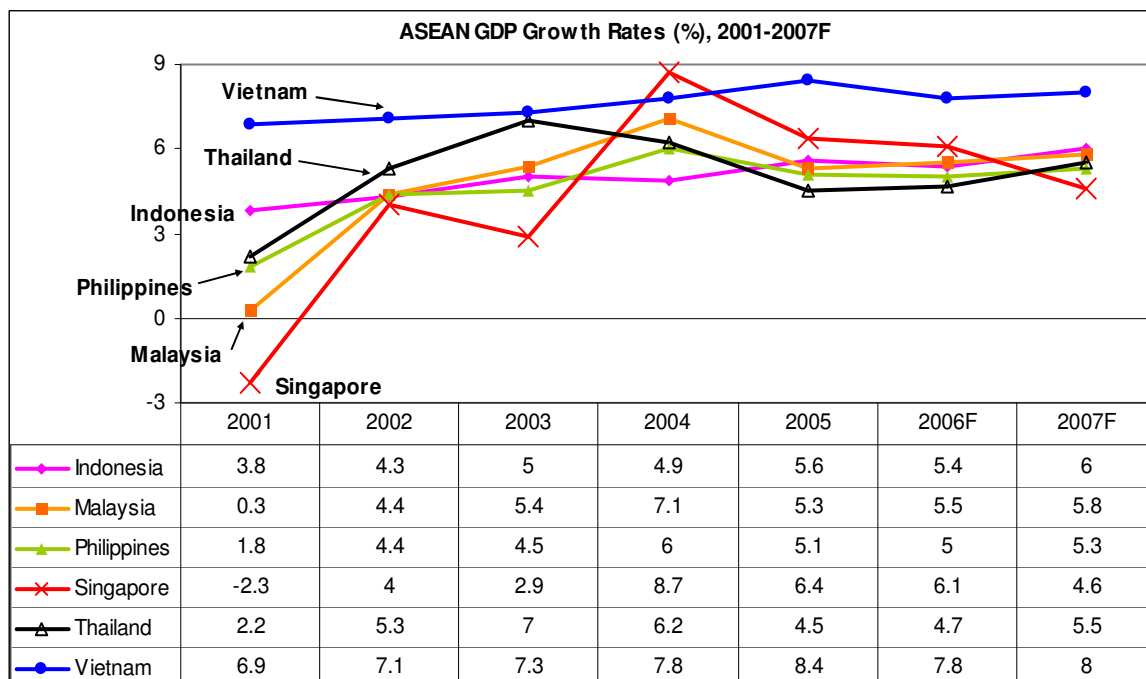
- Vietnam's GDP growth averaged 7.4% from 2000 to 2005.
- The 2005 GDP totaled nearly USD 41.5 billion, posting a growth of 8.4% y-o-y.

- Forecast for 2006 and 2007 by the Asian Development Bank are above 7.4%.

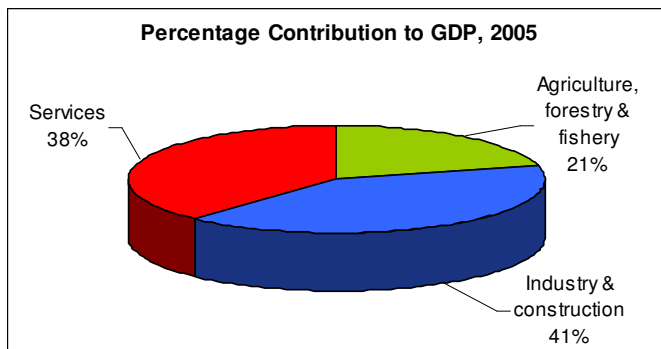


Source: Asian Development Bank, estimates from Vietnam Co-ordinating Agency

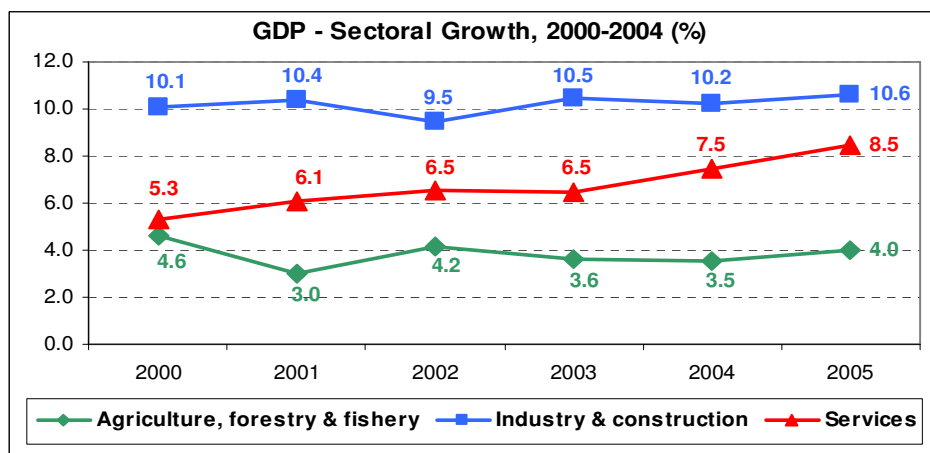
- It registers the highest growth rate in ASEAN.
- In 2005, the Industry and Construction sector (41%) overtook the Services sector (38%) as the largest contributor to GDP. Agriculture contributed 22%
- The Industry and Construction sector has traditionally registered the highest growth among the sectors.



Source: Asian Development Bank



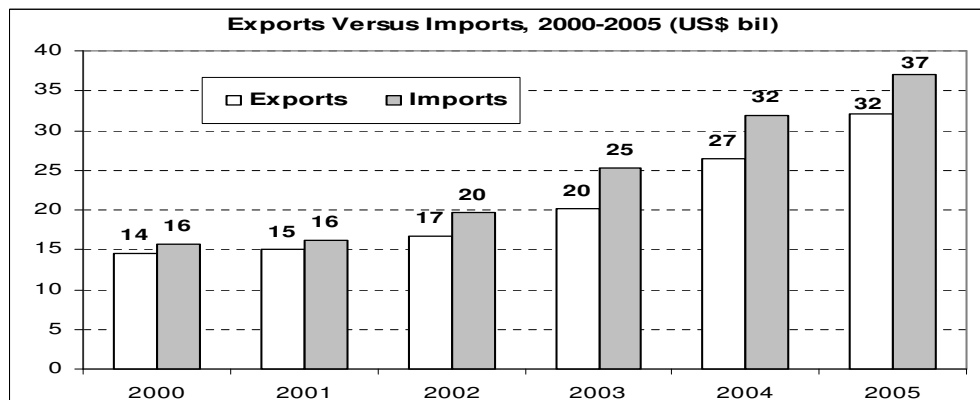
Source: Asian Development Bank



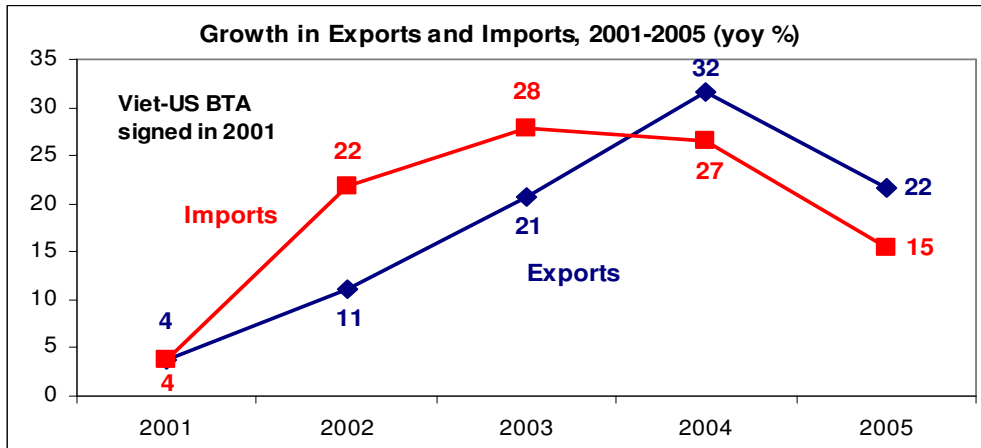
Source: General Statistics Office, Vietnam 2005

C. Foreign Trade

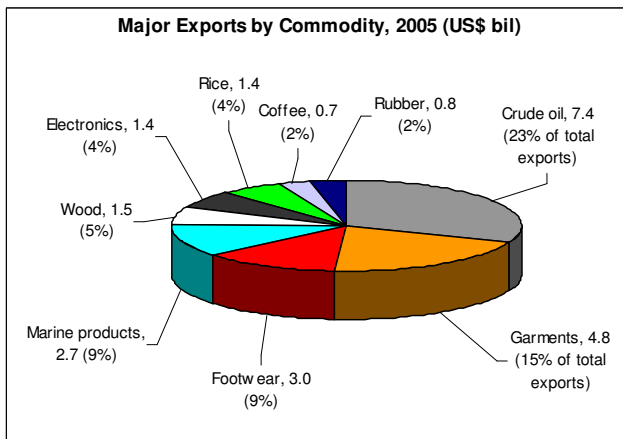
- Vietnam is a net importing country; US\$5 bil trade deficit in 2003 and 2004. Its trade deficit was reduced to US\$bil 4.65 in 2005 due to stronger export growth.
- Exports and imports grew by double digits after the Viet-US BTA in 2001.
- Top 5 exports: crude oil, garments, footwear, marine products and wood.
- Top 5 export destinations: US, Japan, China, Australia and Singapore.



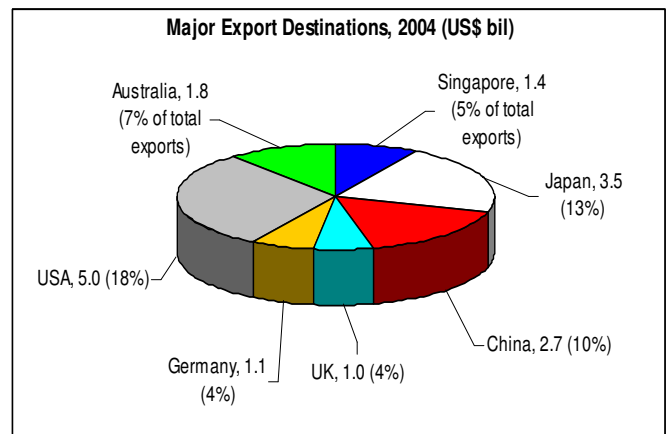
Source: Asian Development Bank, ASEM Connect



Source: Asian Development Bank, ASEM Connect

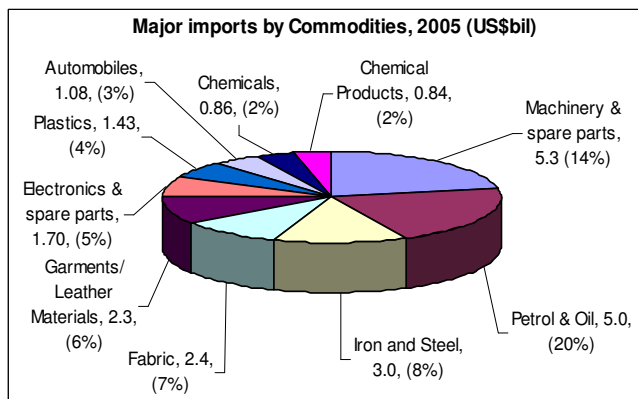


Source: Investment and Trade Promotion Centre

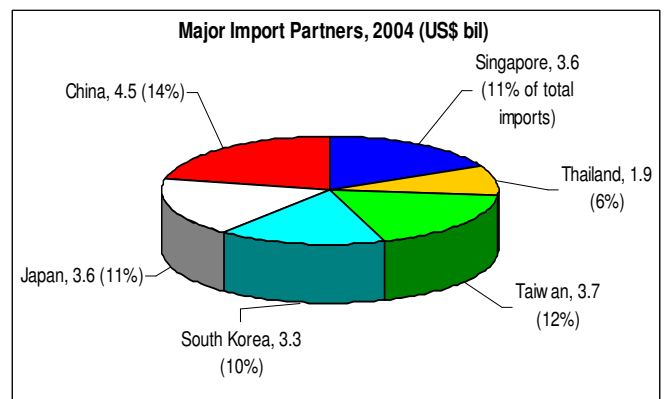


Source: CEIC

- Top 5 imports: machinery and spare parts, petrol, iron and steel, fabric and garments/leather materials
- Top 5 importing sources: China, Taiwan, Japan, Singapore and S. Korea



Source: Investment and Trade Promotion Centre



Source: CEIC

D. Trade with Singapore

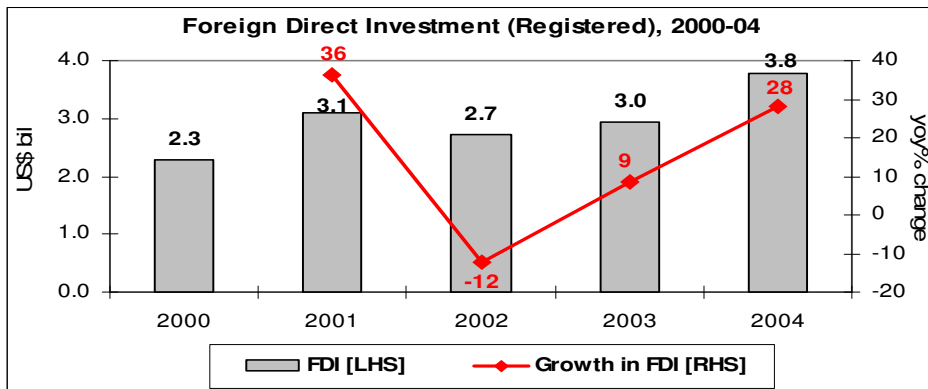
Singapore's Main Domestic Exports To and Imports From Vietnam, 2004

Singapore's Exports to Vietnam				Singapore Imports from Vietnam			
		S\$ bil	% of total			S\$ bil	% of total
1	Mineral Fuels, Oils, Waxes & Products	2.1	66	1	Mineral Fuels, Oils, Waxes & Products	1.7	72
2	Nuclear Reactors, Boilers, & parts	0.2	6	2	Fish, Crustaceans, Molluscs	0.1	6
3	Plastics & articles thereof	0.2	5	3	Electrical Machinery, Sound Recorders etc	0.1	5
4	Electrical Machinery, Sound Recorders etc	0.1	4	4	Footwear	0.1	5

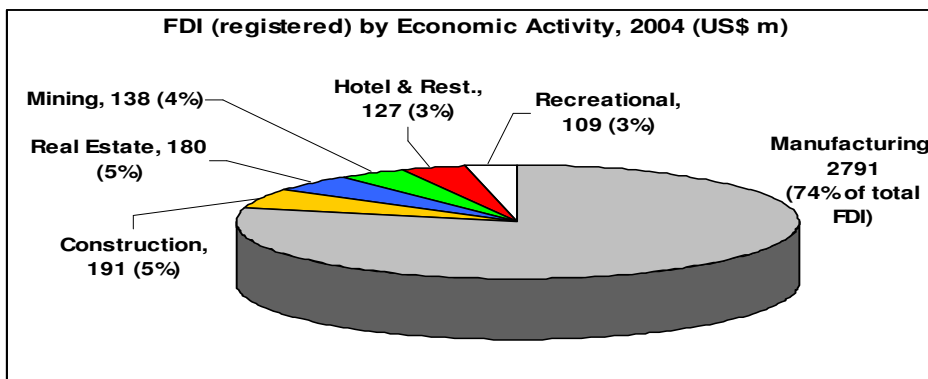
Source: IE Singapore Trade Statistics 2005

6. FOREIGN DIRECT INVESTMENT (FDI)

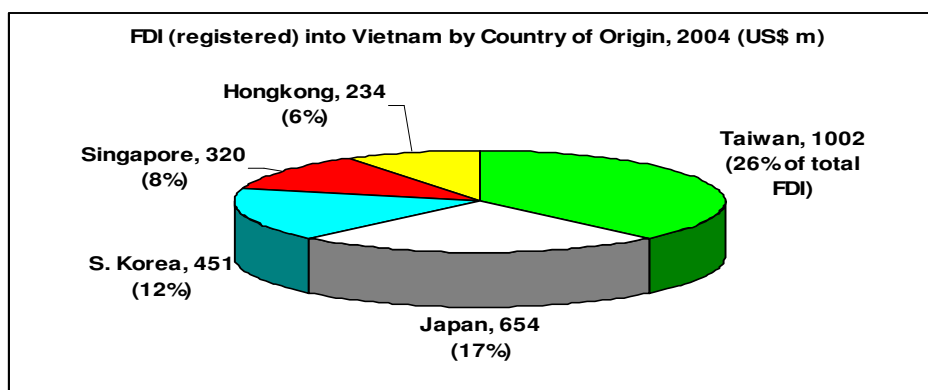
- FDI (registered capital) totalled US\$ 3.8 billion in 2004, of which almost $\frac{3}{4}$ were absorbed in manufacturing activities.
- The top five contributors of FDI in Vietnam in 2004 were from Asia, of which Taiwan provided slightly more than $\frac{1}{4}$ of the total FDI.



Source: General Statistics Office, Vietnam



Source: General Statistics Office, Vietnam



Source: General Statistics Office, Vietnam

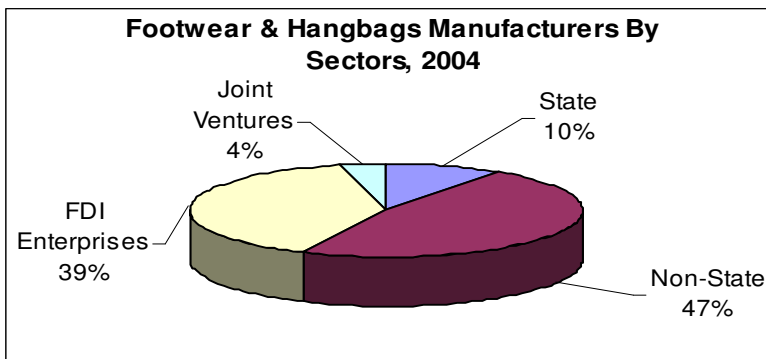
7. KEY INDUSTRIES

- In 2005, the industrial sector was again the main driver of GDP growth, growing at 10.6%, outpacing the growth in services (8.5%) and agriculture (4%)
- Growth was attributed to increasing domestic and export demand (private consumption in Vietnam accounts for about 66% of GDP)
- Domestic demand for industrial products such as steel, iron, cement etc increased due to higher government spending on public works and infrastructure.
- The processing industry accounts for 89% of industrial production value. The sector grew by 19.5% y-o-y, higher than the production of electricity, gas and water (14.1%) and mining (1.4%) sectors.
- Main industrial products registering strong growth in 2005 were coal, processed seafood, canned milk, chemical fertilizers, floor tiles, rolled steel, electric cables, machine tools, assembled automobiles and electricity.
- Manufactures experiencing production and sales difficulties but managed to register 10-15% growth in 2005 were ready to wear garments, paper and cardboards, cement, assembled TV sets, built up bicycles etc

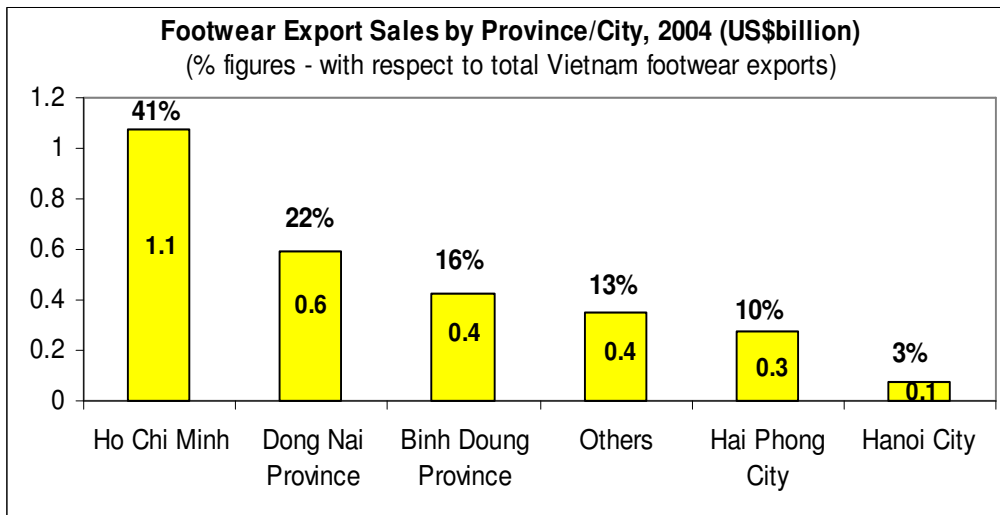
Competitive Industries:	Potentially High-Growth Industries:	Base Industries (Stable Growth):
A. Textiles & Garments B. Footwear C. Agriculture, Forestry & Fishery Processing D. Electricity & Electronics	E. Electronic Components & Software F. Chemical Pharmaceutical Products, Cosmetics and Washing Detergents G. Mechanical Engineering Products	H. Electricity I. Metallurgical J. Base Chemicals (fertilizers & petrochemicals) K. Building Materials L. Mining M. Mechanical Manufacturing

A. Footwear Industry

- Vietnam is the world's 8th largest footwear producer (441million pairs) and the 4th largest footwear exporter (420 million pairs = US\$2.64 billion) in 2004.
- Footwear is the 3rd largest export earner (9% of total revenue) in Vietnam
- Footwear production is dominated by foreign invested enterprises (Nike, Reebok, Adidas, Timberland, Clarks, Nine West etc) and non-state enterprises.
- 85 to 90% of exported footwear are foreign brands.
- Ho Chi Minh City accounted for 41% of total export sales in 2004.



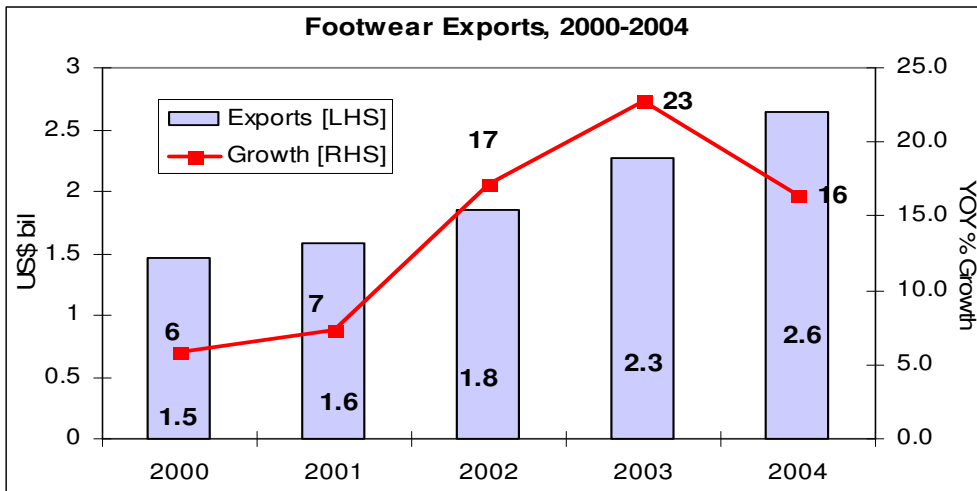
Source: Vietnam Footwear and Leather Association



Source: Vietnam Footwear and Leather Association

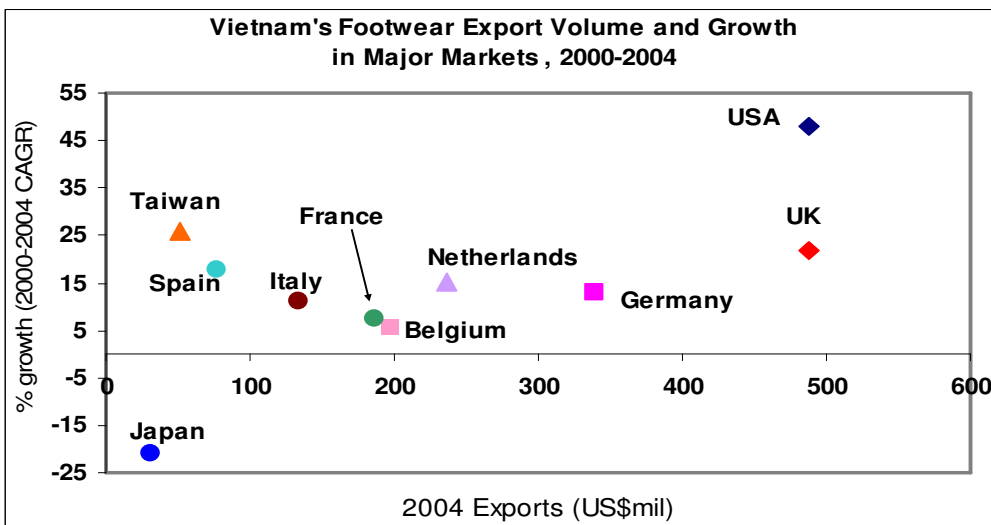
- The industry relies mainly on imports of raw materials eg. leatherette, shoe heels/soles, thread, buttons and marks from countries like China, Taiwan and Korea. Although sports shoes accounted for 50% of Vietnam's footwear export earnings, 80% of the supply of leatherette is met by imports.
- While footwear exports have grown by double digits in the last few years, Vietnam faces keen competition from China where production and material

costs are lower due to the availability of raw materials and accessories in China. Exports have also been affected by EU's anti-dumping ruling and tariff rebates to countries hit by the Tsunami, particularly Thailand.



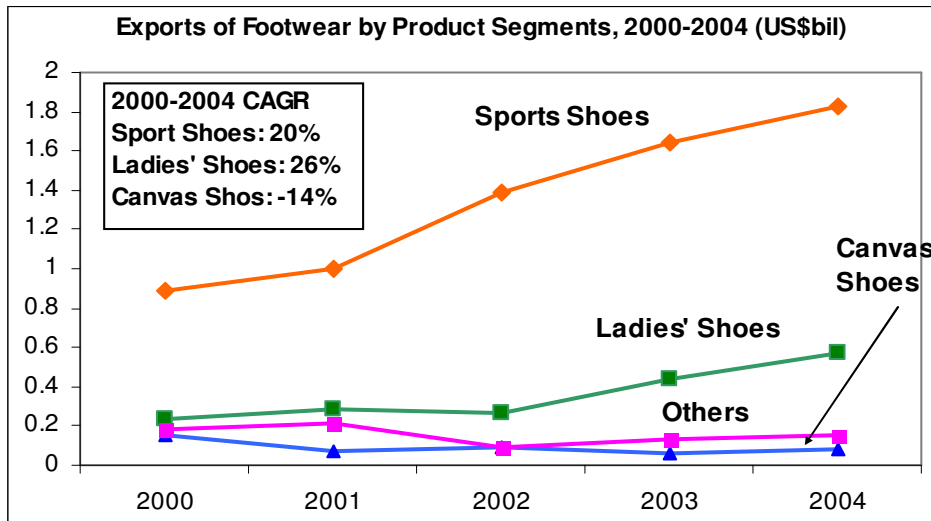
Source: Vietnam Footwear and Leather Association

- Taiwan was Asia's largest importer of shoes from Vietnam in 2004.
- The UK and US remained the leading importers of shoes from Vietnam.



Source: Vietnam Footwear and Leather Association

- Sport shoes dominated footwear production and exports, with a 4-year (2000-2004) CAGR export growth of 20%.



Source: Vietnam Footwear and Leather Association

Challenges in Footwear Industry:

- Contractual production with foreign partners, which represent 70% of total production entities, limits efficiency of domestic footwear companies.
- Low value-add.
- Lack of skilled technicians, workers and managers.
- Weak in marketing and product design.
- Strong competition from China and Thailand.

Opportunities in Footwear Industry:

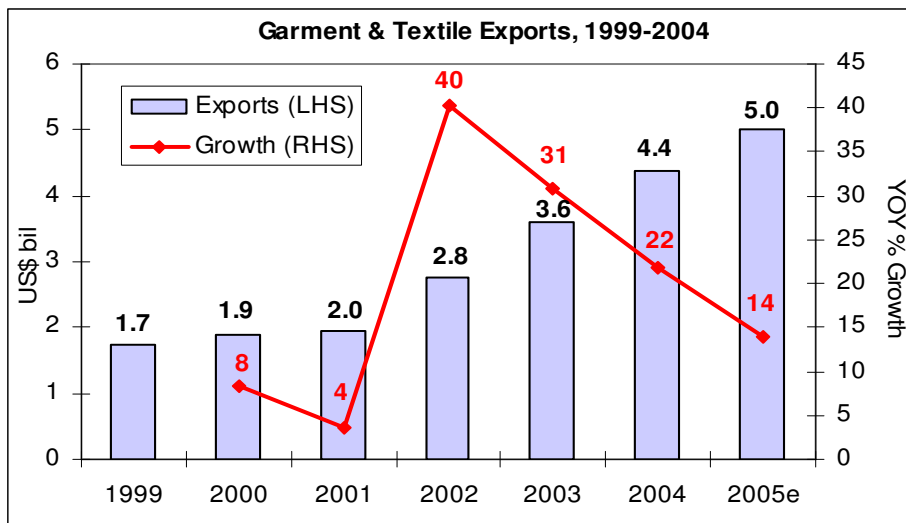
- Industry will still enjoy EU's Generalised System of Preferences (GSP) in the next few years.
- Footwear exports to US will continue to grow due to Vietnam-US BTA.
- Strong government commitment to promote production and exports.
- Outsourcing of footwear production from developed to less developed countries, including Vietnam, has been increasing.

Government's Strategy in the Footwear Industry:

- Export revenue target in 2010 = US\$6.2 billion or an annual increase of 20% between 2005 and 2010
- Speed up development of the industry to achieve higher output and exports, create new jobs, improve efficiency and competitiveness of Vietnam's exports
- Move from sub-contracting to independent production
- Aim to manufacture shoes of international standards, invest in new technology and attain ISO 9000, ISO 14000 and SA 800 standards

B. Textiles and Garments Industry

- The industry accounts for more than 20% of total industrial output value and is a key source of employment
- It is the 2nd largest export earner, accounting for 15% of total export revenue
- There has been a shift towards private sector participation, especially in garment and knitwear production. The private sector now accounts for about 40% of the country's total textile production and 75% of garment output



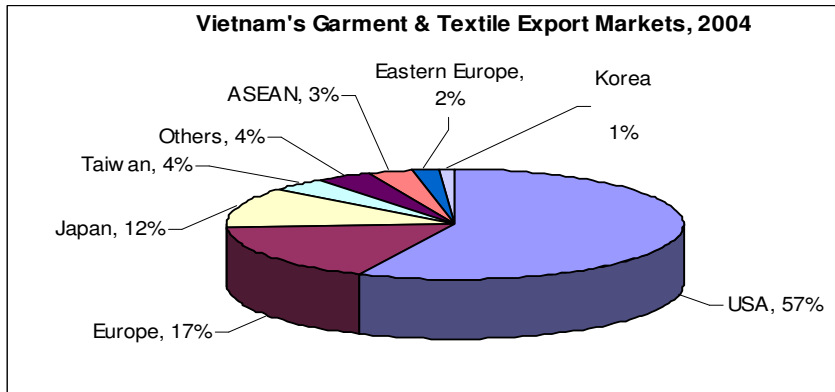
Source: Vietnam Textile and Apparel Association

Distribution of Textile Enterprises by Location, Product Type and Ownership

By Location	No. of enterprises	By Product	No. of enterprises	By Ownership	No. of enterprises
Ho Chi Minh City	1090	Garments	1446	Private	1172
Hanoi	157	Woven	382	FDI	472
Dong Nai province	142	Services	265	State-owned	307
Binh Duong prov	116	Material & spinning	96		
Da Nang City	55	Accessories	41		
Long An province	27				
Others	364				

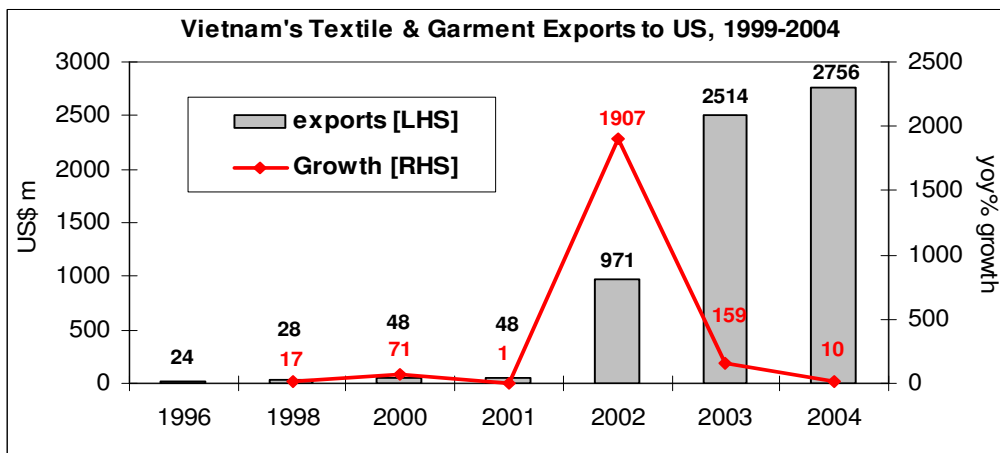
Source: www.vietnamtextile.org.vn

- Major export markets: US, EU, Japan, Taiwan and Asean. In 2004, US and EU were the top importers, accounting for 57% and 17% respectively of Vietnam's textile and garment exports.



Source: Vietnam Textile and Apparel Association

- Garment and textile exports to US have been increasing significantly since 2002 after the Viet-US BTA was signed in 2001. US imports grew 10% in 2004.
- US-Vietnam Textile Agreement (2003) allows quotas for Vietnam's garments and textile exports to US to grow by about 6-7% per year (2% for wool products).



Source: Vietnam Textile and Apparel Association

Challenges in Textile & Garment Industry:

- Competition from low cost countries like China, India, Pakistan and Sri Lanka, most of these do not have quotas set by the US unlike Vietnam
- Low comparative advantage, export quota and lack of product competitiveness hinder export growth

Opportunities in Textile & Garment Industry:

- Exports to US expected to remain high
- As a key industry, commitment from government is still strong
- Vietnam is still a major out-sourced destination for textile production

Estimated Production by Type of Textile Mill

1	Cotton grinding mill	20,000 tons/ year
2	Mill producing polyester yarn	140,000 tons/ year
3	Spinning mill	1,500-3,000 tons/year
4	Mill producing polyester fabric for sport wear and winter wear	10–20 mil meters/year
5	Factory producing cotton yarn dyed fabric for shirt	10mil meters/year
6	Mill producing solid color fabric (T/C, PVC):	20 mil meters/ year
7	Mill producing large width printed fabric for bed covers and bed sheets	20-30 mil meters/ year
8	Home textile mill:	20 mils meters/ year
9	Geo-textile mill	5,000 tons/ year
10	Tyre-core fabric mill	10,000 tons/ year
11	Knitting factory	5 mil pieces/ year
12	Shirt factory	2 mil pieces/ year
13	Khaki trouser factory	2 mil pieces/ year
14	Men's suit factory	500,000 pieces/ year
15	Factory producing bedcovers, table sheets	5 mil pieces/ year

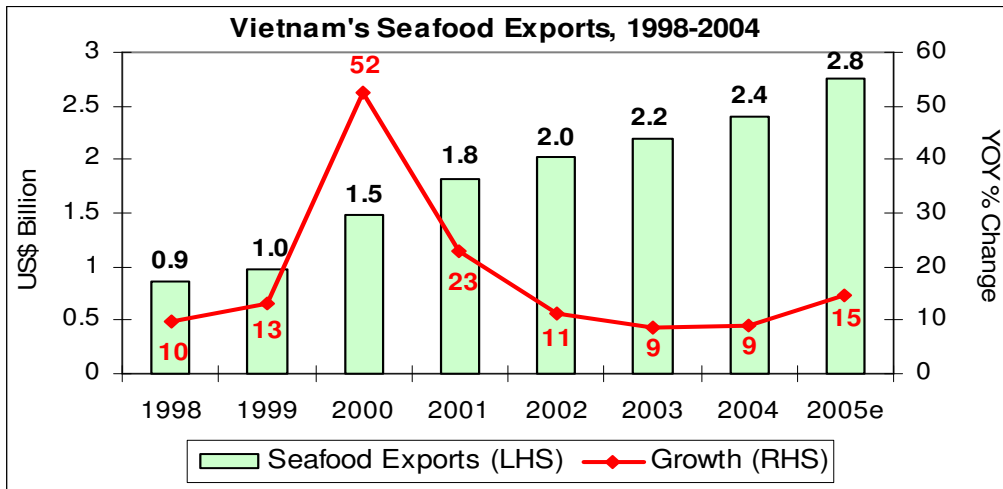
Source: Vietnam-USA trade office

Government's Strategy in Textile & Garment Industry:

- To achieve an export target of US\$ 7 to 7.5 billion a year by 2010.
- Reduce the import content to less than 25% by 2010, by increasing the supply of domestically produced inputs such as cloth and garment accessories.
- Increase cotton production from 8,000 tons in 2003/04 to 80,000 tons by 2010.

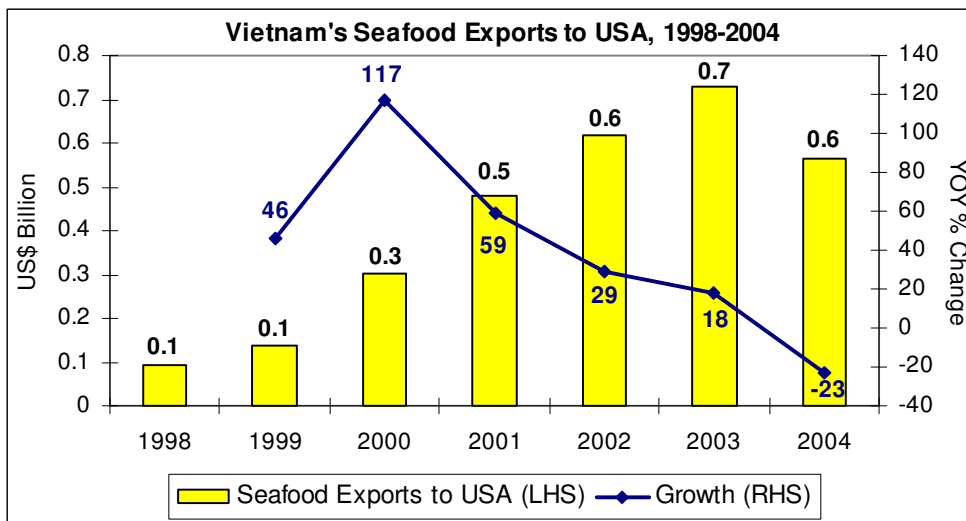
C. Seafood Products Industry

- Seafood product is the 4th largest export earner in Vietnam and accounts for about 9% of total export revenue in 2005.
- Frozen shrimp and fish products each command 43% and 15% of total seafood exports respectively.
- Vietnam has about 332 seafood processing plants, of which 70% are located in the South, 24% in the Central and 6% in the North.
- More than 200 seafood processing plants are applying for HACCP (Hazard Analysis and Critical Control Point) status to meet international quality and hygiene standards.
- State-owned companies are increasingly being converted into joint stock companies as the government continues to seek private sector participation.



Source: General Statistics Office

- Major seafood export markets: US, Japan, China, HK, S.Korea, Taiwan and EU
- Since 2001, US has overtaken Japan to be the largest importer of seafood from Vietnam. US commands about 32% of total Vietnam seafood export, while Japan's share is 26%.
- The slowdown in growth in Vietnam's seafood export to the US in recent years could be attributed to competition from Thailand and Indonesia and non-tariff measures imposed by US customs on Vietnam's exports in 2004.



Source: US International Trade Commission

Government's Strategy in Seafood Products Industry:

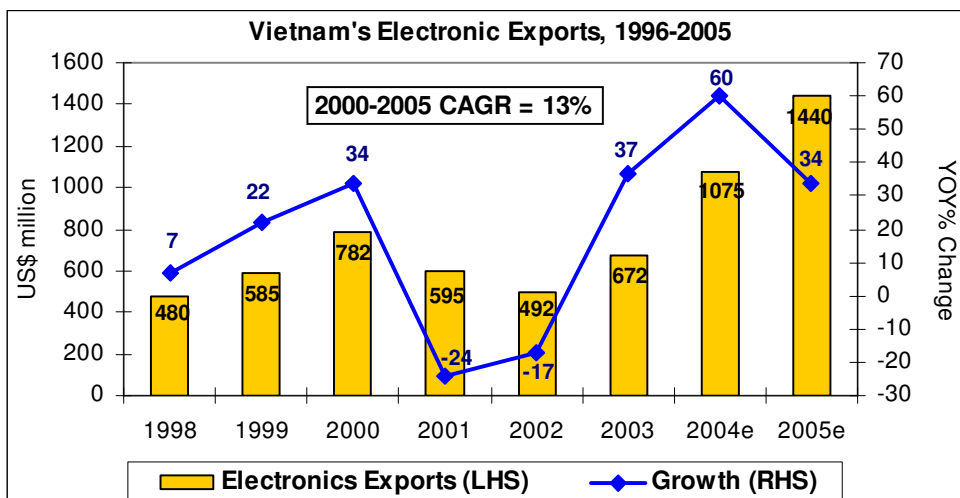
- Export target: US\$3.5 billion by 2010.
- Attract foreign investments and technological upgrades in processing.

Item	2001 (Actual)	2005 (Estimated)	2010 (Target)
Total fisheries production ('000 tons)	2,170	2,500	3,400
Marine catch ('000 tons)	1,320	1,300	1,400
Aquaculture ('000 tons)	850	1,200	2,000
Exports (US\$ bill)	1.65	2.5	3 to 3.5

Source: Vietnam-USA Trade Office

D. Electronics Industry

- Vietnam's electronics industry is in its developmental stage and is receiving high priority from the government.
- Exports only started in the mid-90s and grew by double digits except in 2001 and 2002, due to the bursting of the dot.com bubble.
- In 2005, exports grew by an estimated 34% - lower than the 60% in 2004 - due to higher raw material costs.



Source: Vietnam-USA Trade Office, General Statistics Office, Business in Asia

- The overall high growth rate is attributed to successful promotional campaigns overseas and co-operative agreements with other ASEAN countries through the ASEAN Industrial Cooperation Scheme (AICO), an arrangement to promote joint manufacturing activities among ASEAN countries.
- Main electronic exports: transformers, computer and mobile telephone parts, circuit boards and TVs.

- Major electronics export markets: Japan, Philippines, Thailand, Malaysia and Singapore
- The industry is dominated by foreign investors and joint venture companies. Market leaders are Fujitsu, Sony, Panasonic, Canon, Samsung, LG and JVC.
- Tien Dat and Vietronic Tan Binh Company are the two local leaders in the speakers and programmed karaoke players market.

Challenges and Opportunities in the Electronics Industry:

- Vietnam still uses outdated production methods like “screw technology”, while other Asean countries, eg. Malaysia, use advanced surface mount technology.
- Shortage of domestically produced electronic components. About 70% of exported electronic products are derived from imported components and parts.
- There is a need to attract foreign investors to produce electronic components to compete with more developed manufacturers in Malaysia, Korea and Taiwan.
- Import taxes on electrical components and refrigerator products have been lowered to enhance the competitiveness of local manufacturers.

Revised Tariffs on Electrical Components

Item	Previous Tariff (%)	New Tariff (%)
Equipment used in production of refrigerators	15 to 30	3
Vacuum pumps and air gates used in air-conditioners	5 to 30	0 to 10
Flat screen TV displays	15	5
Transformers used in TVs	5	3
Speakers	20	10

Source: Vietnam News, 13 Feb 2006

8. TAXATION

A. Corporate Income Tax

- Standard tax rate for domestic and foreign enterprises: 28% (since Jan 2004)

Tax incentives

- Tax rate of 20% for a period of 10 years** from the start of production, but applicable to companies located in industrial zones and engaged in the services sector
- Tax rate of 15% for a period of 12 years** from the start of production applicable to companies which satisfy one of the criteria below:
 - Belonging to the list of encouraged industries
 - Based in export processing zones (EPZs) and engaged in service sector
 - Based in the industrial zones (IZs) and exporting $\geq 50\%$ of their products

- Investing in areas with socio-economic difficulties
- Transferring without compensation to the Vietnamese State, upon expiry of license. These companies also enjoy a 2-year tax holiday from the date profits are first made and 50% tax reduction for a further period of 3 years

c) **Tax rate of 10% for a period of 15 years** from the start of production and applicable to companies which satisfy one of the criteria below:

- Meeting at least 2 criteria listed in (ii) above
- Belonging to the list of projects that are encouraged
- Investing in areas having socio-economic difficulties which belong to the list of encouraged industries
- Developing infrastructures in IZs, EPZs, High-Tech Zones, and projects in EPZs or
- Investing in healthcare, training, education and scientific research

These companies also enjoy a 4-year tax holiday from the date profits are first made and 50% tax reduction for a further period of 4 years.

The following projects are entitled to exemption of corporate income tax of 8 years from the start of the profit making year:

- BOT (build-operate-transfer), BTO (build-transfer-operate), BT (build-transfer) projects in areas where investment is encouraged;
- Industrial and high-tech service projects in high-tech zones; afforestation projects and infrastructure projects in areas having special socio-economic difficulties;
- Large scale projects having significant effects on socio-economic conditions and belonging to the list of encouraged projects

B. Value-Added (VA) Tax

VA tax has been simplified to 3 categories; top rate of 20% was removed in January 2004.

VA Tax Rate	Applicable Sectors
0%	Goods for export
5%	Water, fertilizers, insecticides, medicines, educational & training equipment & tools, baby toys, scientific and art books, natural agro-forestry products, animal feeds, services for scientific and agricultural applications
10%	Petroleum, coal, ores & other minerals, commercial electricity, electronic, electrical & mechanical products, chemical & cosmetics, textiles, fabrics, yarns, sugar, confectionaries, and soft drinks, glass, plastic, rubber, construction materials, construction & installation works, transportation & loading/unloading; postal & telecommunication services, leasing of premises, legal consulting services etc

Source: www.aseanindia.net (Note: List is not exhaustive)

C. Withholding Tax

This applies to the remittance of profits abroad by foreign capital projects and investors. There are 3 categories of taxation:

Withholding Tax Rate	Applicable to foreign investors who:
3%	(a) Invest in IZs, EPZs and high tech zones or (b) Contribute \geq US\$10 million to the legal capital of a project or (c) Invest in areas having socio-economic difficulties and belong to a list of areas where investment is encouraged
5%	(a) Contribute between US\$5million to US\$10million to the legal capital of a project or (b) Invest in healthcare, training & education, and scientific research
7%	Applicable to foreign investors not subject to the above

Source: www.aseanindia.net

D. Personal Income Tax

- The personal income tax regime was revised in mid-2004 – Vietnamese and foreigners are taxed differently
- Expatriate earnings are taxed at between 10% - 40%, the latter rate applying to monthly earnings of more than 80 million Dong.
- Personal income tax for Vietnamese starts at 10% on monthly earnings of 5 million Dong (US\$320) and rises to 40% on earnings exceeding 40 million Dong.

E. Import/Export Duties

- Vietnam is adjusting its tariffs to promote exports and fulfill commitments to cut down import duties and remove non-trade barriers under AFTA
- Any input material, component, parts and other materials imported for the manufacture of export products are exempted from import duties

Under the Foreign Investment Law, foreign capital projects and foreign investors under business co-operation contracts (BCCs) are exempted from duties imposed on goods which they import to create their fixed assets. These include:

- Equipment and machinery
- Components, fittings, parts, spare parts, support structures, moulds, accessories, machinery and specialized means of transport
- Raw materials and other materials imported for manufacturing machinery and equipment used in technological line or for manufacturing components, parts,

spare parts, support structures, appliances, moulds and accessories accompanying the above equipment and machinery

- Construction materials not produced locally
 - The tax exemption is applicable to cases of project expansion, technology replacement and renewal. It is also effective with respect to input materials for production of a period of 5 years from the start of production if such projects:
- Manufacture engineering, electric, electronic accessories, components & parts
- Fall within the list of encouraged investments
- Locate in areas having special socio-economic difficulties which belong to the list of areas where investment is encouraged

9. ESTABLISHING AN OFFICE IN VIETNAM

- A foreign firm must obtain one of the following licenses to establish a commercial presence in Vietnam:

Representative Office License

- Issued by the Ministry of Trade (MOT) and permits a narrow range of business operations including market research and monitoring of marketing and sales programs carried out by overseas head office, and long term investment activities.
- Representative offices are prohibited from engaging in any revenue generating activities such as trading, rendering professional services, revenue collection or subleasing its office space.
- Application Procedures:
 - An application, prepared in English and Vietnamese, with the supporting documentation must be submitted to the MOT.
 - Applicants have 90 days to register with the local People's Committee once the license is issued. The license fee is < US\$100 and the license is valid for 3 years and may be extended for additional 3 year periods.

Branch License

- This refers to a 100% foreign-owned business which operates in services like banking, law, insurance and tobacco which are closely monitored by the government.
- Many foreign branch offices first apply for representative office status before subsequently applying for a branch license. Branch status allows a foreign business to operate officially including on-shore billing and execution of local contracts

- Application Procedures:
 - Applications are submitted to the Ministry or the relevant authority in charge of the industry eg. State Bank of Vietnam for banking licenses, Ministry of Justice for law offices etc

Foreign Investment Licenses (FIL)

- Foreign investment is regulated by the Ministry of Planning and Investment (MPI) through the FIL and other regulations.
- Foreign investment can take any of the following forms:
 - 100% foreign investment enterprises
 - Join Ventures (JVs), joint ventures with state owned enterprises
 - Business Co-operation Contracts (BCCs)
- A BCC is an agreement between one or many foreign investors and one or many Vietnamese partners to co-operate to produce certain goods or provide certain services.
- BCCs are more flexible than JVs or 100% foreign-owned enterprises because it creates no legal entity and is easily amended.
- There is less legislation governing BCCs. Parties are free to determine their respective rights/duties but must define in the contract mutual responsibilities and the sharing of business profits/losses.
- The contract must still be approved by the licensing authority which will determine the contributions of the parties, the duration of the relationship, major products etc.
- BCCs only account for 5% of the investment licenses granted but accounted for nearly 10% of FDI in 2002.

KEY ECONOMIC INDICATORS: VIETNAM
APPENDIX A

	2000	2001	2002	2003	2004	2005
Real GDP:						
US\$ billion (1995 prices)	29	31	33.2	35.6	38.3*	41.5*
YOY% change	6.8	6.9	7.1	7.3	7.7	8.4
Real GDP per capita*:						
1995 prices (US\$)	370	390	413	438	460*	492*
GDP Composition by Sectors (%):						
Agriculture	25	23	23	23	22	21
Industry & Construction	37	38	39	40	40	41
Services	39	39	39	38	38	38
Total Trade:						
US\$ billion	30	31	37	45	58	69
YOY % change	121	4	17	25	29	18
Total Exports:						
US\$ billion	14	15	17	20	27	32
YOY% change	26	4	11	21	32	22
Total Imports:						
US\$ billion	16	16	20	25	32	37
YOY% change	33	4	22	28	27	15
Exports to Singapore:						
US\$ billion	0.9	1.0	1.0	0.9	1.2	-
YOY% change	28	18	-8	-3	32	-
Imports from Singapore:						
US\$ billion	2.7	2.5	2.5	2.7	3.5	-
YOY% change	89	-8	2	5	32	-
Inflation Rate (%): (CPI)	-1.7	-0.4	3.8	3.1	7.8	8.3
USD/VND exchange rate (Dong per US\$)	14,168	14,725	15,280	15,510	-	15,857
Labour Force in Manufacturing (million)	3.5	3.9	4.2	4.6	4.9	-
Unemployment Rate (%)	6.4	6.3	6.0	5.8	5.6	5.1
Central Bank Discount Rate (Average)	5.75	5.25	4.80	5.53	5.0	5.0

Source: CEIC, Asian Development Bank, Asia Regional Development Centre, estimates from Vietnam Coordinating Agency, General Statistics Office, * - Sma estimates

SINGAPORE COMPANIES IN VIETNAM (SELECTED CITIES)
APPENDIX B

	Co. Name in Singapore	Co. Name in China	Industry
A.	Ho Chi Minh City		
1	Amara International Hotels & Resorts Pte Ltd	Amara Saigon Hotel	Hospitality/Service Apartments
2	Asian Tigers K.C. Dat (K C Dat(S) Pte Ltd)	Transpo International Ltd	Freight Forwarding
3	AP Oil International Ltd	AP Petrochemical (Vietnam)	Business Services, Trading
4	Calvary Project Management Pte Ltd	Calvary Project Management Vietnam	Consultancy
5	Cityneon International Pte Ltd	Cityneon IndoChina Pte Ltd	Exhibitions/Events Organisers
6	Kelvin Chia Partnership	Kelvin Chia Partnership Ho Chi Minh, Kelvin Chia Partnership Vietnam	Legal Services
7	Kim Bang Pte Ltd	-	Trading: Food & beverage – vegetables, fruits and perishables ; Mineral, Chemicals or Allied Industry Products-Adhesives
8	Kingsmen International Pte Ltd	Kingsmen Vietnam Company Ltd	Exhibition/Events Organisers
9	Olam International Limited	Olam Vietnam Limited	Logistics/Transportation Services/Freight Forwarding/Packaging
10	Pico Art International Pte Ltd	HIECC Management Co Ltd	Exhibitions/Events Organiser
11	SUTL Corporation Pte Ltd	SUTL Corporation Pte Ltd	Trading
12	Tex Line Associates Pte Ltd	Tex Line Associates Pte Ltd-Vietnam Office	Trading
13	Teledata (Singapore) Limited	Teledata International Rep Office	Telecommunications, Network Solutions
14	Trans-Link Express Pte Ltd	Trans-Link Express Pte Ltd – Vietnam Representative Office	Logistics/Transportation Services/Freight Forwarding/Packaging
15	Tran & Keegan Consultancy Private Limited	Tran & Keegan Consultancy	Consultancy Services
16	Tyndale Education Group	Tyndale Vietnam Representative Office	Education, Training
17	UOB Group	UOB Ho Chi Minh City Branch	Financial Services
B.	Hanoi:		
1	Asian Tigers K.C. Dat (K C Dat(S) Pte Ltd)	Transpo International Ltd	Freight Forwarding
2	Drew & Napier LLC	Drew & Napier	Legal Services
3	Kelvin Chia Partnership	Kelvin Chia Partnership Hanoi	Legal Services
4	Keppel Land Ltd	International Centre Joint Venture Co Ltd	Real Estate Services
5	Kingsmen International Pte Ltd	Kingsmen Vietnam Company Ltd	Exhibition/Events Organisers
6	Map Pacific Pte Ltd	Map Pacific Pte Ltd (Hanoi Representative Office)	Trading
7	NDT Instruments Pte Ltd	NDT Instruments Pte Ltd (Vietnam Representative Office)	Consultancy
8	Pacific Garment Manufacturing Pte Ltd	Hanoi May 19 Textile Group	Garments/Garment Accessories
9	Teledata (Singapore) Limited	Teledata International Rep Office	Telecommunications, Network Solutions
C.	Binh Duong:		

1	HTE Engineering Pte Ltd	HTE Engineering (Vietnam) Co Ltd	Engineering Services
D. Ha Long:			
1	Kuok Oils & Grains Pte Ltd	Cai Lan Oils & Fats Industries Company Ltd	Trading
E. Vung Tau			
1	Keppel Corporation Ltd	Keppel FELS Ltd	Transportation Equipment, Servicing and Repairs
2	Keppel Offshore & Marine Ltd	Keppel FELS Limited	Transportation Equipment, Servicing and Repairs
3	Trim Systems Pte Ltd	Universal Technology & Equipment Systems Ltd	Specialist technical svcs, parts & equipment supply for: oil & gas construction, processing, instrumentation & automation & expert, safety & environment syst

Source: www.singaporeabroad.org.sg

List of Major Government Ministries in Vietnam (2004)

APPENDIX C

Ministry of Construction (MOC)			
		Tel	Fax
Address:	37 Le Dai Hanh, Ha Noi	976-0271	976-2153
Email:	bx-d-vp@hn.vnn.vn		
Website:	http://www.xaydung.gov.vn		
Minister:	Mr. Nguyen Hong Quan	976-4023	
Administration Chief:		821-7023	976-2153
International Cooperation Department			
Director:	Mr. Nguyen Sinh Hy	978-0674	
Email:	icd-moc@fpt.vn		
Ministry of Finance (MOF)			
		Tel	Fax
Address:	8 Phan Huy Chu, Hoan Kiem, Ha Noi	934-1540	826-2266
Website:	http://www.mof.gov.vn/		
Minister:	Mr. Nguyen Sinh Hung	826-2368	
Administration Chief:	Ms. Le Thi Bui	826-4872	
International Cooperation Department			
Director:	Mr. Pham Cong Minh	934-1541	
Ministry of Fisheries (MOFI)			
		Tel	Fax
Address:	10 Nguyen Cong Hoan, Ba Dinh, Ha Noi	771-6269	771-6702
Email:	mofi@hn.vnn.vn		
Website:	http://www.mofi.gov.vn/		
Minister:	Mr. Ta Quang Ngoc	835-4513	
Administration Chief:	Mr. Nguyen Manh Hung	835-1720	
Ministry of Industry (MOI)			
		Tel	Fax

Address:	54 Hai Ba Trung , Ha Noi	825-8311 825-3831	826-5303
Email:	moi@hn.vnn.vn		
Website:	http://www.moi.gov.vn/		
Minister:	Mr. Hoang Trung Hai haiht@moi.gov.vn	934-7118 ext 47.220	
Administration Chief:	Mr. Hoang Quoc Vuong vuonghq@moi.gov.vn	824-2420 ext 47.208	
International Cooperation Department			
Director:	Mr. Cao Quoc Hung hungcq@moi.gov.vn	826-0411 ext 47.221	
Ministry of Justice (MOJ)			
		Tel	Fax
Address:	60 Tran Phu, Ha Noi	843-8840	843-1431
Website:	http://www.moj.gov.vn/		
Minister:	Mr. Uong Chu Luu	733-4986	843-1431
Administration Chief:	Mr. Duong Trung Thuy	733-6213	843-1431
International Cooperation Department			
Director:	Mr. Nguyen Huy Ngat	734-0108	734-0104
Ministry of Labour, Invalids and Social Affairs (MOLISA)			
		Tel	Fax
Address:	12 Ngo Quyen, Hoan Kiem, Ha Noi	826-4222	825-4728
Email:	ird-molisa@fpt.vn		
Website:	http://www.molisa.net/		
Minister:	Ms. Nguyen Thi Hang	825-3875	825-4728
Administration Chief:	Ms. Luu Thi Tu	826-9557	
International Cooperation Department			
Director:	Mr. Vu Lam Thoi	825-0653	825-4728
Email:	ird-molisa@fpt.vn		
Ministry of Natural Resources and Environment (MONRE)			
Address:	83 Nguyen Chi Thanh Rd., Dong Da district, Ha Noi	834-3309 834-3911	835-2191 835-9221
Website:	http://www.monre.gov.vn/		
Minister:	Mr. Mai Ai Truc	773-3739	
Administration Chief:	Mr. Nguyen Thanh Minh	834-3309	835-9221
International Cooperation Department			
Director:	Ms. Tran Thi Minh Ha	835-8424	835-2191
Email:	icd-monre@fpt.vn , icd-monre@monre.gov.vn		
Ministry of Planning and Investment (MPI)			
		Tel	Fax
Address:	2 Hoang Van Thu, Ha Noi	845-5298	823-4453
Email:	webmaster@mpi.gov.vn		
Website:	http://www.mpi.gov.vn		
Minister:	Mr. Vo Hong Phuc	0804-2560	
Director of foreign training department:	Mr. Phan Huu Thang	845-8147	845-9271

Foreign Economic Relations Department (FERD)			
Director:	Dr. Duong Duc Ung	823-0628	823-4453
Ministry of Science and Technology (MOST)			
		Tel	Fax
Address:	39 Tran Hung Dao, Ha Noi	825-2733 943-9731	825-2733
Website:	http://www.moste.gov.vn/		
Minister:	Mr. Hoang Van Phong	826-3379	
Administration Chief:	Mr. Bui Ngoc Hoan	826-3158	
International Cooperation Department			
Director:	Mr. Thach Can	822-8874	
Emai:	thachcan@moste.gov.vn		
Ministry of Trade (MOT)			
		Tel	Fax
Address:	21 Ngo Quyen & 31 Trang Tien, Ha Noi	825-3881	826-4696
Minister:	Mr. Truong Dinh Tuyen	936-0733	
Administration Chief:	Mr. Nguyen Thanh Bien	934-9294	
International Cooperation Department			
Director:	Mr. Nguyen Van Long	826-0215	934-8959

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