

VIET NAM

A GUIDE FOR BUSINESS AND INVESTMENT

May 2008



FOREWORD

In recent years, Viet Nam's economy has benefited from its Government's open-door policy. With a stable political environment and its economic potential, Viet Nam is an attractive destination for foreign investors.

The Vietnamese Government has been endeavouring to create a favourable investment environment by continuing to complete Viet Nam's legal system and introducing important incentives for foreign investors. During its first full year of membership in the World Trade Organization, Viet Nam has demonstrated its continued commitment to further integrate into the global economy.

Foreign Direct Investment has been dynamically growing and in 2007 reached its highest level since economic reforms began. During 2007, a PricewaterhouseCoopers' study into investment opportunities in emerging markets found Viet Nam to be the most attractive destination for manufacturers, whilst a macroeconomic study published by PricewaterhouseCoopers in March 2008 concluded that Viet Nam has the highest GDP growth potential in the world for the next few decades. Investors of course need to remember that Viet Nam remains an emerging market with unique characteristics, opportunities and challenges that are not only different from other countries, but can vary by industry or by location within the country itself.

The book is divided into four sections to provide foreign investors with an overview of Viet Nam including its social, economic and investment environments. The purpose of this book is not to provide a detailed analysis of Viet Nam's economy or its foreign investment forms in Viet Nam, but to give a general introduction. Investors entering Viet Nam are urged to consult advisors about details specific to their projects.

About PricewaterhouseCoopers in Viet Nam

Our firm has been advising foreign and domestic clients in Viet Nam since 1994. We currently have offices in Ho Chi Minh City and Hanoi and employ close to 400 people of which approximately 90% are Vietnamese nationals. All our professionals are fluent in English, and a large majority are qualified or enrolled in ACCA studies. Our foreign professionals include people dedicated to serve clients from major investing countries and territories, including Australia, China, France, Germany, Hong Kong, Japan, Korea, Malaysia, The Netherlands, Taiwan, UK, USA. In addition there are many professionals in the global PwC network who have years of experience in serving clients in Viet Nam and can advise clients about market entry options in their own countries.

We believe that this will be a helpful guidebook for foreign investors in Viet Nam. For further information about our services, and to request further publications, please visit our website at <http://www.pwc.com/vn>

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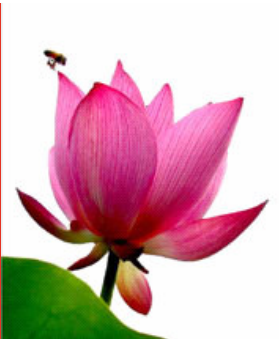
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PricewaterhouseCoopers was ranked **#1 Financial Advisor** by volume in Asia 2007 (Thomson Financial).

PricewaterhouseCoopers was named **Service Provider of the Year 2007** by the Asia Insurance Review magazine.

PricewaterhouseCoopers was named **Asia Tax Firm of the Year 2007** by the International Tax Review.

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VIET NAM
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Part I. VIET NAM: COUNTRY AND PEOPLE



PART I. VIET NAM: COUNTRY AND PEOPLE

A brief history

The modern day history of Viet Nam is perhaps best started by reference to the Geneva Accord signed in 1954. The accord ended French colonial rule and along the 17th parallel, the country was partitioned into the Democratic Republic of Viet Nam, led by Ho Chi Minh and the Republic of Viet Nam in the South. The capitals were Hanoi for the North and Saigon for the South. Fights led by Ho Chi Minh to unite the country started in 1959 and lasted until 1975. Hanoi became the capital of the country whilst Saigon was renamed Ho Chi Minh City.

Following reunification, the Vietnamese government's initial plan was to manage the economy via methods of central planning. Based on experiences gained during the 1976-1980 five year plan, subsequent central plans introduced more relaxed policies with respect to agricultural collectives and State Owned Enterprises and allowed more scope for private initiatives. These measures were instrumental in elevating poverty. Decree 25-CP issued in January 1981 signaled a willingness to relax some central controls: Growth rates during the early 80's were higher than during the 1976-1980 five year plan, however it became evident that further policy shift were necessary to enable the Vietnamese economy to perform closer to its potential.

Economic reform was the key point of discussion at the Sixth National Party Congress held in December 1986. The process then initiated of moving from a centrally planned economy to an open, socialist-oriented and multi-sectoral market economy is known as Doi Moi (renovation). Landmark legislation issued the year after the Congress included Decision 217/HDBT giving significant autonomy to State Owned Enterprises and the Law on Foreign Investment. In 1992, the National Assembly revised the post-unification constitution introduced in 1980 to better reflect the aspirations articulated in the Doi Moi process. Economic performance since 1986 has justified the policy of relaxation of central control beyond doubt and ever since, the challenge faced by Viet Nam has been the maintenance of rapid economic growth and integration into the global economy.

1. Geography

Viet Nam is located in the centre of Southeast Asia with a land area of 331,689 square kilometres. It lies in the eastern part of the Indochina peninsula, bordered by China to the North, Laos and Cambodia to the West, the East Sea and Pacific Ocean to the East and South, and has a beautiful 3,260 km long coastline. It is in an ideal position for the development of the economy in general, and trade and tourism in particular.

Three quarters of the country consists of mountains and tropical forests, but the plains are the most densely populated areas. The two rice-rich areas are the Red River Delta in the north (15,000 km²) and the Mekong River Delta in the south (40,000 km²).

Hanoi in the north is the capital of the country, and Ho Chi Minh City in the south is the largest commercial city. Da Nang, in central Viet Nam, is the third largest city and an important seaport.

Viet Nam is located in both tropical and temperate zones. The climate is tropical in Southern and Central Viet Nam, with a wet and a dry season, and warm and humid weather all year round. In the north, there are four seasons with a distinct winter. The average annual rainfall is around 223cm. The whole country is affected by a strong monsoon influence, with a considerable amount of sunshine and a high rate of rainfall and humidity.

2. Population and work force

Viet Nam's population was estimated at approximately 85.2 million in July 2007, and is expected to grow to 90 million in 2010 with an annual growth rate of 1.6%. The mean population density is 254 people per square kilometre. The most populous areas are in the South.

There are 54 ethnic groups, of which the largest are Kinh (or ethnic Vietnamese) (comprising 87.17% of the population), Tay, Thai, Muong, Chinese and Khmer. Viet Nam's literacy rate is over 90%. Close to 73% of the population live in rural areas, and over 60% of the population are under 25 years of age.

Vietnamese employees respond to challenges well and fast, they are very committed to develop their country, themselves and the firms they are working for. Professionals are normally able to conduct business in at least one foreign language, with the importance of English growing continuously. Viet Nam also has a talent pool of senior professionals who graduated at leading universities in the former Soviet Union and Eastern Europe.

In addition to Vietnamese nationals, the country is increasingly attractive for foreign professionals. In addition to nationals of major foreign investing countries, Viet Nam can draw on the talents of plenty of Indian and Philippine professionals as well.

With the emergence of business opportunities in neighbouring Laos and Cambodia, a recent trend is to attract senior executives to Viet Nam to head the Mekong Practice of their respective companies.

3. Education

The Vietnamese government considers the development of human capital very important. Literacy rate at 90% and the percentage of girls attending schools are very high. In the 2006/2007 academic year the country had 279,593 schools, 12% more than in 2000/2001. In 2006/2007 more than 16 million pupils attended primary, lower secondary and upper secondary schools. The national average of graduates from upper secondary schools is 93.7%. At the same time close to 1.5 million students attended the 253 public universities and colleges and 210 thousand were enrolled in the 46 non-public institutions. In comparison, in 2000, there were only 800 thousand students in the public and only 100 thousand students in the non-public universities and colleges.

Whilst the education system has not been able to keep fully abreast with the demands of a rapidly growing and changing economy, Viet Nam can also benefit from opportunities to send students abroad on generous scholarship terms, and there education reforms are planned. In addition it is worth to note, that more and more wealthy parents send their children abroad for education. In 2000, the Royal Melbourne Institute of Technology Viet Nam was granted a licence by the Ministry of Planning and Investment to deliver undergraduate and postgraduate education, training and research in Viet Nam. Their degrees awarded by RMIT University in Australia are recognised by the Vietnamese Ministry of Education and Training. It is not unreasonable to expect that Vietnamese students will be presented with other similar opportunities in their own country. A large number of foreign universities have introduced master level education in association with Vietnamese Universities.

4. Natural Resources

Viet Nam has considerable energy resources such as oil, gas and coal and its 41,000 km long waterways provide the basis for hydropower. The country is rich in minerals such as bauxite, iron ore, lead, gold, precious stones, tin, chromate, anthracite, granite, marble, clay, white sand and graphite. In addition, Viet Nam has a considerable fresh and saltwater fauna, dense tropical forestry resources and it possesses great agricultural potential.

5. Political Structure

Viet Nam is a socialist country operating under the leadership of the Communist Party. A nationwide congress (“National Congress”) of Viet Nam’s Communist Party is held every five years determining the country’s orientation and strategies and adopting its chief policies on solutions for socio-economic development. The National Congress elects the Central Committee which in turn elects the Politburo. The last congress was held in April 2006.

National Assembly

The National Assembly is the highest law-making body in the country. It comprises delegates who are elected for a five-year term from various strata of people and different ethnic groups from all around the country. The National Assembly is both the supreme state authority and the unique legislative body and has the power to promulgate and amend the Constitution and Laws. The National Assembly meets twice yearly.

The Standing Committee of the National Assembly is the permanent executive body of the National Assembly. Its principal functions are the interpretation of the Constitution, Laws and Ordinances, the control of their implementation and the supervision of the activity of the Government, the Supreme People’s Court and the Supreme People’s Procuracy.

The President of Viet Nam

The President, as the Head of State, is elected by the National Assembly from its members to represent Viet Nam in domestic and foreign affairs for a five-year tenure. The President has the right to proclaim Laws and Ordinances passed by the National Assembly and the Standing Committee. The President is the commander-in-chief of the armed forces and Chairman of the Council of Defence and Security. In foreign affairs, the President has the authority to appoint ambassadors and to sign international agreements and treaties.

The President appoints and dismisses the Prime Minister and the members of the Government on the basis of resolutions of the National Assembly or its Standing Committee. Furthermore, the President has the right to nominate key officials such as the Chief Justice of the Supreme Court and the Chief Procurator of the Supreme Procuracy, subject to the National Assembly’s approval. The current president of Viet Nam is Mr Nguyen Minh Triet and the prime minister is Mr. Nguyen Tan Dung.

The Government

The Government is the highest executive organ of the State. The Prime Minister is the leader of the Government. The Prime Minister is responsible for the day-to-day operations of the Government. The Vietnamese Government currently has 20 ministries and 6 ministerial-level bodies.

The People’s Councils and People’s Committees

Viet Nam has 59 provinces and 5 cities directly under central authority (including Hanoi, Ho Chi Minh City, Haiphong, Da Nang, and Can Tho). Provinces are subdivided into districts, provincial cities and municipalities. Districts are further divided into communes and townships. Cities directly under the central authorities are made up of districts. Urban districts are divided into precincts, and rural districts are made up of communes.

People’s Councils of various administrative levels are elected by the population of the locality. People’s Councils are responsible for the supervision of the implementation of the laws, policies and tasks at the local level, and for taking decisions on local socio-economic development programs and budgets.

People's Committees of various levels are the executive arm of the People's Councils. They are also local administrative authorities, and report to the People's Councils of the same level. Chairmen, vice chairmen and members of the People's Committees are elected by People's Councils.

The People's Courts and People's Prosecutors

The Constitution establishes a three-level judicial system comprising District Courts, Provincial Courts and the Supreme People's Court. In addition, there is a system of people's organs of control acting as a procuracy or public prosecutor to oversee the observance of laws by judicial bodies and to exercise the power of public prosecution.

6. International relations

At present, Viet Nam has established diplomatic relations with 168 countries, and it has economic and trading relations with about 165 countries. Viet Nam joined the United Nations in 1977.

Viet Nam became an official member of the Association of South East Asian Nations (ASEAN) in 1995, and has concluded a cooperation agreement with the European Community. Relationships with multi-national financial institutions such as the World Bank (WB), the International Monetary Fund (IMF) and the Asian Development Bank (ADB) have been re-established. Viet Nam has been participating in the ASEAN Free Trade Area ("AFTA") since 1996 and became a member of the Asia Pacific Economic Cooperation Forum (APEC) in 1998. Viet Nam became an official member of the World Trade Organisation (WTO) on 11 January 2007. In January 2008, the country started a two year term as an elected non-permanent member of the UN Security Council.

Viet Nam signed the bilateral trade agreement (BTA) with the United States in 2000. Besides aspects of international trade, the BTA covers a variety of other areas, including intellectual property rights, trade in services, development of investment relations, business facilitation and the obligation to ensure transparency of laws and regulations. The BTA essentially constitutes a commitment by both countries to open their markets to each other.

7. Infrastructure

Highway system

The road system consists of over 200,000 km network including over 10,000 bridges. However road conditions are not ideal, less than half of the national highways have two lanes or more. In addition, road congestion is increasing in major cities. In recent years, the Government has mobilised a significantly large amount of capital to upgrade the highway system with financial support from international lending agencies.

Railway

The rail network consists of about 2,600 km of single-track line covering several routes. There are about 260 stations in the network. The longest and most important route is the Hanoi – Ho Chi Minh City line, which stretches for 1,730 km. This line is now serviced by an express train, which makes the journey in approximately 29.5 hours. The lines connecting Viet Nam to China were re-opened a few years ago.

Inland Waterways

Often overlooked by foreign investors, the inland waterway system offers a cheap and flexible mode of transport. Viet Nam has more than 2,300 rivers and canals with total length of 198,000 km. Currently, the inland waterway has a system of over 61,000 km

The two major inland waterway systems serve as major transportation outlets. The first major inland waterway system is in the Red River area in the north which stretches for approximately 2,500 km. Along this system there are five main ports, of which Hanoi is the largest. The second major inland

waterway extends 4,500 km along the Mekong River and its tributaries in the South and boasts about 30 ports, including Ho Chi Minh City.

The larger river vessels are tug-drawn barges. Official estimates put the fleet capacity at about 420,000 tons with speeds ranging from 2 to over 20 km an hour. Smaller, wooden barges are mostly privately owned.

Ports

Viet Nam has eleven major seaports. Ho Chi Minh City serves most of the South and now boasts modern container loading facilities. Just a few hours' drive from Hanoi, Hai Phong serves much of the North. Given the rapid rise in trade volume, increasing port capacity is a national priority.

Airports and Civil Aviation

There are three international airports: Ho Chi Minh City, Hanoi and Da Nang. Currently, the Government has significantly upgraded international airports to handle the increase in the volume of traffic associated with Viet Nam's invigorated economy. A new international terminal of the Tan Son Nhat airport in Ho Chi Minh City, capable of handling up to 10 million passengers a year was opened in December 2007. Noi Bai airport in Hanoi was upgraded, enlarged and completed for operation in 2002, construction of a second terminal is expected to start in October 2008 and completed in two years. Four new international airports are planned to be constructed in Phu Quoc, Dong Nai, Lao Cai and Quang Ninh provinces. Preparations for the new Long Thanh International Airport, 40 kilometers from Ho Chi Minh City in Dong Nai province is underway. The airport is scheduled to open in 2010 and by 2015 it will be further expanded to reach an annual transportation capacity of 80 to 100 million passengers, becoming one of the biggest airports in the region. In addition, there are 16 other domestic airports around the country.

8. Energy

The average annual growth rate in electricity production was close to 14% since 1995 far surpassing the growth rate of the economy. Hydro power accounts close to 40% of the electricity generating capacity of Viet Nam exposing the country to hydrological risks such as poor rainfall. Gas fired turbines generate around 37% of electricity and coal accounts for 11%. The remaining needs are met by various oil fuelled plants and also by import. In line with further industrialization and electrification, growth in demand is likely to remain very strong and accordingly there is need for significant investments in the sector. Whilst the electricity industry is currently dominated by the state owned Electricity of Viet Nam Corporation ("EVN"), foreign companies have entered the market in the form of Build-Operate-Transfer (BOT) projects. Other players such as Vinacomin, Petrovietnam have recently entered the power production market. Furthermore, the Electricity Law of 2004 envisages a competitive market in the future and draft roadmaps indicate competition to the wholesale market could be introduced possibly in 2014.

Electricity output in 2006 reached 59 billion kWh with Foreign Invested Enterprises accounting for 5.6%. The EVN aims to generate about 70-78 billion kWh in 2010 and as high as 167-201 billion kWh in 2020. Achieving this goal requires the development of approximately 32 to 37 new power generation projects, totalling 12,400 MW in capacity, including up to 20 hydroelectric plants with 4,000 MW capacity; eight gas or oil power plants (5,200 MW), and seven coal-fired plants (3,200 MW). Implementation of these projects also requires the construction of about 15,000 km of 110 – 500kV transmission lines, together with 300,000 km of low medium and low voltage distribution lines. In order to achieve the above targets, the annual power growth during 2000-2020 should achieve 8.8% to 10% to keep pace with the annual GDP growth of 6.6% to 8%. The annual investment required to achieve the set target is estimated to be US\$1.5 to US\$2 billion per year.

Over the last few years, an array of large capacity power plants were built and put into operation, such as Pha Lai Thermo Power Plant with capacity of 440MW, Tri An Hydroelectric with a capacity of 400MW and Hoa Binh Hydroelectric Power Plant with a capacity of 1,920 MW. Build-Operate-Transfer (BOT) projects are also in operation including the 715-MW Phu My 2-2 plant commencing operations in January 2003 and the similar capacity Phu My 3 Plant that commenced operations in

March 2004. These plants in Ba Ria Vung Tau are fuelled by gas from the Nam Con Son Basin. Further large power plants are under construction or to be constructed, such as the Ca Mau gas fired power complex with a capacity of 1,500 MW, O Mon gas fired power complex with a capacity of 2,640 MW Yaly Hydroelectric with capacity of 720 MW, Mong Duong coal fired Power Complex with capacity of over 2,000 MW. In addition, a 3,600 MW hydropower complex at Son La in the North is also under construction. Furthermore, Viet Nam plans to complete its first nuclear power plant by 2020 as an alternative means on meeting electricity demand.

The primary sources of finance for investment in the power sector are from Official Development Assistance (ODA) grants and loans committed by such international donors as the World Bank (WB), the Asian Development Bank (ADB), bilateral funds from various foreign governments, and funds from the Vietnamese Government. Other crucial sources of finance over the next decade include foreign suppliers' credits and EVN's retained earnings. In the recent years, a number of domestic investors have entered the power production market such as Vinacomin focussing on small size coal fired power plant with capacity of below 600 MW (e.g. Uong Bi, Mong Duong 1, Son Dong, Cam Pha 2, Na Duong) and PetroVietnam focusing on gas fired power plant (e.g. Ca Mau 1 & 2, Nhon Trach 1&2). Local commercial banks have been active in providing finance for power generation projects developed by EVN and other state-owned enterprises.

Viet Nam has signed up for a US\$165 million loan from the WB and the ADB to finance the rehabilitation of the electricity transmission and distribution systems in Ho Chi Minh City, Hanoi, Nha Trang and Hue. Soft loans and aid from foreign governments are also being spent to improve the system.

Additionally, Viet Nam has great potential of renewable energy, and its consumption is on the rise. Under the solar power cooperation program between France and Viet Nam, a solar station was installed in Ho Chi Minh City to provide electricity for the provinces Gia Lai, Quang Nam, and Binh Phuoc.

9. Telecommunications

Viet Nam has made great strides in upgrading its telecommunications systems, although much remains to be done. In the last six years, the annual growth of the telecommunication market in Viet Nam reached 30%, specifically, in 2005 and 2006, the growth rates were more than 50%. In 2007 only, the number of new subscribers was 9.8 million (of which 8.8 million new mobile subscribers). The country has achieved more than 30 phones per 100 people with 19 million mobile subscribers. The Government's relaxation with regard to international calls made over the internet and the spread of mobile phone subscriptions have further improved the telecommunication landscape, especially in rural areas. Internet usage has also rapidly risen and by the end of 2007 there were over an estimated 18.2 million users.

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Part II. THE ECONOMY



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1. Overview

Viet Nam has been carrying out economic reforms since 1986 under the "Doi Moi" (Renovation) policy, focusing on market oriented economic management. This has included: (i) restructuring to build a multi-sector economy; (ii) financial, monetary and administrative reform; and (iii) the development of external economic relations.

One of the most important aspects of economic reform in Viet Nam has been the encouragement of domestic and foreign private investment. For domestic Vietnamese companies, the Enterprise Law adopted in 2000 (which replaced the Company Law and the Law on Private Enterprises) has had a significant impact on the development of the private sector in Viet Nam. The Law on Foreign Investment was promulgated in 1987 and amended in 1990, 1992, 1996 and 2000. The Law on Foreign Investment and the Enterprise Law (2000) have recently been replaced by the new Law on Enterprises and the Law on Investment which came into effect on 1 July 2006. The Law on Enterprises and the Law on Investment apply to all enterprises irrespective of the source of investment, i.e. whether the enterprise is established by foreign or Vietnamese investors. These Laws have been drafted following the policy set out in the 1992 Constitution (as amended on 25 December 2001) and to prepare Viet Nam for its intended accession to the WTO in the spirit to treat all economic sectors equally regardless of the various types of ownership.

Since 1986 Viet Nam has recorded important achievements in socio-economic fields and Viet Nam has become one of the fastest-growing economies in the world, averaging around 8.4% annual gross domestic product (GDP) growth from 1990-1997, 7.5% from 2000 to 2006, and 8.5% in 2007.

2. Principal economic sectors

GDP Growth Rate by Economic Sectors (%)

	2000	2001	2002	2003	2004	2005	2006	2007
Overall GDP growth	6.8	6.9	7.0	7.3	7.8	8.4	8.2	8.5
Agriculture, aquaculture, forestry & fishery	4.6	3.0	4.2	3.6	4.4	4.0	3.4	3.4
Industry & construction	10.1	10.4	9.5	10.5	10.2	10.7	10.4	10.6
Services	5.3	6.1	6.5	6.5	7.3	8.5	8.3	8.7

Source: General Statistics Office

Achievements during the past few years include the following highlights:

Agriculture/aquaculture – as one of the bases for Viet Nam's socio-economic stabilisation, this industry has continued to maintain its relatively good development with an annual growth rate of over 3.8% over the past five years. This has helped contribute to the maintenance of socio-economic stability and the provision of improved support to the hunger eradication, poverty alleviation and employment generation programs. The cropping structure has also changed and agricultural productivity has increased in many regions. In recent years aquaculture has increased rapidly, and in 2007 accounted for 23.35% of the total value of agricultural/aqua cultural production. Export income from aquatic products has also been increasing considerably, reaching USD 3.8 billion in 2007.

- **Difficulties and challenges in the industrial sector have been overcome, bringing about positive results.** The industrial growth rate averaged 17% over the last five years. In 2007, industrial production value increased by 17.1%, with a growth rate in private businesses of 20.9%. This is attributed to the encouraging policies and positive impacts of the former Enterprise Law. Production capacity has risen in several industries, resulting in increased exports.

The industrial structure has changed considerably, by 2005 mining and quarrying, particularly the extraction of oil and gas industry accounted for 11.2% of the total value of industrial production. A large number of specialised industrial zones utilising modern production technologies have been developed. Manufacturing accounted for 83.2% of industrial production, of which the food processing industry accounted for 20.6%. Power supply and distribution (5.2%) and water supply (0.4%) accounted for 5.6%.

Industrial growth (%)

	Total	By ownership		
		State	Non-state	FDI
1996	14.2	11.6	11.5	21.7
1997	13.8	10.8	9.5	23.2
1998	12.5	7.7	7.5	24.4
1999	11.6	5.4	10.9	21.0
2000	17.5	13.2	19.2	21.8
2001	14.6	12.7	21.5	12.6
2002	14.8	12.5	18.3	15.2
2003	16.8	11.9	23.3	18.0
2004	16.6	11.9	22.3	17.4
2005	17.1	7.2	25.4	21.2
2006	17.0	9.3	23.9	18.8
2007	17.1	10.3	20.9	18.2

Source: General Statistics Office

- **The services sector has maintained its operations despite various difficulties, and has still improved its quality, meeting the demands of economic growth and the people.** Trade has been growing relatively well. Markets are more open and transparent with the participation of all economic sectors. Business methods have become more diversified, and there has been an annual average increase of about 20.1% in total retail sales.

Further progress has been recorded in the tourism industry. Numerous tourist attractions have been built, upgraded or renovated and the types of tourism have diversified, resulting in a continuous increase in tourism revenue. In addition to business conferences, very notably Viet Nam hosted the APEC summit in November 2006. International arrivals in 2007 were estimated at 4.23 million up by 18% against 2006.

Generally, transport services are meeting the basic demands of cargo and passenger transportation, however in certain part of the country road congestion is an increasing problem. Floods and other natural disasters also cause difficulties from time to time. The physical infrastructure of the transport sector has improved in recent years albeit trailing the rate of economic growth. More achievements expected in the next few years with improved roads and port facilities.

Post and telecommunications services have developed rapidly. The basic telecommunications network has been modernised. During 2007, the number of telephone subscribers grew by 9.8 million reaching over 27.8 million. The mobile sector is particularly vibrant with a number of ambitious local companies competing for subscribers.

The insurance services market has been rapidly growing with the participation of state-owned, joint-stock, joint-venture and wholly foreign-owned companies. Total premiums increased more than five times from approximately USD 190 million in 2000. Non life premiums in 2007 were USD 522 million, 30% higher than in 2006 and life premiums at USD 600 million were 12% higher. Total premiums represent approximately 1.5% of the GDP and the government targets 4.2% by 2010. Currently, there are 37 insurance businesses from all economic sectors operating in the Viet Nam insurance business, of which 8 cover life insurance, 1 composite, 21 non-life and 8 in brokerage. In addition, there are approximately 30 representative offices of foreign insurance companies operating in Viet Nam. As of January 1 2008, pursuant to the nation's WTO commitments, foreign insurers are allowed to provide compulsory insurance products.

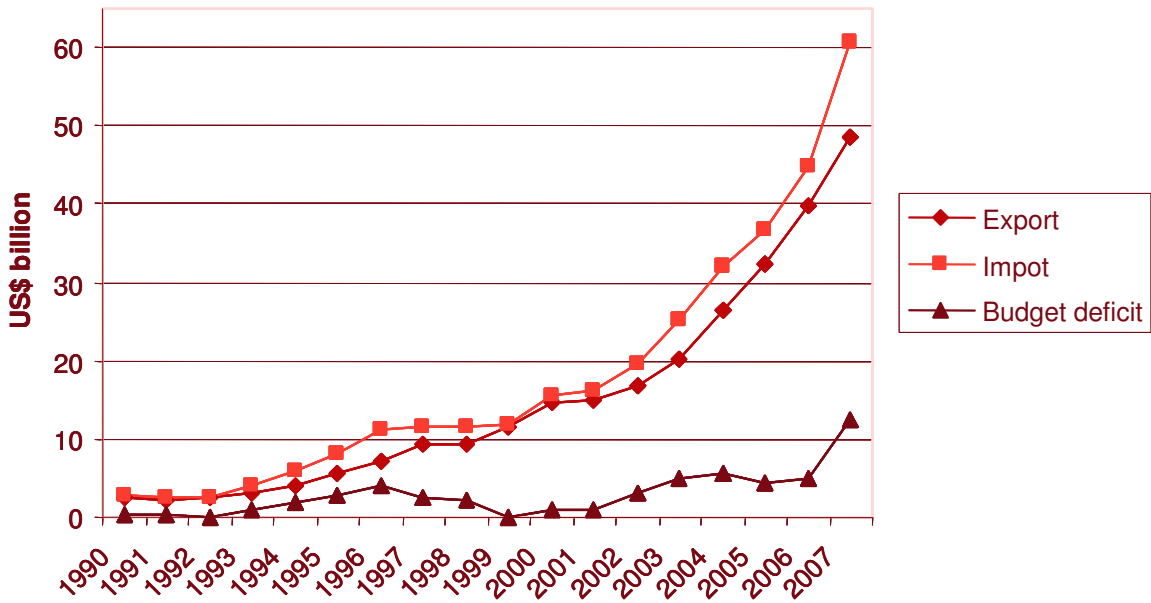
In 2007, the total value of services increased by 8.7%. The total revenue from the retail sale of domestic goods and services increased by 23.3% compared to 2006, with private domestic business accounting for 85%, foreign invested enterprises accounting for 4.1% of turnover and State Owned Enterprises for 10.9%.

3. External Trade

During the period of 2002-2007, total export revenue increased by 23.8% per year. Both the composition and quality of exports have improved significantly. The proportion of industrial products has risen considerably. The five biggest export categories are oil, textiles, footwear, seafood and wood products. During the same period, total imports have increased by 25.5% per year.

Exports reached US\$48.4 billion in 2007 or US\$560 per capita an increase of 21.5% compared to 2006. However, due to considerable imports of plant, equipment and materials used for the industrialisation and modernisation process and for foreign investment projects, the trade deficit has increased over the past three years. Imports in 2007 reached US\$ 60.8 billion. Trading relations with foreign countries, especially other countries in the region, have expanded. In 2007 the biggest regions and countries buying from Viet Nam were America US\$ 10 billion, the European Union US\$ 8.7 billion, ASEAN US\$ 8 billion Japan US\$ 5.5 billion and China US\$ 3.2. billion

Figure 1: Export, Import and Trade deficit



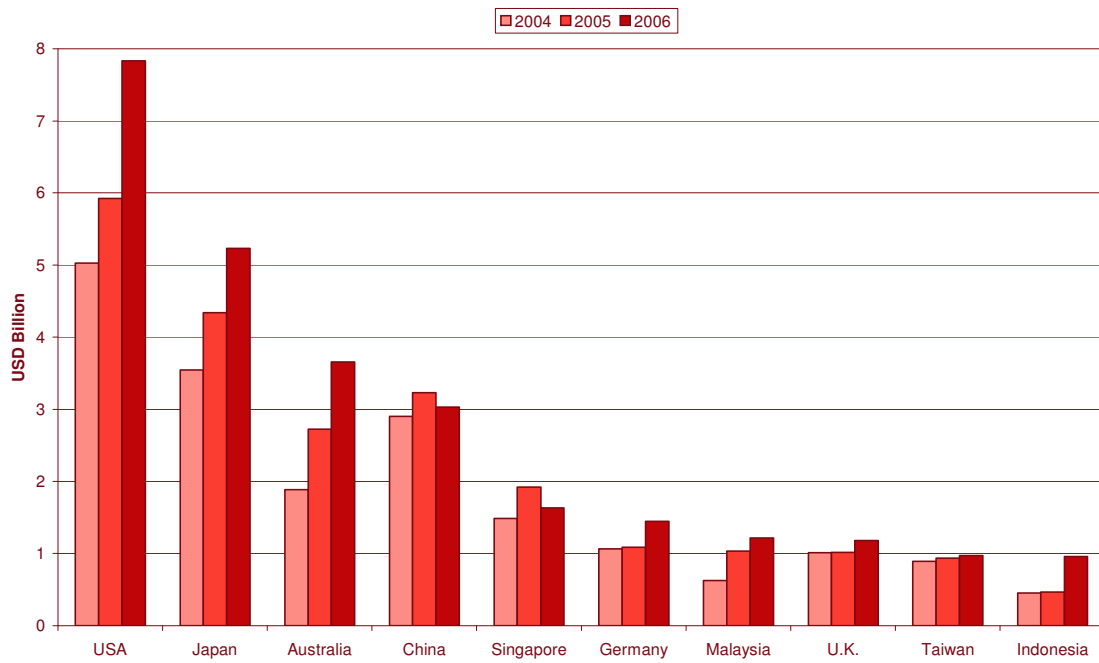
Source: General Statistics Office

Figure 2: Main economic indicators



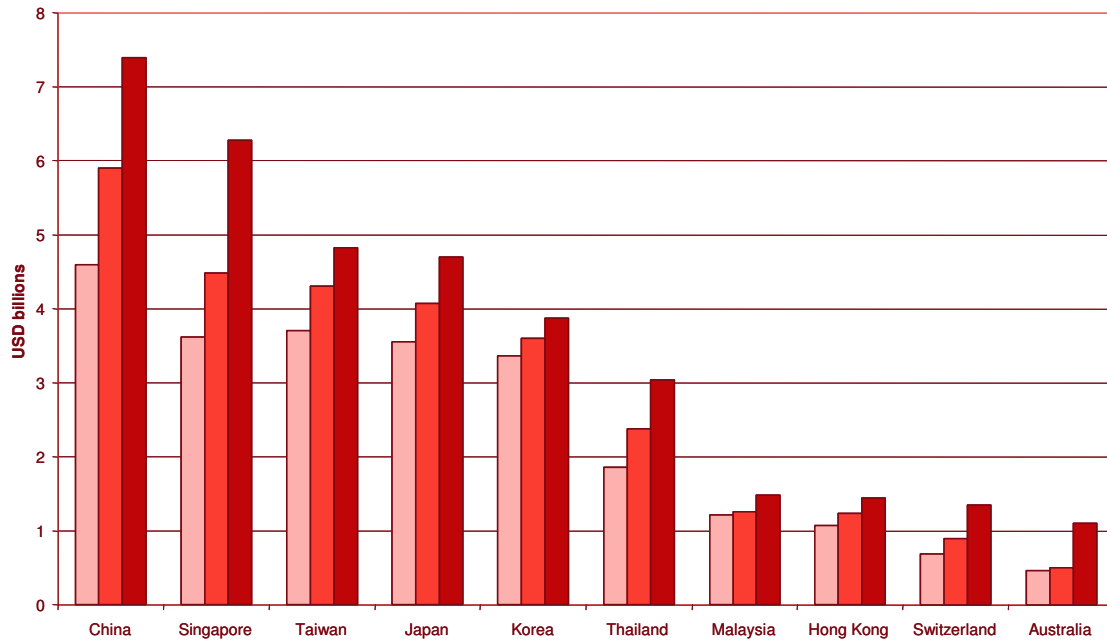
Source: General Statistics Office

Figure 3: Top 10 export markets of Viet Nam in 2006 and prior year comparatives



Source: General Statistics Office

Figure 4: The Top 10 sources of Vietnamese imports in 2006 and prior year comparatives



Source: General Statistics Office

5. Foreign Direct Investment (FDI) in Viet Nam

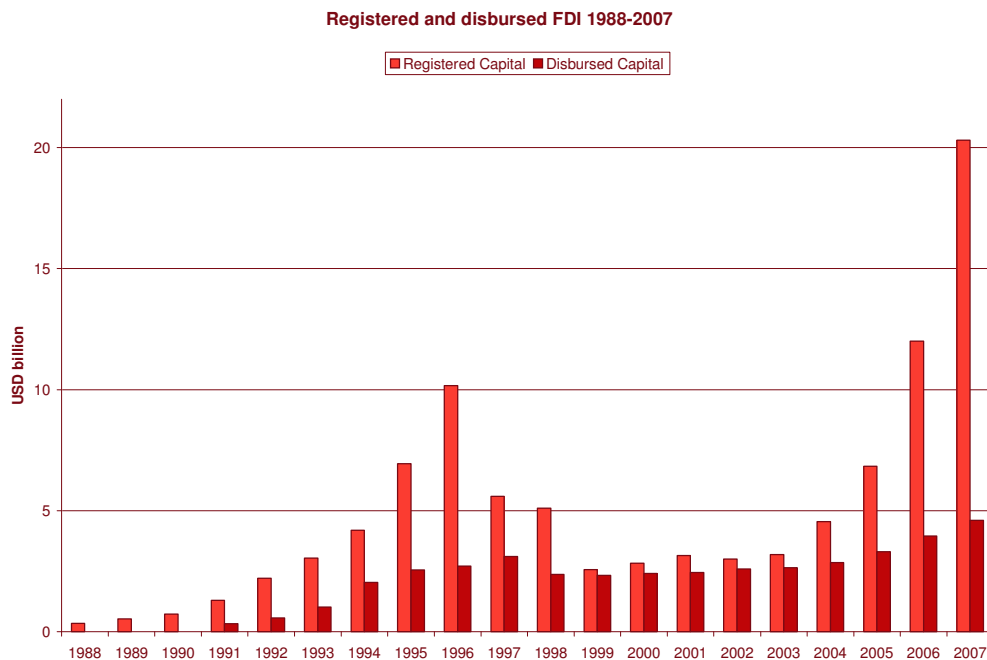
Current status

Since the introduction of the Law on Foreign Investment in 1987, leaving aside projects which have expired or been withdrawn, to date, there have been over 8,500 active licensed projects with a total registered capital close to US\$ 90 billion.

Up to February 2008 investors from 80 countries and territories committed investments in Viet Nam. Asia accounts for 69.8%, Europe 16.7%, and America 6% of the total FDI and other sectors is 7.5%. These five countries and territories account for 58,3% of the licensed projects with a total investment capital account for 60,6% of the total foreign investment capital of Viet Nam. The next five countries and territories are British Virgin Islands, France, Netherlands, Malaysia and the USA. These “top ten” countries and territories account for over three quarters of the total licensed projects and foreign registered capital in Viet Nam.

FDI Flow into Viet Nam in the period 1988-2007

Since 1996 there has been a tendency towards investment in producing goods for export, infrastructure construction, producing import substitutes and in labour-intensive industries. There are more than 4,566 projects in the manufacturing and construction industries with a total capital of about US\$35,4 billion, accounting for 61.89% of the registered capital.



While there are foreign invested projects in most provinces and cities in Viet Nam, most investment has been in the key economic areas in the South including Ho Chi Minh City, Dong Nai, Binh Duong, Ba Ria, Vung Tau, and in the North including Hanoi, Hai Duong, Hai Phong and Quang Ninh. Particular focus has been in Hanoi and Ho Chi Minh City which have more developed infrastructure, higher purchasing power and a more skilled labour force. With the development of the 1st refinery in Dung Quat and the implementation of an effective investment promotion policy, Da Nang is becoming a new key economic area – a 3rd economic triangle.

In recent years there has also been an increase in projects in the 100% foreign owned form. These projects now account for 75.98% of the total licensed projects and 55.01% of the registered capital, while joint venture enterprises make up 20.872% and 34.47% respectively. There are also 6 licensed foreign invested BOT projects in Viet Nam (water supply and electricity plants) with a total registered capital of US\$1.37 billion.

The foreign invested sector has seen rapid growth, gradually asserting itself as a dynamic component of the economy, and has made an important contribution to enhancing the competitiveness and efficiency of the economy. In recent years, the foreign invested sector has accounted for a quarter of the country's total investment, 43.6% (2004) of industrial output, 57.2% (2005) of the national export, and 15.9% of the GDP of Viet Nam.

6. State-owned enterprises equitization process

The Government of Viet Nam is very keen to promote the SOEs reform program, i.e. the reorganisation and restructuring and development of SOEs and State Owned Commercial Banks to improve their productivity and efficiency.

Since 1986, the Government has pursued the reform of State Owned Enterprises (SOEs) in three phases (restructure, renovation and development) through the implementation of 4 key measures:

- (i) reform of SOE management;
- (ii) reorganisation and reinforcement of state owned general corporations;
- (iii) SOEs equitisation;
- (iv) Transferring, contracting, leasing and selling SOEs.

Since 1998, the Government has formulated a detailed reform program focusing on equitisation of state companies. Over 3,000 SOEs had been equitised to date. Since 2005, the equitisation is not only limited to small and medium SOEs, but also covers large General Corporations. It is estimated that the remaining 2,000 SOEs still account for 40% of GDP and over 50% of tax revenue. According to original plans, 70 state owned general corporations were to be equitised over the period 2007 to 2011 but delays and uncertainties were introduced due to the market downturn following the stock market peak in March 2007. Despite the delays and uncertainties, the government remains committed to equitisation. The equitisation of the National Insurance Corporation (Bao Viet) in July 2007 and Vietcombank in December 2007 are particularly notable. Other General Corporations and State Owned Commercial Banks which have been or will be equitised include beer companies Sabeco and Habeco, Vinatex, Mobifone, The Bank for Investment and Development of Viet Nam and Vietinbank.

VIET NAM
A GUIDE FOR BUSINESS AND INVESTMENT

Part III. BUSINESS AND FOREIGN INVESTMENT



PART III. BUSINESS AND FOREIGN INVESTMENT ENVIRONMENT

1. An Overview of the Legal Framework

Background

Viet Nam's common law system has been largely influenced by Chinese, French and Soviet rule. Following the open-door policy of 1986, Viet Nam has enacted its Constitution in 1992 (as amended in 2001) to strengthen legal institutions and to pave the way for its party-led economic reform.

To create a favourable environment for the development of a multi-sector market economy as well as a more open and stable investment environment, Viet Nam is making efforts to improve its legal system. During recent years, many laws and regulations have been enacted to establish the legal framework for the open-door policy and to comply with the integration requirements of international agreements, especially to prepare for Viet Nam's WTO membership, of which the most important laws include:

- the Civil Code (2005);
- the Labor Code (1994, as amended in 2002 and 2006);
- the Commercial Law (2005)
- the Law on Enterprises (2005)
- the Law on Investment (2005)
- the Law on Credit Institutions (1997, as amended in 2004)
- the Land Law (2004)
- the Law on Accounting (2004)
- Law on Real Estate (2006)
- Law on Tax Administration (2006)
- Law on Social Insurance (2006)
- Law on Personal Income Tax (2007, effective as 1 January 2009)

A list of the primary legal documents relating to the business activities of foreign investors in Viet Nam is attached at the end of this book.

New Law on Corporate Income Tax and Law on Value Added Tax will be issued in 2008 and come into force 1 January 2009.

Main legislation for FDI

The main legislation governing foreign direct investment (FDI) activities are the Law on Investment and the Law on Enterprises in Viet Nam, both of which were adopted by the National Assembly on 29 November 2005 and entered into force on 1 July 2006.

With a view towards creating a comprehensive legal framework for FDI activities in accordance with international standards, Viet Nam has signed and acceded to various bilateral and multilateral arrangements on investment, such as agreements for the promotion and protection of investment with 46 countries and territories, the Framework Agreement on the ASEAN Investment Area ("AIA"), the BTA with the United States of America containing an investment charter, the Convention on the Establishment of the Multilateral Investment Guarantee Agency ("MIGA"), and other related international investment agreements.

Where the international agreements contain provisions inconsistent with the provisions of the legal instruments on FDI, the provisions of the international agreements shall be applied.

The countries and territories that have signed agreements on the promotion and protection of investment with Viet Nam are: Italy; Australia; Thailand; Belgium; Luxembourg; Malaysia; Philippines; Germany; France; Switzerland; Belarus; Indonesia; Singapore; People's Republic of China; Armenia; Chinese Taipei; Republic of Korea; Denmark; Sweden; Finland ; Netherlands; Ukraine; Russia; Hungary; Poland; Rumania; Austria; Latvia; Cuba; Lithuania; Laos; Uzbekistan; Argentina; Bulgaria; Algeria; India; Egypt; The Czech Republic; Tajikistan; Chile; Mongolia; Myanmar; Cambodia; P.D.R Korea; United Kingdom; Iceland; and Japan. Canada is currently in negotiations with Viet Nam regarding such an agreement.

2. Viet Nam's WTO Accession

Viet Nam officially joined the WTO on 7 November 2006 and put the commitments into effect on 11 January 2007. *A summary of the WTO commitments is attached at the end of this book.*

Two positive implications on FDI resulting from Viet Nam's WTO membership are:

Firstly, a considerable reduction of import duties on the imports used as the inputs for domestic production as well as for private and government consumption (in many cases, import tariff rates on inputs for producing exports and other goods such as machinery and equipment used to produce exports) have been remarkably reduced during the negotiation process. Moreover, import duties imposed on input materials used for producing exports are also refunded to exporters.

Secondly, the services market in Viet Nam has been liberalised. Under WTO classification, provision of services will be divided into four modes: (i) cross-border (e.g., electronic money transfer services between countries); (ii) consumption abroad (e.g., tourist services); (iii) commercial presence (e.g., FDI in services in Viet Nam); and (iv) movement of natural persons (e.g., foreigners coming to provide services in Viet Nam). Liberalization of services sector, especially in modes (i) and (iv), will affect FDI flows in Viet Nam. Firstly, the services sub-sectors that used to be closed to or restricted from foreign investment (such as distribution, transport, telecommunications, finance, etc.) will be largely liberalized (despite some limited conditions and transitional periods of 3 or 5 years)

3. Investment Guarantees

The Government of Viet Nam guarantees fair treatment for investors. Capital and other legal assets of investors will not be expropriated or confiscated by law or administrative measures and businesses with foreign-invested capital will not be nationalised. Foreign investors are allowed to remit abroad investment capital and profits, loan principal and interest, and other legal proceeds and assets.

Expatriates working for businesses with foreign-invested capital or for a business cooperation contract ("BCC") are permitted to remit their income abroad. The Government of Viet Nam respects intellectual and industrial property rights and the interests of foreign investors relating to technology transfers into Viet Nam.

Interests of foreign investors are satisfactorily guaranteed in the event of adverse effects caused by a change in law through the application of a number of measures. The Law on Investment warrants that such changes will be disregarded or that disadvantages to the investor stemming from a change in law will be compensated by being permitted to amend its operations, to be entitled to compensatory tax exemptions, or by other means of compensation. Moreover, where more favourable provisions are enacted, existing investors will be entitled to the benefits stemming from such provisions. Disputes of foreign investors can be brought before Vietnamese arbitration centres or before a court, or foreign arbitration can be agreed to in a contract by the parties. By 2008, the Vietnamese Government had entered into bilateral agreements in trade relations with 89 countries including 72 on the "Most Favoured Nation" status (now known as "Normal Trade Relations") and double taxation agreements with 45 countries.

Upon the completion of company liquidation procedures, foreign investors may transfer abroad any remaining capital and legitimate assets.

4. Investment sectors and regions entitled to Incentives

The Government of Viet Nam encourages foreign investors to invest in the following sectors and regions:

(1) Sectors in which investment is entitled to incentives:

- Manufacture of new materials and production of new energy, manufacture of high-tech products, bio-technology, information technology and mechanical manufacturing;
- Breeding, rearing, growing and processing of agricultural, forestry and aquaculture products, production of salt, and creation of new plant and animal varieties;
- Utilisation of high technology and advanced techniques, protection of the ecological environment and research, development and creation of high-technology;
- Labour-intensive industries;
- Construction and development of infrastructure facilities and important industrial large-scale projects;
- Professional development of education, training, health, sports, physical education and Vietnamese culture;
- Development of traditional crafts and industries; and
- Other manufacturing and service sectors that generally require encouragement.

(2) Regions in which investment is entitled to incentives:

- Regions with difficult or especially difficult socio-economic conditions, such as mountainous regions, remote or underdeveloped regions; and
- Industrial zones, exporting zones, high-tech zones and economic zones.

From time to time, the Government issues detailed lists of sectors and regions in which investment is entitled to incentives, thus establishing the prerequisites investors need to fulfil to be entitled to investment incentives and certain benefits. The new Law on Investment only generally sets out which sectoral and/or geographic areas are entitled to investment incentives. The types of incentives (e.g., tax holidays or reductions, exemption from land fees) are governed by the specific tax, land and other regulations.

5. Investment sectors subject to Conditions

In other fields, also as published by the Government, foreign investment will not be licensed or will only be licensed under special conditions. For sectors in the List of Conditional Investment Sectors, the investment is subject to certain conditions. These sectors include: television, production and publishing cultural products, telecommunications, all means of transportation, cigarette production, exploring and processing natural resources, real-estate business, education, medical services, and distribution.

These conditions may take the form of certain requirements for the establishment of a company, the scope of operations available for the project, the level of capital, the foreign and domestic ownership structure of the project, the applicable form and type of legal entity available for the investment

project, and certain business conditions and largely depend on Viet Nam's international concessions and policies to open the markets in a number of sensitive sectors to foreign investors.

6. Basic Forms of Enterprises and Forms of Direct Investment

According to the Law on Enterprises, a foreign-invested enterprise may be established as a one-member limited liability, a limited liability with two members or more, a joint-stock company, or a partnership. The Law on Investment provides for three basic forms of direct investment: joint ventures, 100% foreign-owned enterprises ("100% FOEs") and business cooperation contracts ("BCC"). During the process of investment in Viet Nam, businesses with foreign-invested capital and BCCs are allowed to restructure their investment by way of division, separation, merger or consolidation or foreign investors may convert their investment to a different legal form. Foreign investors can also transfer their interests to other entities. Furthermore, foreign companies with ongoing business relations with Viet Nam may open representative offices or branches in Viet Nam. Foreign investors can also buy interest in existing domestic enterprises.

Forms of Enterprises

Limited Liability Company

A limited liability company is a legal entity established by its members by way of capital contribution to the limited liability company. The capital contribution of each member is treated as equity. The members of a limited liability company are liable for the financial obligations of the limited liability company to the extent of their capital contributed – or undertaken to be contributed - to the limited liability company. The management structure of a limited liability company consists of the members' council, the chairman of the member's council, the director or general director and controller (or board of supervision where the limited liability company has more than 10 members).

A limited liability company established by one or more foreign investors may take the form of either a 100% FOE (where all members are foreign investors) or of a foreign-invested joint-venture enterprise between one or more foreign investors and one or more domestic investors.

Joint-stock Company

A joint-stock company is a legal entity established by its founding shareholders on the basis of their subscription of shares of the joint-stock company. The charter capital of a joint stock company is divided into shares and each founding shareholder holds a number of shares corresponding to their subscribed and paid-up shares in the joint stock company.

A joint-stock company is required to have at least three shareholders (with no maximum number of shareholders). The management structure of a joint-stock company comprises of the general meeting of shareholders, the board of management, the chairman of the board of management, (general) director and a board of supervision (where the joint stock company has more than 10 individual shareholders or if a corporate shareholder holds more than 50% of the shares of the joint stock company).

A joint-stock company may take the form of a joint venture between foreign investors and domestic investors.

Partnership

A partnership may be established between an individual or a legal entity and the general partner, who must be an individual. The general partner has unlimited liability for the operations of the partnership.

Forms of Direct Investment

Joint ventures

A joint venture may be established as a limited liability company with more than one member, as a joint stock company or as a partnership and is a legal entity with limited liability.

Profit and risk are distributed among the parties in proportion to their charter capital contributions to the JV unless the parties have agreed to otherwise in the joint venture contract.

100% FOE

Under Vietnamese law, a 100% FOE is a legal entity established by one or more foreign investors under a form of enterprise as described above.

BCCs

A BCC is an agreement between one or more foreign investors and one or more Vietnamese partners with the objective of cooperating to operate one or more specific business activities. This form of investment does not constitute a new legal entity and the investors have unlimited liability for the debts of the BCC.

7. Other Facilities for Business and Investment in Viet Nam

Branches

This is not a common form of foreign direct investment. However, banks, tobacco companies, airlines, law firms are allowed to establish branches in Viet Nam. Branches of foreign companies in Viet Nam are different from representative offices in that a branch is permitted to conduct commercial activities in Viet Nam.

Representative offices

Foreign companies with business relations or investment projects in Viet Nam may apply to open representative offices in Viet Nam. A representative office is not an independent legal entity and thus may not conduct direct commercial or revenue-generating activities (i.e., the execution of contracts, direct payment or receipt of funds, sale or purchase of goods, or provision of services). However, a representative office is permitted to:

- act as a liaison office to observe the business environment;
- search for trade and/or investment opportunities and partners;
- supervise and accelerate the implementation of contracts;
- act on behalf of the parent company to supervise and direct the implementation of investment projects in Viet Nam;

Build-operate-transfer (“BOT”), Build-transfer (“BT”) and Build-transfer-operate (“BTO”) Contracts

Foreign investors may sign BOT, BT and BTO contracts with a competent State body to implement infrastructure construction projects in Viet Nam, most often in the fields of transportation, electricity production, water supply or drainage, and waste treatment. Rights and obligations of foreign investor will be regulated by the signed BOT, BT and BTO contract.

Under a BOT contract, the investor is completely in charge of the construction and management of a project over a specific period after which the project is to be transferred to the State without further compensation.

Under a BTO contract, title must be transferred to the State immediately upon completion of construction, but the State allows the investor to operate the project over a period of time agreed to in the contract by both parties so that the investor may recover both capital and reasonable profits.

With a BT contract, the project is transferred to the State upon completion of the construction and the State pays the investor by granting it the right to implement another project or by making payment as agreed to in the BT contract.

Under Decree 78/2007/ND-CP of 11 May 2007 on the investment of BOT, BTO, and BT contracts, the Government encourages investors of both public and private sectors to participate in BOT, BTO and BT projects (i) for the construction, operation of brand-new, renovated, or expanded infrastructure facilities and (ii) for the modernisation, operation and management of existing project works as listed below:

- Roads, bridges, tunnels, and other associated utilities;
- Railways and tramp-ways;
- Airports, seaports, river ports, and ferries;
- Water supply plants, and waste sewage and treatment systems;
- Power plants and power transmission lines; and
- Other projects as may be determined by the Prime Minister.

Preferential Treatments for BOT, BTO, and BT projects

- Corporate Income Tax (CIT): Under the laws currently in force in Viet Nam, BOT, BT and BT enterprises are entitled to (i) an applicable CIT rate of 10% for the whole life of the project; (ii) a CIT exemption for 4 years from the first profit-making year; and (iii) a 50% CIT reduction for the following 9 years.
- Import Duties: BOT, BTO and BT enterprises and their sub-contractors may be entitled to import duty exemptions for the purpose of project implementation in accordance with the laws on import duties.
- Industrial property objects that are under protection, technological know-how, technological processes and technical assistance for the project implementation may be exempt from taxes applicable to technology transfer and revenue earned from royalties.
- Land use:
 - In the event of land allocation by the State, BOT, BTO and BT Enterprises are exempt from payment of land use fees for the land area allocated to them or, in the case of a land lease, are otherwise exempt from payment of land rental for the life of the project.
 - During the term of the project, the BOT, BTO and BT enterprises are, subject to approval of the competent State bodies, permitted to pledge or mortgage assets and land use rights ("LURs") in accordance with Vietnamese land laws.

Government guarantee undertaking: The Government of Viet Nam will, depending on the nature of each of BOT, BTO and BT project, appoint an authorised body to issue, on behalf of the Government, guarantees for loans, provision of raw materials, consumption of products, and any other contractual obligation in favour of the investors, the BOT, BTO and BT enterprises, and other enterprises participating in these projects if a Government guarantee undertaking is required under the relevant BOT, BTO or BT contract.

Industrial Zones/Export Processing Zones/High-Tech Zones (“Industrial Zones”) and Economic Zones

In 1991, the Vietnamese Government introduced a policy to develop these special administrative zones in an effort to geographically diversify investment locations, to accelerate export, and to create more jobs.

Industrial Zone & Export Processing Zone

Industrial Zone (“IZ”) is a zone in which enterprises specialising in the production of industrial goods and the provision of services for industrial production are concentrated.

Export Processing Zone (“EPZ”) is an industrial zone specialising in the production of goods for export and the provision of services for such production and export activities.

Investment in IZs and EPZs is generally regulated by Decree No. 29/2008/ND-CP of the Government dated 14 March 2008 providing Regulations on Industrial Zones and Export Processing Zones (“Decree 29”).

Developers of IZs and EPZs and investors operating and doing business in these zones (collectively referred to herein as “IZs Developers,” “IZ Enterprises,” and “EPZ Enterprises,” respectively) are granted the following preferential treatment:

- CIT:

Depending on certain criteria, investment in IZ/EPZ may be entitled to a CIT rate of 10%, 15%, or 20% and up to 4 years of CIT exemption from the first profit-making year and a 50% reduction of the CIT rate for the following 9 years;

- Import duties and value-added tax: IZ Developers, IZ Enterprises and EPZ Enterprises may be exempt from payment of import duties and value-added tax on goods imported for the establishment and implementation of their investment projects.

- Land use:

- Incentives include preferential land rental rates, exemption from payment of land use fees for the land area allocated to the investor by the State, or, in the case of a land lease, exemption from payment of land rental for the life of the projects.
- Where IZ Developers, IZ Enterprises and EPZ Enterprises pay their land rental on an annual basis, they have the right to: (i) mortgage or use as a guarantee assets attached to land; (ii) sell or contribute as capital assets attached to land; (iii) sell or lease out factories, offices and warehouse built in the IZ; and (iv) sub-lease the land area on which infrastructure facilities have been completed (please note that the right mentioned in (iv) is only applicable to IZ Developers).
- Such IZ Developers, IZ Enterprises and EPZ Enterprises who pay the land rental for the entire term of their lease at once are entitled to additional rights. In particular, during the term of their land lease or sub-lease, they are permitted to: (i) assign the value of their LUR and assets attached to the land leased out to them; (ii) sub-lease LUR and assets attached to land; (iii) contribute the value of LUR and assets attached to land as capital to joint ventures; (iv) mortgage or use as a guarantee LUR and assets to credit institutions operating in Viet Nam.

During the past few years, the IZ system has been developed across the country, playing an important role in attracting foreign investment to Viet Nam. Over 130 IZs have been licensed with 3

IZs established by 100% foreign-owned entities, 14 established by joint venture enterprises, and 119 by Vietnamese enterprises. The total area of IZs is more than 28,919 hectares, 51% of which has been leased out. In addition, eight economic zones have also been licensed with a total area of over 270,000 hectares.

To date there have been over 2,400 foreign investment projects with a registered capital above US\$20.0 billion operating in IZs. Most of these projects are textiles, garments, shoes, electronic assembly, mechanical manufacturing, plastics, and food processing enterprises.

High-Tech Zone

A *High-Tech Zone* is multi-function economic-technical zone with a defined boundary established in accordance with a decision of the Prime Minister to conduct high-tech research, development and applications, to nurture high-tech enterprises, to train high-tech human resources and to manufacture and trade high-tech products.¹

Investment in high-tech zones is subject to the Regulations on High-Tech Zones (“HTZs”) as stipulated in Decree No. 99/2003/ND/CP of the Government on 28 August 2003 (“Decree 99”) and Decision 53/2004/QD/TTg of the Government dated 5 April 2004.

The Vietnamese government strongly encourages investment in the following high-tech sectors:

- Information technology, communications, and computer software technology;
- Bio-technology serving agricultural, aquaculture and medical sectors;
- Microelectronic, fine mechanical, mechanical-electronic, optical-electronic and automatic technologies;
- New material technology and new energy technology; and
- Other special technologies.

Under the applicable laws of Viet Nam, foreign and domestic investors operating and doing business in HTZs and foreign and Vietnamese individuals working for investment projects in HTZs are entitled to the following preferential treatment:

- CIT: investors are entitled to: (i) a 10% CIT rate for the entire duration of their project; (ii) a 4-year CIT exemption beginning from the year taxable income is earned; and (iii) a 50% CIT reduction for the following 9 years.
- PIT: Those Vietnamese individuals (including overseas Vietnamese) whose PIT obligations and income levels are equal to those of foreign individuals are entitled to the same PIT exemption or reduction as that which applies to foreign individuals.
- Land use: A uniform land lease pricing applies to both foreign and domestic investors in HTZs. Exemptions of land rent may be granted to those investors of projects on research and development of technology or on high-level skills training in science and technology. During the term of leasing or sub-leasing land, investors are allowed to sub-lease, assign and mortgage land use rights and assets attached to their leased land plots to credit institutions operating in Viet Nam.
- Housing: Favourable conditions may be made available to the investors and workers in HTZs in terms of their housing and residence.
- Visas: Multiple-entry visas with a term compatible with the term of employment are issued to foreign individuals and overseas Vietnamese who invest or work in HTZs.
- Credit assistance: The Development Assistance Fund of Viet Nam is ready to extend medium or long-term credit with soft interest rates and issue loan guarantees to Vietnamese

¹ High-tech products are defined as “products created on the basis of application of high technology”. “High technology” is defined as “the technology integrated from achievement of advanced technology and science which has the ability to create a sudden increase in labour productivity, features, quality and added value of products, to form new production or service industries with high socio-economic effectiveness, a great effect on socio-economic development and national defence and security.”

manufacturers in HTZs. In addition, all investors directly exporting their products may be entitled to an export credit assistance and an export award.

- Additional incentives may be granted to the investors in “especially important projects.”

Economic Zone

An Economic Zone (“EZ”) is a zone that has an economic area separate from the general investment and business environment and with especially favourable conditions for investors.

An EZ is an identified geographical zone with privileges regarding the investment environment, preferential stable policies, and flexible management, creating the best conditions for the business activities of the domestic and foreign investor.

Investment in EZs is currently regulated by Decree 108 and special Decision issued by the Prime Minister.

Developers of EZs and investors operating and doing business in these zones (collectively referred to herein as “EZs Developers” and “EZ Enterprises”) are granted the following preferential treatment:

- CIT:
 - EZ Developers and EZ Enterprises are entitled to: (i) an applicable CIT rate of 10% of their annual taxable profit for a term of 15 years beginning from the first profit-making year; (ii) a CIT exemption for 4 years from the first profit-making year; and (iii) a reduction of 50% of the CIT rate for the following 9 years.
 - A preferential CIT rate of 10% is applicable to the whole term of a high-tech project where:
 - (i) the high-tech project satisfies the requirements set out in Article 5.2 of Decree 99; and
 - (ii) it is a large-scale project playing a significant role in the commercial and socio-economic development of the location.
- PIT: A 50% PIT reduction may be granted to both Vietnamese citizens and foreigners working in the EZ.
- Import duties and value-added tax: EZ Developers and EZ Enterprises are entitled, for a term of 5 years from the commencement of their operations, to: (i) an exemption from payment of import duties on materials, equipment, components and semi-products that have not yet been produced domestically and that must be imported for the purpose of production within the EZ.

Import and export duties are not levied upon the following imports and exports:

- (i) Goods imported from abroad to a non-tariff area;
 - (ii) Goods exported from a non-tariff area abroad;
 - (iii) Goods transferred from or sold by a non-tariff area to an EPZ or any enterprise; and
 - (iv) Goods not subject to export duty, with Vietnamese origin, and transported into a non-tariff area.
- VAT: Goods produced and services provided in non-tariff areas and goods imported and services provided from abroad to non-tariff areas are exempt from VAT.
 - Special sales tax (“SST”): Goods produced and services provided in non-tariff areas and goods imported and services provided from abroad to non-tariff areas are exempt from SST (except for certain types goods or services).

8. Tax and tax incentives applicable to foreign direct investment

The tax system in Viet Nam consists of the following main taxes:

- Corporate Income Tax
- Capital Assignment Profits Tax
- Value Added Tax
- Special Sales Tax (Excise tax)
- Foreign Contractor Withholding Tax (withholding tax)
- Import-export tariffs
- Natural Resources Tax
- Land Rentals
- Personal Income Tax
- Social insurance and health insurance
- Other Taxes

Corporate Income Tax ("CIT")

Effective from 1 January 2004, Viet Nam has one CIT regime applicable to both domestic and foreign invested enterprises, with a standard CIT rate of 28%.

Oil and gas companies and companies involved in exploitation of precious minerals are subject to tax at rates ranging from 28% to 50% depending on the specific project.

Preferential rates of 10%, 15% and 20% are available where certain criteria are met. The primary criteria for receiving preferential rates are the scope of activities and location of the investment. Preferential rates are available for a period of 15 years, 12 years and 10 years, starting from the commencement of operating activities. When the preferential rate expires, the CIT rate generally reverts to the standard rate.

Taxpayers may be eligible for tax holidays. The holidays take the form of a complete exemption from CIT for a certain period beginning immediately after the enterprise first makes profits, followed by a period where tax is charged at 50% of the applicable rate. Criteria for eligibility to these holidays and reductions are set out in the CIT regulations.

Additional tax reductions may also be available for, inter alia, investment expansion, engaging in R&D activities and employing disabled people among others.

Tax incentives previously awarded according to export related criteria have been repealed. The incentives will be removed with effect from 2011, but with immediate effect (i.e. from 2008) for investors operating in the textile industry.

An amended CIT Law is being drafted and will be submitted to the National Assembly in May 2008 for approval, which is expected to come into effect from 01 January 2009. In accordance with the new draft Law, the standard CIT rate is proposed to be reduced to 25% as of 1 January 2009 instead of the currently applied rate of 28%. In addition, the preferential rate of 15% is proposed to be removed.

There are currently 47 Double Tax Agreements (DTAs), of which 43 are in effect and 4 are not effective yet.

Capital Assignment Profits Tax

Gains on transfers of interests (as opposed to shares) in a foreign invested or Vietnamese enterprise are subject to 28% CIT. The taxable gain is determined as the excess of the sales proceeds less cost (or the initial value of contributed legal capital for the first transfer) less transfer expenses.

When foreign investment funds or foreign organisations having no legal status in Viet Nam involve in trading of securities e.g. shares, CIT is payable on a deemed basis at 0.1% of the total value of the securities sold.

In respect of bonds, 0.1% CIT shall be calculated on the face value of the bond plus interest at the time the interest is received.

Value Added Tax ("VAT")

VAT applies to goods and services used for production, trading and consumption in Viet Nam (including goods and services purchased from abroad). In each case the business must charge VAT on the value of goods or services supplied. In addition, VAT applies on the duty paid value of imported goods. The importer must pay VAT to customs at the same time that they pay import duties.

The Viet Nam VAT system has three rate categories: 0%, 5%, and 10% (the standard rate).

The 0% rate applies to exported goods including goods processed for export, goods sold to duty free shops, exported services and construction and installation carried out abroad or for export processing enterprises.

The 5% rate applies generally to areas of the economy concerned with the provision of essential goods and services such as clean water; fertiliser production; teaching aids; books; foodstuffs; medicine and medical equipment; husbandry feed; various agricultural products and services, technical/scientific services, coal, coke, peat; mechanical products (except household mechanical products); .

The 10% rate is the "standard" rate which applies to goods and services including: mineral products; power generation; electrical products; processed foods; paper; postal services; construction and installation; tourism, hotel and restaurant services; lotteries; shipping agents; brokerage services; trading in precious stones and metals; leasing and other activities not specified as subject to the 0% or 5%.

Currently, there are 29 categories of goods and services that are VAT exempt. .

The Vietnamese VAT system is characterised by two types of VAT payers: deduction method VAT payers and direct method VAT payers.

Tax deduction method is the conventional VAT system used in most other VAT jurisdictions. VAT payable is calculated as the output VAT charged to customers less the input tax suffered on purchases of goods and services. For input tax to be deductible, the taxpayer must obtain a proper VAT invoice from the supplier.

Under direct application on value added method, the business must firstly calculate the "value added" in the period. The value added equals the sales price of the goods/services less the value of goods/services purchased. The appropriate VAT rate is then applied to this "value added" figure to arrive at the VAT liability for the period. For businesses with little or no accounting records, tax payable is estimated. Taxpayers using this method are not permitted to issue VAT invoices on their sales.

An amended VAT Law is also being proposed to the National Assembly in May 2008 for approval, which is expected to come into effect from 01 January 2009. In accordance with the new draft Law, the VAT exemption will be reduced to 26 categories of goods and services.

Import Duty

Generally, all goods crossing Vietnamese borders are subject to import/export duties. Import and export duty rates are subject to frequent changes and it is always prudent to check the latest position.

The import duty rates are classified into three categories: ordinary rates, preferential rates and special preferential rates. Preferential rates are applicable to imported goods from countries that enjoy Most-Favoured-Nation status (“MFN”, also known as Normal Trade Relations) with Viet Nam.

With the accession to WTO, the MFN rates are in accordance with the WTO commitments and are applicable to goods imported from other member countries of the WTO. Exceptions and waivers are available for regional agreements (i.e. CEPT/AFTA or agreements between AFTA and China, Korea, Australia and Japan).

Special preferential rates are applicable to imported goods from countries that have special agreement with Viet Nam (such as ASEAN countries). Viet Nam joined ASEAN Free Trade Area (AFTA) in 1996. Under the AFTA Common Effective Preferential Tariff (CEPT) Scheme, Viet Nam has committed to gradually eliminate all import tariffs in its Inclusion List.

To be eligible for preferential rates or special preferential rates, the imported goods must be accompanied by an appropriate Certificate of Origin (“C/O”). Without such a C/O, or when goods are sourced from non-preferential treatment countries, the ordinary rate (being the MFN rate with 50% surcharge) is imposed.

There are currently 18 categories of import duty exemption. Import duty exemption is available in certain cases, for example, enterprises invested in investment encouraged sectors and locations are entitled to an exemption of import duties on any equipment, machinery and specialised transport means imported to form the fixed assets, etc.

With regard to Import duties calculations, in principle Viet Nam follows the WTO Valuation Agreement with certain variations. The dutiable value of imported goods is the transaction value. Where this is not applied, alternative methodologies for the calculation of the customs value include:

- Method 2 – Value of Identical Goods
- Method 3 – Value of Similar Goods
- Method 4 – Deductive Value Calculation
- Method 5 – Computed Value Calculation
- Method 6 - Fall-back Method

Export Duty

The export of goods is encouraged by the Government of Viet Nam. Thus, export duties are only charged on a few items, basically natural resources such as minerals and forest products but also on rice, seafood and scrap metal. Export rates range from 0% - 45%. The price for the computation of export duties is Free on Board/Delivered at the Frontier price, i.e. selling price of goods at the port of departure as stated in the contract, excluding freight and insurance costs.

Special Sales Tax (Excise Tax) (“SST”)

SST applies to the production or import of certain luxury goods. The current Law on SST classifies objects subject to SST in two groups: commodities (i.e. cigarettes, liquor, beer, petrol, automobiles carrying less than 24 people, air-conditioners up to 90,000 BTU, playing cards, votive paper) and certain services (i.e. discotheques, massage parlours, karaoke bars, casinos, golf clubs, entertainment with betting and lotteries).

The tax rates are as follows:

Products / services	Tax rates (%)
Cigar/Cigarette	65
Spirit/Wine	20 - 65
Beer	40 – 75
Automobiles	15 - 50
Petrol	10
Air-conditioners (not more than 90,000BTU)	15
Playing cards	40
Votive paper	70
Discotheques, massage, karaoke	30
Casinos, jackpot games, entertainment with betting	25
Golf	10
Lottery	15

Withholding Tax

Foreign companies performing business in Viet Nam/having contracts with Vietnamese customers without establishing a legal entity in Viet Nam are subject to “Foreign Contractor Withholding Tax” (FCWT), which includes a VAT and a CIT element. Withholding tax also applies to payments of interest, royalties, licence fees, and cross border lease charges. Withholding tax applies on the income derived from Viet Nam, regardless of where the services are performed, inside or outside Viet Nam.

FCWT can be calculated in three ways.

Method 1: Deduction Method (“VAT registration”)

Foreign contractors can apply to be conventional deduction method VAT payers if they adopt the Vietnamese Accounting System (“VAS”). If accounting records are adequate the foreign contractor will pay CIT on actual net profits; otherwise payment is made on a deemed basis.

Method 2: Withholding Method (“no VAT registration”)

For direct (non-deduction method) method foreign contractors, VAT and CIT will be withheld by the contracting party at a deemed percentage of taxable turnover. Various rates are specified according to the nature of the services performed. The VAT withheld by the contracting party is generally an allowable input credit in the Vietnamese contracting party’s VAT return.

The VAT and CIT rates are summarised below:

Industry	Effective VAT rate	Deemed CIT rate
Trading: distribution, supply of goods, materials, machinery and equipment in Viet Nam	1%	1%
Services	5%	5%
Construction, installation without supply of materials or machinery, equipment.	5%	2%
Construction, installation with supply of materials or machinery, equipment.	3%	2%
Transportation	1.25%	2%
Manufacturing, other business activities	2.5% or 1.25%	2%
Interest	Exempt	10%
Royalties	Exempt	10%

Method 3: Hybrid method

This is a combination of method 1 and 2, whereby the foreign contractors would maintain a simplified VAS for VAT convention filing purpose and pay CIT on a deemed basis like under Method 2.

Natural Resource Tax

Under Vietnamese Law, the State manages natural resources and natural resources tax is payable by industries exploiting Viet Nam's natural resources such as petroleum, minerals, forests, fisheries and natural water.

The tax rates, which ranged from 0% to 40% are levied depending on the natural resource being exploited and are applied to the production output at a specified taxable value per unit. Various methods are available for the calculation of taxable value of the resources, including cases where the resources have no commercial value.

Land Rentals

The rental of land use rights by foreign investors (if not contributed to capital) is in effect a form of property tax. Where the land is rented from the State, the tariff frame for land rental is determined by the Government. Based on such tariff frame the People's Committee of the relevant province will determine the specific land rental tariff. The land rental is kept stable for a period of at least five years from the investment licence date. Where land rentals have been paid for the whole duration of the lease contract, the land rental shall be kept stable until the expiration of the lease and shall not be subject to any adjustment.

Personal income tax ("PIT")

Currently, the following individuals are liable to pay PIT

- Vietnamese citizens residing in Viet Nam or working overseas who are in receipt of income;
- Other individuals residing in Viet Nam indefinitely; and
- Foreigners working in Viet Nam and in receipt of income including employees of business, cultural or social organisations, representative offices and branches of foreign companies, foreign contractors and individuals working independently.

Foreigners residing in Viet Nam for an aggregate of 183 days or more within a consecutive 12-month period from the first date of arrival, or in subsequent calendar years, will be treated as tax residents in Viet Nam. These tax residents are subject to Vietnamese PIT on their worldwide taxable income, wherever it is paid, earned or charged, on a graduated tax rates basis with the highest marginal rate of 40%. Furthermore, where an individual is treated as a resident for a particular year, that individual is also generally regarded as a resident for the following years.

Foreigners who spend, in aggregate, less than 183 days (the arrival and departure days together count as one day) in a consecutive 12-month period following the first date of arrival, or in subsequent calendar years, are considered as non-tax residents in Viet Nam. Non-residents are subject to PIT at a flat tax rate of 25% on their Viet Nam-sourced income in the tax year. However, this will need to be also considered in light of the provisions of any DTA that might apply.

Vietnamese nationals working in Viet Nam are subject to PIT rate up to 40%.

There is 5% on the income from technological transfer of more than VND15 million for each contract and 10% on the income from lottery winnings of more than VND15 million for each winning.

From the strict reading of the PIT regulations all fringe benefits are taxable. However, there is an exception for training fees, school fees for expatriate children paid to schools in Viet Nam (up to secondary school only) and annual leave air-fares for expatriates. The taxable value of employer-

provided accommodation is the lower of the actual rental paid or 15% of the total gross taxable income, and electricity and water charges paid by the employer are taxable.

Expatriates or foreign individuals working in Viet Nam are allowed to transfer their income abroad after income tax and other payroll withholdings have been paid.

There are certain tax exempt categories, such as attraction allowance for working in remote areas/areas with difficult conditions, hardship allowance for toxic, hard, dangerous jobs, etc.

There is a temporary exemption from PIT for interest from bank deposits, savings accounts, loans, and profits from debentures, bonds and shares, income from investment in securities, gains from trading securities.

There is a general requirement to withhold 10% PIT from payments of VND 500,000 or more to individuals who are not employees (e.g. independent contractors).

New PIT law

Effective from 1 January 2009, Viet Nam's new PIT Law will apply and result in significant changes to the PIT system. Individuals will be taxable on both employment income (i.e. cash remuneration and benefits in kind) and non-employment income (i.e. Business income, interest – not bank interest, dividends and gains on sale of securities and real estate).

Under the new PIT law, there are 14 income items that are exempt from PIT and the new PIT rates will be applied. The top marginal rate applied to employment income of tax residents and Vietnamese employees will be 35%. The tax rates applied to non-employment income varies among different types of income from 0.1% to 25%.

Non-residents are subject to PIT at a flat tax rate of 20% on their Viet Nam-sourced income in the tax year. The tax rates applied to their business income varied from 1 to 5% depending on the sector of production and the line of business they adopt.

Social security, health and unemployment insurance

The Law on Social Insurance became effective on 1 January 2007.

The level of compulsory social insurance ("SI") contribution is 20% of total salary of which 15% is the employers' obligation and the remaining 5% is the employees' obligation. From 2010, the SI contribution will increase by 1% every 2 years for each employee and employer until the contribution of the employee reaches 8% and the contribution of the employer reaches 18%.

The basic salary for SI contribution is the salary stated in the labour contract, but capped at a maximum of 20 months of the common minimum salary (the current minimum salary is VND 540,000 per month).

Additionally, employers are required to pay health insurance ("HI") premiums in respect of their Vietnamese employees. The rate is 3%, of which 1% is the responsibility of the employee and 2% of the employer. The salary basis for HI contribution is the contractual salary and is not subject to a cap.

Unemployment insurance will be introduced starting from 1 January 2009 where by the employee, the employer and the Government will each contribute 1% of the salary.

Other taxes

Numerous other fees and taxes can apply in Viet Nam, including capital, freight tax, business license tax and stamp duty/registration.

Transfer Pricing (“TP”)

Viet Nam has detailed transfer pricing regulations which outline various situations, both domestically and internationally, where a transfer pricing issue will be considered to exist, and the mechanisms for determining the market “arm’s length” transaction value, e.g. comparable uncontrolled price, cost plus, resale price, comparable profits and profit split.

There is a comprehensive definition of associated parties. The control threshold is lower than in many other countries (20%) and the definition also extends to certain significant supplier, customer and funding relationships between otherwise unrelated parties.

Compliance requirements include an annual declaration of related party transactions and transfer pricing methodologies used, which is required to be filed together with the annual CIT return, as well as contemporaneous documentation requirements.

9. Accounting and Auditing

In December 1994, a new accounting system for business entities was introduced based on the International Accounting Standards and tailored specifically for the Vietnamese situation. The new Vietnamese Accounting System (VAS) comprises 4 components: (i) a chart of accounts with detailed accounting guidelines, (ii) financial reports system, (iii) accounting voucher system, and (iv) accounting books system. Application of VAS is compulsory for all businesses operating in Viet Nam, with certain exceptions in specialised areas. In March 2002, the first four accounting standards were introduced as a step towards the move to a more transparent financial management system. Up to now, Viet Nam has issued 26 accounting standards and 37 auditing standards which are basically modeled on the international standards with local modifications.

Accounting records should generally be maintained in VND. A foreign-invested business entity may however make an application to the MoF for a foreign currency to be used for its accounting records and financial statements. Accounting records should be kept in Vietnamese, although a commonly used foreign language can be used at the same time.

According to Vietnamese law, the Chief Accountant, not the Board of Directors of a business entity is responsible for the accuracy of the financial statements of the entity. A statutory audit is only compulsory for foreign invested enterprises and commercial banks. Large state-owned enterprises are encouraged to have their accounts audited.

The annual financial statements of all foreign-invested business entities must be audited by an independent auditing company operating in Viet Nam. At the end of the fiscal year, the entity must perform an inventory of all of its assets, and a copy of the report on the results of the count should be attached to the financial statements. These financial statements should be filed to the licensing body, MoF, local tax authority and Department of Statistics.

There are 144 accounting and auditing firms operating in Viet Nam including foreign invested, state-owned and private domestic companies.

10. Banking and Finance

Viet Nam’s credit institutions comprise State-owned banks, joint-stock banks, joint venture banks, 100% foreign-owned banks, branches of foreign banks, credit cooperatives, finance leasing companies and finance companies. The banking sector has been expanding at around 20% per annum since the beginning of the decade and has now reached some \$80 billion in total assets. The four largest state-owned banks hold around 70% of the credit market.

Lending grew by 37% in 2007 to reach some \$60 billion, although the government is now seeking to impose tighter controls on borrowing as part of its plans to curb inflation. The loan to GDP ratio rose from 72% to 85% in 2007, balanced by an increase in the deposit to GDP ratio from 78% to 92%. The revenues of the top 10 banks increased by an average of more than 50% and their profits by an average of 195% in 2006, as demand soared, efficiency improved and costs decreased. In 2007, 9 new domestic joint stock banks have received the approval in principle for establishment. These new banks are expected to commence the operation in 2008.

Under WTO commitments, Viet Nam committed to permit the establishment of 100% foreign-owned banks from 1 April 2007. The scope of operations of foreign bank branches, joint venture banks and 100% foreign-owned banks has also gradually expanded to comply with Viet Nam's commitments under the WTO and other bilateral/multilateral international agreements. After 5 years from the date of accession to WTO, Viet Nam must lift all restrictions to the right of a foreign bank branch to accept deposits in Vietnamese Dong from Vietnamese persons with whom the bank does not have a credit relationship.

Currently, foreign credit institutions are collectively allowed to hold up to 30% of the shares of a joint-stock commercial bank where shares held by any one individual foreign institution shall not exceed 15%. Foreigners may not serve as one of the founding members to establish a joint-stock commercial bank but may purchase stakes in the bank after it begins operations.

The Law on Credit Institutions, which came into force on 1 October 1998, as amended in 2004, provides a wide range of products and services that a bank may offer, from traditional financial products to fund management and insurance services. The regulations on the securities market also permit domestic banks to establish securities companies to participate in the securities market. This is the legal basis for the convergence of the financial industry sectors (banking, capital markets, insurance and fund management) in the future with the development of the stock market.

From 1998, with support from multilateral donor institutions, the Government has outlined a comprehensive reform and restructuring program to improve the efficiency of the commercial banking system. The program includes four components: (i) restructuring joint-stock banks through mergers and closure to reduce the number of joint-stock banks by half; (ii) transforming state-owned commercial banks into independent businesses; (iii) improving and strengthening the supervision and inspection of commercial banks and creating a "level playing field"; and (iv) establishing asset management corporations as a tool for resolving non-performing loans.

As part of the restructuring program, in December 2007, the Bank for Foreign Trade of Viet Nam - Vietcombank have been equitised. The government intends to equitise all other State-owned commercial banks in the coming years.

New monetary instruments have been introduced, such as repurchasing agreements ("repos"), discounting, and swaps, etc., narrowing the gap to international financial markets.

11. Foreign Exchange Management

All buying, selling, lending and transfer of foreign currency must be made through credit institutions and other financial institutions authorised by the State Bank of Viet Nam ("SBV").

The outflow of foreign currency by transfer is authorised for certain transactions such as payment for imports and services abroad, refund of loans contracted abroad and payment of interest accrued thereon, transfers of profits and dividends, and revenues from transfer of technology.

As a general rule, all monetary transactions in Viet Nam must be undertaken in Vietnamese Dong. Exceptions are applicable to payments for exports made between principals and their agents and payments for goods and services purchased from institutions authorised to receive foreign currency payments, such as payments for air tickets, shipping and air freight, insurance, and international communications.

The obligation of residents to sell a part of their foreign currency revenues from current transactions to a local authorised bank was abolished in 2003. Additionally, foreign-invested enterprises may, subject to certain conditions, buy foreign currency from the banks to fulfil certain foreign currency obligations from their transactions.

Foreign-invested enterprises may open an offshore bank account only with the prior approval of the SBV. Furthermore, where the foreign party to a BOT, BTO or BT requires an offshore account to successfully implement the project, such an account may be opened.

Foreign investors and foreigners working in Viet Nam are permitted to transfer abroad capital investment profits and income legally earned in Viet Nam and, as mentioned above, any remaining invested capital upon the liquidation of an investment project.

12. Capital Markets

The Securities Trading Centres (“STC”) were opened in Ho Chi Minh City in 2000 and in Hanoi in 2005. The Hanoi STC only acts as an over-the-counter market for unlisted shares that meet certain conditions. In August 2007, the Ho Chi Minh City Securities Trading Centre was converted and renamed the Ho Chi Minh Stock Exchange (“HOSE”). At the moment, the HOSE is the largest stock exchange in Viet Nam. As of 31 December 2007, there were 507 securities listed on the HOSE, including 138 stocks and 366 bonds.

Currently, foreign investors may acquire up to 49% of a listed company and 30% of a non-listed company. Bonds may be freely held. The Government is drafting a new regulation to stipulate the limits of shares held by foreign investors in listed and non-listed companies based on Viet Nam's commitments under international treaties. Under Viet Nam's WTO commitments, after one year from the date of accession to the WTO, the 30% foreign equity limitation for acquisition of Vietnamese enterprises shall be eliminated (except for the acquisition of shares of joint-stock banks and a number of certain sectors).

In the territory of Viet Nam, the purchase and sale of securities by foreign investors must be carried out in Vietnamese Dong.

In order to purchase shares in an unlisted company, the foreign investor must open a special Vietnamese Dong account at a bank permitted to operate in Viet Nam and must register such account with the State Bank of Viet Nam. All transactions in relation to the purchase and sale of shares, receipt of dividends, and remittance of profits must be carried out through such special account.

With respect to foreign investors investing in a listed company, they must obtain a transaction code from a securities company and open a specialised Vietnamese Dong securities trading account at such securities company in order to service the activities of the purchase and sale of securities at STCs.

The country's securities environment has been further improved in recent years by the acceleration of the process of equitisation of State-owned enterprises and of foreign-invested enterprises. The first regulation on equitisation of foreign-invested enterprises on a pilot basis was issued in 2003. With the issuance of the new Laws on Enterprise and on Investment, foreign-invested enterprises may now be established in the form of a joint-stock company.

13. Land

In Viet Nam, land is considered the property of the people and is subject to the exclusive administration of the State. The State, represented by the central and local land departments, is responsible for the management of land use rights and leases to individuals, households, and domestic and foreign-invested economic, political and social organisations. There is no private ownership of land.

Subject to certain conditions, domestic land users have the right to use, transfer, lease, inherit (for individuals only), or mortgage their land use rights (“LUR”), or use the LUR as capital contribution to a joint venture.

Foreign land users are entitled to lease land from the State in general or from Vietnamese or foreign-invested enterprises authorised to sub-lease land in industrial and export-processing zones. For foreign land users, the maximum lease period is generally 50 years, although in special cases this term may be extended to 70 years. Foreign-invested enterprises may only use land for the permitted purpose. Where the land rent as stated under the lease for the LUR has been paid for the entire period of the land lease, foreign-invested enterprises may mortgage their LUR with banks licensed to operate in Viet Nam (including foreign bank branches, joint venture banks and 100% foreign-owned banks), sub-lease or transfer the LUR, or use the LUR as capital contribution to a joint venture.

14. Domestic and Foreign Trade

Vietnamese enterprises are free to carry out trading activities in Viet Nam and are permitted to directly export and import all goods, except for certain restricted goods where a special business licence must be obtained from the relevant State authority.

Foreign-invested enterprises in Viet Nam may directly distribute or set up a distribution network to sell the products they manufacture in Viet Nam and may export their products directly. However, the establishment of pure trading businesses not associated with manufacturing activities with foreign invested capital is still restricted, subject to Viet Nam’s commitments under international agreements.

Upon Viet Nam’s initial accession to the WTO, the commitments only allowed foreign entities to provide commission agents’ services, wholesale and retail services through the establishment of joint venture companies in which the foreign capital contribution did not exceed 49%. As of 1 January 2008, the joint venture requirement still remains but the 49% capital limitation has been abolished. By 1 January 2009, 100% FOEs will be able to provide these services.

Upon accession, foreign-invested joint venture companies engaging in distribution services will be permitted to engage in the wholesale and retail business of legally imported and locally-produced products, except for cement, tires (excluding airplane tires), paper, tractors, motor vehicles, cars and motorcycles, iron/steel, audiovisual devices, wines and spirits, and fertilizers. Beginning 1 January 2009, commission agents and the wholesale and retail business of tractors, motor vehicles, cars and motorcycles will be allowed. These limitations will be removed 3 years from the accession date. The establishment of outlets for retail services (beyond the first one) shall be allowed on the basis of an Economic Needs Test.

15. Labour

A large, skilled and inexpensive labour force is one of the main attractions for foreign investors in Viet Nam.

Viet Nam’s population was estimated at approximately 85 million and is expected to grow to 90 million in 2010 with an annual growth rate of 1.6%. Around 60% of the population are under 25 years of age. Approximately 15.5% of the population are considered to be trained or skilled workers (with elementary qualifications or higher). This situation is improving as a result of updated training programs in training and education centres. There are currently substantial interest and new investments in quality training and education, a priority concern for the Government.

The Labour Code issued in July 1994 (as amended in 2002 and 2006) has created a legal framework that sets out the rights and obligations of employers and employees with respect to working hours, labour agreements, payment of social insurance, overtime, strikes, and termination of employment contracts, among other things. In addition, there are several specific implementing decrees and circulars guiding the provisions of the Labour Code.

The law provides for an 8-hour working day and a 48-hour working week. An employer and an employee may agree that an employee work overtime, provided that the total overtime worked does not exceed 200 hours per year (in special cases, this limit may be extended to a maximum of 300 hours, subject to the approval of the relevant competent State authority). Beginning in 1999, a number of organisations such as Government offices, administrative agencies and socio-political organisations have implemented a 40 hour working week. Businesses in other economic sectors, including businesses with foreign-invested capital, are also encouraged to adopt a 40-hour week.

In any employment contract wages and salaries should be defined clearly in Vietnamese Dong (except for employees working for foreign representative offices and branches: their salaries are still quoted in US dollars and paid in Vietnamese Dong). The wages of employees working in foreign-invested enterprises are subject to minimum rates determined by the Ministry of Labour, War Invalid and Social Affairs from time to time.

The current weekly minimum wages paid by foreign-invested enterprises are as follows:

- VND 1 million (approximately US \$63) for unskilled workers in urban districts of Hanoi and Ho Chi Minh City;
- VND 900,000 (approximately US\$56) in rural districts of Hanoi and Ho Chi Minh City; urban districts of Hai Phong; Ha Long City in Quang Ninh province; Bien Hoa City in Dong Nai province; Vung Tau City in Ba Ria - Vung Tau province; Thu Dau Mot Town and Thuan An, Di An, Ben Cat and Tan Uyen districts in Binh Duong province;
- VND 800,000 (approximately US\$50) for other provinces.

Currently, an employer is also required to contribute 15% of total wages to a social insurance fund administered by the State, and 2% for health insurance purposes. The contribution by the employees is 5% and 1%, respectively. Expatriates are not required to contribute to the health and social insurance funds.

A new Law on Social Insurance became effective on 1 January 2007. The salary subject to the social insurance contribution requirement will be capped at 20 times the minimum salary applicable to domestic enterprises (currently, VND 540,000/month). Before 2010, the rates of contribution to the social insurance fund by the employers and the employees remain unchanged (i.e., 15% and 5%, respectively). From 2010, such rates will increase 1% in every two years, until they reach 8% for employees and 18% for employers. In addition, from 1 January 2009, the employer and the employee are required to contribute 1% of the salary (subject to the above cap) to the unemployment insurance fund.

16. Intellectual Property

In recent years, the Government has taken various measures to increase the legal protection of intellectual property and has created an environment of respect for intellectual property as compared to other neighbouring countries. Intellectual property rights are protected by the Civil Code (1995 and 2005), the Law on Intellectual Property (2005) and a host of subordinate legislation.

Viet Nam is a long-time signatory to the Paris Convention, the Madrid Agreement on International Trademark Registration, and the Patent Cooperation Treaty ("PCT") and became a member of the World Intellectual Property Organisation in 1976. On 27 June 1997, Viet Nam entered into an Agreement on copyrights with the US. According to the Viet Nam-US Bilateral Trade Agreement, Viet Nam is under the obligation to adhere to the Berne Convention.

The National Office of Intellectual Property ("NOIP") is the authority responsible for the registration of industrial property and for the resolution of disputes with regard to industrial property in the first instance. Foreign organisations and individuals seeking to register their industrial ownership should file their applications through an authorised agent, who will transfer their application to the NOIP. The Office of Copyright Protection under the Ministry of Culture, Sport and Tourism has also been established and is responsible for the protection of copyright. Works may be registered with the Office of Copyright Protection; however, registration is not a prerequisite for copyright protection.

Currently, patents are protected for a period of 20 years. A certificate of utility solutions may be granted for 10 years. A certificate of industrial design is granted for 5 years and may be renewed every 5 years. However, the total effective period of a certificate cannot exceed 15 years. Certificates of trademarks are granted for 10 years with no restrictions on the number of renewals. Moral rights of some copyrighted works are protected indefinitely and other rights up to 50 years post mortem auctoris.

17. Technology Transfer

Viet Nam encourages the transfer of advanced technology into the country. Foreign investors contributing capital in the form of technology transfer are exempt from all Vietnamese taxes relating to the transfer of technology.

On 1 July 2007, the first Law on Technology Transfer came into effect. The Law provides regulations for technology transfer contracts and incentives for encouraging and promoting technology transfer. Such incentives include the creation of a government fund to make preferential loans, to provide support for loan interest rates, to provide loan guarantees, and to provide capital assistance for technology transfers.

Under the law, registration of a technology transfer agreement is no longer compulsory, except for the agreement for transfer of restricted technology (i.e., a technology aimed at protection of the national interest, protection of the health of humans, or protection of national cultural values etc.). Registration of a technology transfer agreement other than those restricted is subject to the decision of the parties concerned. There is no restriction/cap on the royalty imposed under a technology transfer agreement.

18. Dispute Settlement

In Viet Nam, legal disputes may be settled by negotiation, in court, or by domestic or foreign arbitration.

The judiciary

The hierarchy of Vietnamese courts includes: (i) the Supreme People's Court; (ii) the Provincial People's Courts; and (iii) the District People's Courts. The courts operate in five divisions: (i) criminal; (ii) civil; (iii) administrative; (iv) economic; and (v) labour.

Unlike common law countries, Viet Nam does not follow the doctrine of precedent under which cases decided by judges in the past are used as authority for later cases. Judgements are based only on legislation and on principles of interpretation of the law.

Running parallel to the court systems is the People's Procuracy, which is responsible for supervising the operation of judicial authorities and exercising the power of public prosecution. The People's Procuracy can lodge a protest against a judgment and request its review.

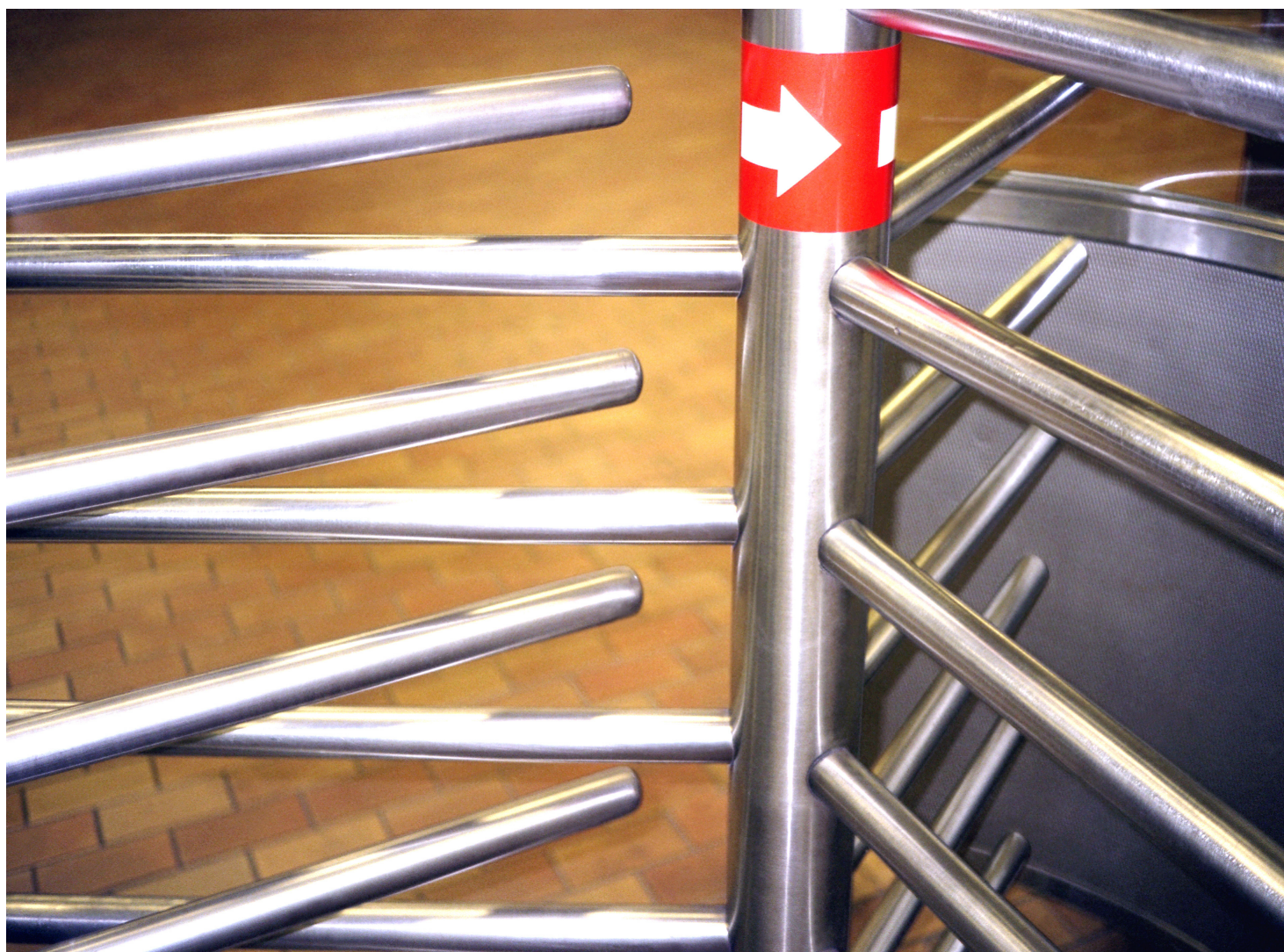
Arbitration and Dispute Resolution

To supplement the court system, Viet Nam has a system of independent arbitration centres, established under the new Commercial Arbitration Ordinance (2003). An arbitral award given by an arbitration centre or an arbitration panel established by the parties in accordance with the provisions of the Ordinance will be enforceable in Viet Nam.

Disputes involving foreign investors may be also settled by foreign arbitration. In 1995, Viet Nam became a member of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. An arbitral award determined by a foreign arbitration will be enforceable in Viet Nam after it is recognised by a Vietnamese court.

VIET NAM
A GUIDE FOR BUSINESS AND INVESTMENT

Part IV. INVESTMENT PROCEDURE



PART IV. INVESTMENT PROCEDURE

1. Selection of an Investment Project

Based on the socio-economic development planning and orientation for each five year period, the Ministry of Planning and Investment issues a list of: (i) specially encouraged investment projects; (ii) encouraged investment projects; (iii) geographical regions in which investment is encouraged; (iv) sectors in which the licensing of investment is conditional; and (v) sectors in which investment will not be licensed.

Leaving aside sectors in which the licensing of investment is conditional or in which investment will not be licensed, an investor may on its own initiative select investment projects, investment partners, the locality, the duration of investment, the markets for the sale of products and its charter capital contribution proportion in accordance with the provisions of the Law on Investment and other related legal instruments. Also, the investor may generally decide on the form of investment.

However, a number of investment sectors that are unconditional for Vietnamese enterprises but conditional for FIEs (e.g. exploitation and processing of mineral resources, and investment in the fields of import, export, trading and distribution etc.). The Law on Investment and Decree 108, provide for such list of investment sectors, however, relevant sectorial legislation shall provide for what form of "conditions" that an FIE is required to meet. In certain industries, this may mean that the FIE may only operate in the form of a foreign-invested JVE with a majority or minority participation of a Vietnamese enterprise. In other sectors, FIEs operating in conditional investment sectors may nevertheless operate as 100% FOEs but meet certain conditions such as their capital structure, project-specific experience and so forth...

Annually, the Ministry of Planning and Investment publishes a list of national projects calling for foreign investment capital. Ministries, branches and provincial People's Committees also publish such lists of projects for their respective industries and localities. In principle, the projects included in those lists are regarded as complying with current planning.

2. Project Classification and Licensing Bodies

The authority to approve investment projects is currently divided amongst (i) the Prime Minister of the Government ("PM") with the scope of approval is limited to the "investment policy", (ii) the People's Committees in the provinces and cities under the central State administration ("PCs"), and (iii) the management authorities of industrial zones, export processing zones, high-tech zones and economic zones in the provinces and cities under the central State administration ("MAs").

The hierarchy of the investment approval and licensing authority is as follows:

- PM:
 - Projects regardless of capital source or capital amount within specific sectors (airports, seaports, mining, oil & gas, TV broadcasting, casinos, cigarette manufacturing, universities, development of IZs, EPZs, HTZs and ECs ("Zones"));
 - Projects regardless of capital source with capital amount over VND1,500 billion within specific sectors (electricity, processing of mineral, metallurgy, construction of railway, road and internal waterway infrastructure, alcohol & beer production, etc.); and
 - FDI projects regardless of capital amount within specific sectors (sea transportation, post, telecom & internet networks, printing, publishing, etc.)
- PCs:
 - Projects outside Zones and not within PM approval authority
 - Projects for development of infrastructure in Zones in localities with no MA

- MAs:
 - Projects in Zones and not within PM approval authority
 - Projects for development of infrastructure in Zones

All investment certificates (previously called “investment licences”) are now issued by either the relevant PCs or MAs. However, in specialised sectors such as banking or insurance, the relevant line ministries are still empowered with the approval and licensing authority as previously were.

3. Licensing Procedure

Depending on the size and the sector of investment, different licensing and registration procedures will be applied:

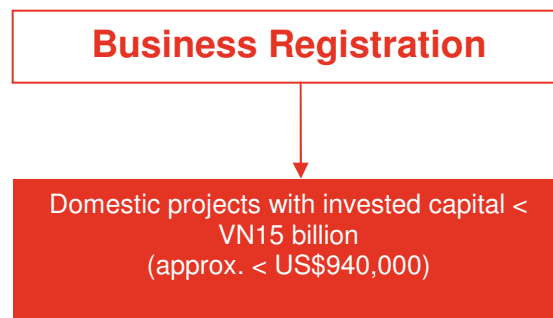
- Business Registration;
- Investment Registration; or
- Investment Evaluation

Investors must follow different licensing and registration steps depending on the size and the sector of investment.

Business Registration:

Small domestic enterprises, whose investment is less than VND15 billion (approx. US\$940,000) not falling within conditional investment sectors (as described below) are subject to business registration.

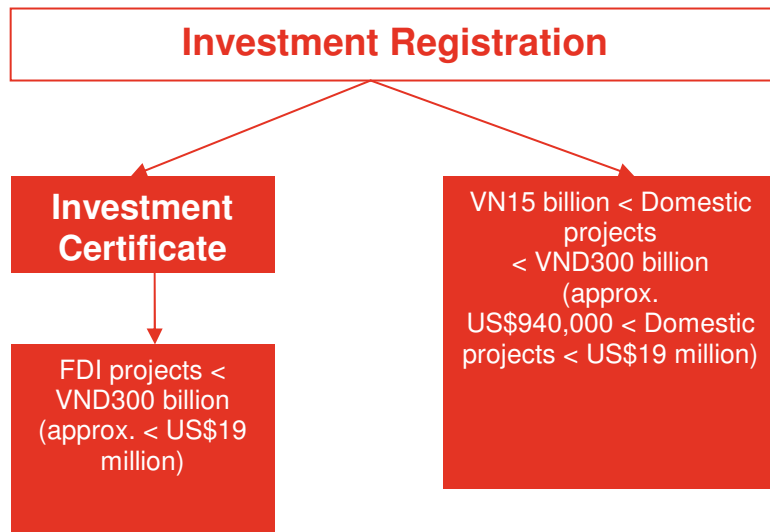
However, they are subject to the Investment Registration in the event (i) they fall within a conditional sector, or (ii) if they wish to apply for investment incentives recorded in their license.



Investment Registration

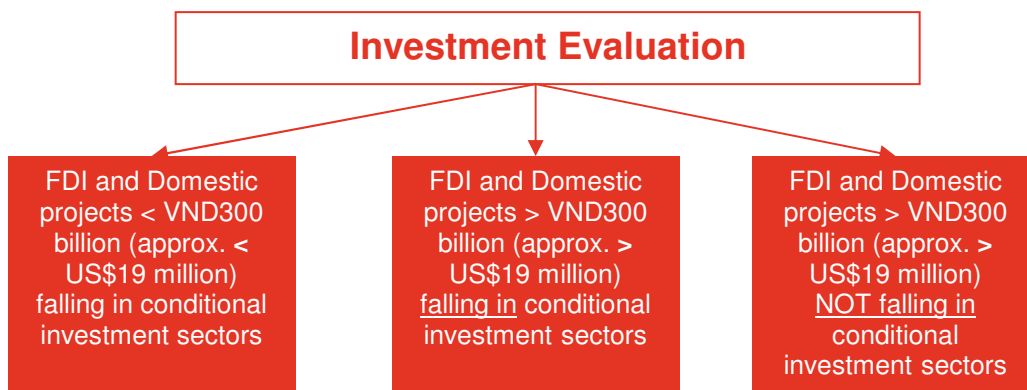
FDI projects with the total invested capital of less than VND300 million (approx. US\$19 million) which do not fall within conditional sectors, require registration of investment and issuance of an investment certificate. The investment certificate also serves as the business registration of a corporate entity.

Domestic invested projects with the total invested capital of between VND15-300 billion (approx. US\$19 million) are also subject to this registration procedure. Local investors tend to set up their corporate entity separately and then file for registration of any project without receiving an investment certificate. Enterprises can register additional investment projects without the need to create a legal entity.



Investment Evaluation

Foreign and domestic invested projects with a total invested capital of over VND300 billion (US\$19 million) or below VND300 billion but falling within conditional sectors must undergo an investment evaluation. There are 3 different types of evaluation as shown below:



Application Dossier

Application dossier must be prepared in the Vietnamese language (previously Vietnamese and another prevailing foreign language) in accordance with a standard form published by the MPI, and be submitted to the relevant licensing agency for issuing the investment certificate. Depending on the investment scale and sector, an application dossier may include the following:

Scale and Sector of Investment	Registration for Issue of an Investment Certificate	Evaluation for Issue of an Investment Certificate
<p>Domestic-invested projects < VND300 billion (approx. < US\$19 million) NOT falling in conditional sectors</p>	<ul style="list-style-type: none"> - Application for the registration of the investment (prepared in accordance with a sample form), which include the following items: <ul style="list-style-type: none"> • Legal status of the investor; • Objectives, scale and location for implementation of the investment project; • Invested capital and project implementation schedule; • Land use requirements and undertakings on environmental protection (if required); • Petitions for investment incentives (if any) 	
<p>FDI projects < VND300 billion (approx. < US\$19 million) NOT falling in conditional sectors</p>	<ul style="list-style-type: none"> - Application for the registration of the investment (prepared in accordance with a sample form), which is accompanied with documents concerning the following items: <ul style="list-style-type: none"> • Legal status of the investor; • Objectives, scale and location for implementation of the investment project; • Invested capital and project implementation schedule; • Land use requirements and undertakings on environmental protection (if required); • Petitions for investment incentives (if any) - Report on the financial standing of the investor (self prepared by the investor); - Joint venture contract and joint venture charter in the case of a JVE; or Charter (in the case of an 100% FOE); or a business co-operation contract (in the case of a BCC) (if any) 	

Scale and Sector of Investment	Registration for Issue of an Investment Certificate	Evaluation for Issue of an Investment Certificate
FDI and Domestic projects > VND300 billion (approx. > US\$19 million) <u>NOT falling in conditional sectors</u>		<ul style="list-style-type: none"> - Application for the issuance of an investment certificate; - Documents verifying the legal status of the investor; - Report on the financial standing of the investor (self prepared by the investor); - Eco-technical explanatory statement (feasibility study); and - Joint venture contract and joint venture charter in the case of a JVE; or Charter (in the case of an 100% FOE) (if any)
FDI and Domestic projects > VND300 billion (approx. > US\$19 million) <u>falling in conditional investment sectors</u>	-	<ul style="list-style-type: none"> - Application for the issuance of an investment certificate; - Documents verifying the legal status of the investor; - Report on the financial standing of the investor (self prepared by the investor); - Eco-technical explanatory statement (feasibility study); - Joint venture contract and joint venture charter in the case of a JVE; or Charter (in the case of an 100% FOE) (if any); and - Explanatory statement of satisfaction of the conditions prescribed for the investment project.

On a case-by-case basis, and consistent with the nature of each FDI project for which the application dossier is made, the investment licensing body may request the investor to provide a number of supplementary and related documents.

APPENDIX I.

SUMMARY OF WTO COMMITMENTS

APPENDIX I

SUMMARY OF WTO COMMITMENTS

The package of Viet Nam's accession documents consists of:

- Viet Nam's commitments on goods – the 560-page list for “schedule of tariffs, quotas and ceilings on agricultural subsidies, and in some cases the timetable for phasing in the cuts
- Viet Nam's commitments on services – the 60-page document (also a “schedule”) describing in which services it is giving access to foreign service providers and any additional conditions, including limits on foreign ownership
- The working party's 260-page report – describing Viet Nam's legal and institutional set up for trade, along with commitments it has made in many of these areas.

These are some highlights:

GOODS: Schedule of Concessions and Commitments on Goods

For the majority of agricultural and non-agricultural goods, Viet Nam is promising ceilings (or “bound” rates) on duties ranging between zero and 35%. Some of these invoice reductions phased over periods up to 2014, the precise end date varying from product to product.

Among products with higher ceilings are: alcoholic drinks, tobacco products, instant coffee and some related products, new and used motor vehicles and components, and roof tiles. Used vehicles less than five years old can be charged additional flat-rate duties up to specified limits.

These “bound” rates are legal ceilings. The actual duties that Viet Nam can charge (the “applied” rates) can be lower than the committed rates. Among the details of Viet Nam's commitments is a promise not to charge higher applied rates on rapeseed (also known as cotza or canola) and derived meal, oil and other products than the duties actually charged on soy products – allowing the oilseed products to compete with soy.

In the separate working party report, Viet Nam has also reserved the right to charge applied duties in the form of specific duties (e.g. dollars per ton) instead of percentages of the price (“ad valorem”) so long as the result stays below the committed ceilings.

A handful of products are going to be protected with tariff quotas (higher duties for quantities outside the quotas, and lower duties for quantities within the quotas): eggs, tobacco, sugar, and salt (which Viet Nam says is the main income source for 100,000 poor farmers in coastal areas). But Viet Nam will expand the quotas until they disappear according to agreed timetables.

Viet Nam has also signed the “plurilateral” Information Technology Agreement (“plurilateral” meaning only some WTO members have signed). For these products, Viet Nam has agreed to allow imports in duty-free. In some cases, the zero duty will apply immediately; in others it will be achieved gradually over periods ending in 2010 to 2014.

In agriculture, Viet Nam has promised not to subsidize exports. It will be allowed to support its farmers domestically with trade-distorting supports (“Amber Box” or “Aggregate Measurement of Support”, i.e. supports that have a direct impact on prices or quantities produced) of up to 3,961.5 billion Vietnamese dong (currently about US\$246 million) in addition to the usual allowance for developing countries (known as “deminimis”) of up to 10% of the value of domestic agricultural production. As with all WTO members, Viet Nam can also spend unlimited amounts on supports that do not distort trade (“Green Box” supports).

SERVICES: Schedule of Specific Commitments on Trade in Services

Viet Nam has made commitments on a range of services. In some cases Viet Nam reserves the right to limit foreign ownership of service companies operating in Viet Nam – for example in some telecommunications services the eventual limits can be 49% or 65%, depending on the service. In a few cases, permitted foreign ownership is immediately 100% (for example accountancy). In many cases, the permitted foreign ownership is phased in to reach 100% after a few years (for example express delivery courier services after five years).

As is normal in this sector, the effect of the commitments depends also on complex relationships with domestic regulations – for example in the first two years, 100%-foreign-owned architectural firms can only serve foreign companies. The commitments and some of the regulations are in the “schedule” (lists) of commitments; other information on the regulations is in the working party report.

THE WORKING PARTY REPORT: Report of the Working Party on the Accession of VietNam

The working party report outlines the economic context, and the institutional and legal framework. It includes Viet Nam’s commitments to undertake reforms or to preserve reforms that have been introduced in order to secure membership. Among the commitments are:

Foreign exchange: Viet Nam will abide by IMF and WTO rules

State enterprises: commercial business (i.e. except for supplying the government) will be conducted on commercial terms without interference from the government. A number of products are listed as subject to state trading enterprises because of consumption restrictions, for cultural and moral reasons, or because they are “natural monopolies”: tobacco products, petroleum, cultural products such as newspapers, journals and audio-visual materials, and aircraft.

Privatization and equitization of state enterprises: this will be handled transparently, with Viet Nam supplying annual reports while the program lasts

Pricing and price controls: Viet Nam will comply with WTO agreements and notify the WTO of actions it takes to control prices.

Policy-making and enforcing framework: a number of administrative and legal structures have been introduced or strengthened so that WTO provisions are applied, including the possibility of investigation and judicial view to deal with complaints about this.

Trading rights (the right to import and export): this was a subject of tough negotiations partly because of different registration procedures for foreign and domestic traders. A new law has now harmonized the procedure for both.

Among the many additional details are a commitment that all foreign firms and individuals will be able to engage in importing and exporting as importers/exporters “of record” so long as they register, and importers will be able to choose their domestic distributors.

Exercise duties: the different duties charged on alcoholic drinks attracted particular attention in the negotiations. Viet Nam has agreed to simplify the structure within 3 years by applying a single rate for all forms of beer and a single rate for all spirits containing 20% alcohol or more. This has allayed concerns from some countries that the previous structure might discriminate against imported beers that have different packaging, or against imported spirits with higher alcohol content.

Quantitative and other restrictions: quotas, bans and other restrictions will be abolished, including import bans on cigarettes, cigars and used vehicles, or only applied according to WTO rules.

WTO agreements dealing with rules: Viet Nam will comply with the Customs Valuation, Rules of Origin, Pre-shipment inspection, Anti-dumping, Safeguards, Subsidies, and Trade-Related Investment Measures agreements, with some provisions phased in over a period.

Export restrictions: Viet Nam maintains export controls on some products such as rice, and some wood products and minerals (to prevent illegal exploitation). It is pledging to apply controls on these products in a way that conforms to WTO agreements.

Standards: Viet Nam will apply the Technical Barriers to Trade, and Sanitary and Phytosanitary Measures agreements without a transition period.

Government procurement: Viet Nam will consider signing the Government Procurement Agreement after it has become a WTO member.

Intellectual property: almost 33 pages of the report describe in detail the administrative and legal set up in the country. Viet Nam will comply with the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement immediately, without any transition period.

APPENDIX II
LIST OF MAJOR LEGAL DOCUMENT
RELATING TO THE BUSINESS ACTIVITIES
OF FOREIGN INVESTORS IN VIET NAM

APPENDIX II
LIST OF MAJOR LEGAL DOCUMENT RELATING TO THE BUSINESS
ACTIVITIES OF FOREIGN INVESTORS IN VIET NAM

No.	Legal documents No	Issued by Authorities	Content of legal documents
Foreign Investment			
1	Law No. 59/2005/QH11 dated 29/11/2005	National Assembly	Law on Investment providing investment procedure, investment incentives, right and obligations of the investors.
2	Law No. 60/2005/QH11 dated 29/11/2005	National Assembly	Law on Enterprises providing type of enterprise, establishment procedures, organisation and operation of enterprises
3	Decree 88/2006/ND-CP dated 29/8/2006	Government	Decree on business registration
4	Decree 108/2006/ND-CP dated 22/9/2006	Government	Decree providing guidelines for implementation of a number of articles of Law on investment
5	Decree 101/2006/ND-CP dated 21/9/2006	Government	Providing regulations on re-registration or conversion by enterprises with foreign invested capital, and registration for change [of investment licences] for investment certificates by enterprises with foreign invested capital in accordance with the Law on Enterprises and the Law on Investment
6	Decree 139/2007/ND-CP dated 05/9/2007	Government	Decree providing detailed guidelines for implementation of a number of articles of the Law on Enterprises
7	Decision 1088/2006/QĐ-BKH dated 19/10/2006	Ministry of Planning and Investment	Decision on promulgating sample form of documents for carrying out investment procedures in Viet Nam
8	Circular 03/2006/TT-BTC dated 19/10/2006	Ministry of Finance	Providing guidelines for implementation Decree 88
Foreign Exchange Control			
9	Ordinance No. 28/2005/PL-UBTVQH 11 dated 13/12/2005	The Standing Committee of National Assembly	Ordinance on foreign exchange control
10	Decree 160/2006/ND-CP dated 28/12/2006	Government	Providing guidance for implementing Ordinance on foreign exchange control
11	Decree 134/2005/ND-CP on 1/11/2005	Government	Regulation on Foreign Borrowing and Repayment of Enterprises

No.	Legal document No	Issued by Authorities	Content of legal document
Labour			
12	Labour Code dated 23/6/1994	National Assembly	Law on Labour
13	Law No. 35/2002/QH10 dated 2/4/2002 Law No. 74/2006/QH11 dated 29/11/2006	National Assembly	Law on amendments and supplements to a number of articles of the Labour Code dated 23/6/1994
14	Decree 34/2008/ND-CP dated 25 March 2008	Government	Decree on employment and administration of foreigners working in Viet Nam
Land			
15	Law No.13/2003/QH11 dated 26/11/2003	National Assembly	Law on land
16	Decree 181/2004/ND-CP dated 29/10/2004	Government	Providing guidance for the implementation of a number of article of the Law on land
17	Decree 182/2004/ND-CP dated 29/10/2004	Government	Sanctioning administration violation in the area of land
18	Decree 17/2006/ND-CP dated 27/01/2006	Government	Decree on amendment of and addition to a number of Decrees implementing the Law on land
Intellectual Property			
19	Law No. 50/2005/ QH11 dated 29/11/2005	National Assembly	Law on Intellectual Property
20	Decree 103/2006/ND-CP	Government	Providing guidelines for implementation of a number of articles of Law on Intellectual Property with respect to Industrial Property
21	Decree 105/2006/ND-CP	Government	Providing guidelines for implementation of a number of articles of Law on Intellectual Property with respect to protection of Intellectual Property rights and State administration of Intellectual Property rights
22	Decree 106/2006/ND-CP	Government	Decree on penalties for administrative breaches in the Industrial Property sector
23	Law No. 80/2006/QH11 dated 29/11/2006	Government	Law on Technology Transfer
Import - Export			
24	Law No. 45/2005/QH11 dated 14/6/2005	National Assembly	Law on Import – Export
25	Law No.29/2001/QH10 dated 29 June 2001, and the Law No.42/2005/QH11 dated 14 June 2005	National Assembly	Customs Law
26	Decree 149/2005/ND-CP dated 8/12/2005	Government	Making detailed provisions for the implementation of the Law on Export and Import Duties

No.	Legal document No	Issued by Authorities	Content of legal document
Various Taxes			
27	Law No. 78/2006/QH11 dated 29/11/2006	National Assembly	Law on tax management
28	Law No. 09/2003/QH11 dated 17 June 2003	National Assembly	Law on Business Income Tax
29	Decree 24/2007/ND-CP dated 14/02/2007	Government	Providing detailed guidance on the implementation of Business Income Tax Law
30	Circular 134/2007/TT-BTC dated 23/11/2007	Ministry of Finance	Regulating in detail the implementation of the Decree 24
31	Law No. 07/2003/QH11 dated 17 June 2003 and Law No. 02/1997/QH9 dated 10 May 1997	National Assembly	Law on Value Added Tax
32	Decree No.158/2003/ND-CP dated 10 December 2003 and Decree 156/2005/ND-CP dated 15/12/2005	Government	Regulating in detail the implementation of the Law on VAT and the Law on Amendment and Supplement to a number of articles of the Law on VAT
33	Circular 32/2007/TT-BTC dated 9 April 2007	Ministry of Finance	Providing guidance on the implementation of Decree No. 158/2003/ND-CP dated 10 December 2003, Decree 148/2004/ND-CP dated 23 July 2004 and Decree 156/2005/ND-CP dated 15 December 2005 of the Government, regulating in detail the implementation of the Law on Value Added Tax (VAT) and the Law on amendments to the Law on VAT
34	Law No. 05/1998/QH10 on Special Sales Tax, dated 20 May 1998, Law No. 08/2003/QH11 dated 17 June 2003 and Law No. 57/2005/QH11 dated 29/11/2005	National Assembly	Special Sales Tax
35	Decree 149/2003/ND-CP dated 4/12/2003 and Decree 156/2005/ND-CP dated 15/12/2005	Government	Providing guidance on the implementation of Special Sales Tax Law
36	Circular 119/2003/TT-BTC dated 12/12/2003, Circular 18/2005/TT-BTC dated 8/3/2005 and Circular 115/2005/TT-BTC dated 16/12/2005	Ministry of Finance	Providing guidance on the implementation of Decree 149 and Decree 156

No.	Legal document No	Issued by Authorities	Content of legal document
Various Taxes			
37	Ordinance No.35/2001/PL-UBTVQH10 dated 19 May 2001; the Ordinance No.14/2004/PL-UBTVQH10 dated 24 March 2004	The Standing Committee of the National Assembly	Ordinance on income tax of high income earners
38	Decree No 147/2004/ND-CP dated 23 July 2004	Government	Stipulating in detail the implementation of the Ordinance on income tax of high income earners
39	Circular 12/2005/TT-BTC dated 4/2/2005 and Circular No.81/2004/TT-BTC dated 13 August 2004	Ministry of Finance	Providing guidelines for implementation of Government Decree 147

List of document relating to the sectors in which investment is conditional applicable to investors

Real Estate Business			
40	Law No. 63/2006/QH11 dated 29/6/2006	National Assembly	Law on real estate business
41	Law No. 56/2005/QH11 dated 29/11/2005	National Assembly	Law on Resident Housing
42	Decree 153/2007/ND-CP	Government	Providing detailed regulations and guidelines for implementation of the Law on real estate business
Education			
43	Law No. 38/2005/QH11 dated 14/6/2005	National Assembly	Education Law
44	Decree 06/2000/ND-CP dated 6/3/2000	Government	Cooperation and investment with foreign countries in the areas of examination and treatment of diseases, training and education, scientific research
45	Circular 14/2005/TTLT-BGD&DT – BKH&DT dated 14/4/2005	Ministry of Education & Training – Ministry of Planning & Investment	Providing guidance to implement of Decree 06
Post & Telecommunication			
46	Ordinance 43/2002/PL-UBTVQH10 dated 25/5/2002	National Assembly	Post & Telecommunication
Transportation			
47	Law No. 35/2005/QH11 dated 14/6/2005	National Assembly	Law on Rail Way
48	Law No. 66/2006/QH11 dated 29/6/2006	National Assembly	Law on Civil Aviation
49	Law No. 40/2005/QH11 dated 14/6/2005	National Assembly	Maritime Law

APPENDIX III.

LIST OF SECTORS ENTITLED TO
INVESTMENT INCENTIVE

APPENDIX III

LIST OF SECTORS ENTITLED TO INVESTMENT INCENTIVE

(Issued together with Government Decree No.108 /2006/ND-CP dated 22 September 2006. making detailed regulations and providing guidelines for implementation of the Law on Investment)

A. LIST OF SECTORS TO WHICH SPECIAL INVESTMENT INCENTIVES SHALL BE GIVEN:

I. Production of new materials, new energy; production of high-tech products, bio-technology products, info-technology products; production of manufactured mechanical products

1. Production of composite materials, light construction materials, rare and precious materials.
2. Production of high quality steel, alloy, special metals, sponge iron; steel billets.
3. Production of new energy: Construction of plants using solar energy, wind energy, bio-gas, geothermal energy, tides.
4. Production of medical equipment for analytical and extractive technologies in medical sector; orthopaedic instruments, wheelchairs, specialised instruments for the disabled;
5. Projects applying advanced technology, biotechnology to produce medicines meeting international GMP standards; production of drug materials for antibiotics.
6. Production of computers; information, telecommunications and Internet equipment; pivotal info-technology products.
7. Production of semiconductors and high-tech electronic components; production of software products, website applications; provision of software services; research on information technology; training human resources in the field of info-technology.
8. Production and manufacture of precision mechanical equipment; equipment and machinery for examination and control of safety during the process of industrial production; industrial robots.

II. Cultivation and processing of agricultural, forestry and aquatic products; making salt; production of man-made strains, new seeds and breeds of animals.

9. Afforestation and taking care of forests;
10. Cultivation of agricultural, forestry and aquatic products in uncultivated land, unexploited waters;
11. Catching of marine products at offshore sea.
12. Production of new strains; propagation and hybridization of seeds and breeds of animals with high economic efficiency.
13. Production, exploitation and refining of salt.

III. Use of high-technology; modern technology; protection of ecological environment; research on, development and fostering of high-technology.

14. Application of high-technology; application of new technologies which have not been applied in Viet Nam; application of biotechnology.
15. Pollution treatment and environmental protection; manufacture of equipment for treatment of environmental pollution, equipment for observation and analysis of environment.
16. Collection and treatment of liquid waste, gaseous waste, solid waste; recycling and reuse of waste;
17. Research on, development and fostering of high-technology

IV. Employment of large number of employees

18. Projects regularly employing 5,000 or more employees.

V. Construction and development of infrastructures and important projects

19. Construction and operation of infrastructure facilities in industrial zones, export processing zones, high-tech zones and economic zones, and of important projects established under a decision of the Prime Minister.

VI. Development of facilities in educational, training, medical, gymnastic and sports sectors

20. Construction of drug detoxification centres or tobacco detoxification centres.
21. Setting up establishments providing sanitation services to prevent and fight against epidemics;
22. Establishment of geriatric centres, and relief centres concentrating on care for the disabled and orphans;
23. Construction of sports centres for training and coaching athletes with high performance; sports centres for the disabled; sports centres with equipment and facilities for exercises and contests, meeting requirements of international sporting events;

VII. Other sectors of production and service

24. Investment in research and development (R&D) accounting for 25% or more of turnover;
25. Services of salvage in the sea.
26. Construction of tenements for employees working in industrial zones, export processing zones, high-tech zones, economic zones; construction of dormitories for college students and construction of housing for people entitled to social benefits.

B. LIST OF SECTORS TO WHICH INVESTMENT INCENTIVES SHALL BE GIVEN:

I. Production of new materials, new energy; production of high-tech products, bio-technology products, info-technology products, manufactured mechanical products

1. Production of sonic, electric and thermal highly-insulating materials; wood-substitute synthetic materials; fire-proof materials, construction plastics, fibreglass, special cement.
2. Production of non-ferrous metals; cast-iron refining.
3. Production of moulds for metal and non-metal products.
4. Construction of new power plants, electricity transmission and distribution networks.
5. Production of medical equipment; building storage for preservation of pharmaceutical products and for storing human medicaments for prevention of and fighting against natural disasters, calamities, dangerous epidemics;
6. Production of equipment for testing toxic substances in foodstuffs;
7. Development of petrochemical industry;
8. Production of coke, activated carbon.
9. Production of crops protection drugs, insecticides, preventive and curative drugs for animals and aquatic creatures, veterinary drugs.
10. Materials for production of drugs, preventive and curative drugs for social diseases; vaccines, medical bio-products, medicines from pharmaceutical materials, oriental medicines;
11. Construction of establishments for biological testing, and for evaluating effects of drugs; construction of establishments meeting criteria for production, preservation and testing of drugs; cultivation, reaping and processing of pharmaceutical materials.
12. Development of resources of pharmaceutical materials and production of drugs from pharmaceutical materials; projects for researching on and proving the scientific basis of oriental medicine prescriptions, and formulating testing criteria in respect of oriental medicine prescriptions; conducting a survey of and compiling statistics on various types of pharmaceutical materials used for production of drugs; collection, inheritance and application of oriental medicine prescriptions; search for, exploitation and utilisation of new pharmaceutical materials.
13. Production of electronic products.
14. Production of machinery, equipment and components packs in the fields of exploitation of petroleum, mining, and energy; manufacture of large-size lifting and lowering equipment; manufacture of machine tools for metal processing; metallurgy equipment;
15. Production of high and medium voltage electric devices; large-size generators.
16. Production of diesel engines; production and building of, and repair to ships; production of equipment and spare parts for cargo ships, fishing boats; manufacture of dynamic and hydraulic machinery and parts, and compressing machines;
17. Production of equipment, vehicles and machinery for construction; production of technical equipment for the transportation industry; production of locomotives and carriages;
18. Production of machine tools, machinery, equipment, spare parts serving agricultural and forestry production; food processors; equipment used in irrigation;
19. Production of equipment and machinery for the textile and garment industry; production of machinery for the leather industry.

II. Cultivation and processing of agricultural, forestry and aquatic products, making salt; production of man-made strains, seeds and breeds of animals

20. Cultivation of medicinal plants;
21. Preservation of post-harvest agricultural products; preservation of agricultural and aquatic products and foodstuffs;
22. Production of bottled or canned juice from fruits;
23. Production and refining of feed for cattle, poultry, aquatic creatures;
24. Technical services in support of cultivation of industrial plants and forestry plants, animal husbandry, aquaculture, protection of plants and domestic animals.
25. Production, propagation and hybridization of seeds and breeds of animal.

III. Use of high technology, modern technologies; protection of ecological environment; research on, development and fostering of high technology

26. Production of equipment for dealing with oil-overflow.
27. Production of equipment for waste treatment.
28. Construction of technical establishments and facilities: laboratories, experimental stations for application of new technologies to production; establishment of research institutes.

IV. Employment of lots of employees:

29. Projects regularly employing 500 to 5,000 employees.

V. Construction and development of infrastructure facilities

30. Construction of infrastructure facilities in service of production and operation of cooperatives and community life in rural areas;
31. Projects for operation of infrastructure facilities and production in complexes of industries and trades in rural areas.
32. Construction of water plants or water supply systems in service of living needs or industries; construction of drainage systems;
33. Construction and improvement of bridges, roads, airports, ports, railroad stations, bus stations, parking lots; opening of more railroad routes;
34. Construction of technical infrastructures for densely-populated areas in localities provided in Appendix B issued together with this Decree.

VI. Development of facilities in educational, training, medical, gymnastic, sports and national cultural sectors

35. Construction of infrastructure facilities of educational and training establishments. Construction of private and people-founded schools and educational and training establishments at all levels: pre-schools; popular schools; secondary vocational schools; colleges and universities.
36. Establishment of people-founded hospitals and private hospitals.
37. Construction of gymnastic and sports centres, exercising clubs, gymnastic and sports clubs; establishments for production and manufacture of or for repair to equipment and devices used for gymnastic and sports exercises.

38. Establishment of national cultural houses, groups of singers and dancers performing national music and dance; theatres, film studios, film printing and developing establishments, cinemas; production and manufacture of, and repair to national musical instruments; renovation and conservation of museums, national cultural houses and cultural and artistic schools.
39. Construction of national tourism areas, eco-tourism areas; construction of cultural parks including sports areas and entertainment areas.

VII. Development of traditional trades

40. Formulation and development of traditional trades in relation to production of fine-art and handicraft products; processing of agricultural products and food; production of cultural products.

VIII. Other production or service sectors

41. Provision of the Internet connection, access and application services, and establishment of telephone booths in regions included in Appendix B issued together with this Decree.
42. Development of means of public transportation including: development of ships and airplanes, means of railroad transportation, automobiles of 24 seats or more for transportation of passengers by land; modern and high-speed boats for transportation of passengers by river; container ships, ocean-going vessels.
43. Projects for relocation of production establishments out of inner cities.
44. Construction of type-I markets and exhibition areas.
45. Production of children's toys.
46. Projects for raising capital and lending capital by People's credit funds.
47. Legal consultancy; consultancy on intellectual property and technology transfer.
48. Production of various types of materials for pesticides.
49. Production of basic chemicals, purified chemicals, specialised chemicals and dyes.
50. Production of materials for cleansers, and additives for the chemical industry.
51. Production of paper, cardboard, artificial planks directly from sources of agricultural and forestry materials at home; production of paper-pulp.
52. Weaving fabric, completing textile products; producing silk and fibres of various kinds; tanning and semi-processing of hides.
53. Investment projects in industrial zones, established under a decision of the Prime Minister.

APPENDIX IV.

LIST OF GEOGRAPHICAL REGIONS
OF INVESTMENT INCENTIVES

APPENDIX IV

LIST OF GEOGRAPHICAL REGIONS OF INVESTMENT INCENTIVES

(Issued together with Decree No 108/2006/ND-CP dated 22 September 2006, making detailed regulations and providing guidelines for implementation of the Law on Investment)

No	Province	Regions with specially difficult socio-economic conditions	Regions with difficult socio-economic conditions
1	Bac Kan	All districts and towns	
2	Cao Bang	All districts and towns	
3	Ha Giang	All districts and towns	
4	Lai Chau	All districts and towns	
5	Son La	All districts and towns	
6	Dien Bien	All districts and Dien Bien city	
7	Lao Cai	All districts	Lao Cai city
8	Tuyen Quang	Na Hang and Chiem Hoa districts	Ham Yen, Son Duong and Yen Son districts, and Tuyen Quang town
9	Bac Giang	Son Dong district	Luc Ngan, Luc Nam, Yen The and Hiep Hoa districts
10	Hoa Binh	Da Bac and Mai Chau districts	Kim Boi, Ky Son, Luong Son, Lac Thuy, Tan Lac, Cao Phong, Lac Son and Yen Thuy districts
11	Lang Son	Binh Gia, Dinh Lap, Cao Loc, Loc Binh, Trang Dinh, Van Lang and Van Quan districts	Bac Son, Chi Lang and Huu Lung districts
12	Phu Tho	Thanh Son and Yen Lap districts	Doan Hung, Ha Hoa, Phu Ninh, Song Thao, Thanh Ba, Tam Nong and Thanh Thuy districts
13	Thai Nguyen	Vo Nhai and Dinh Hoa districts	Dai Tu, Pho Yen, Phu Luong, Phu Binh and Dong Hy districts
14	Yen Bai	Luc Yen, Mu Cang Chai and Tram Tau districts	Tran Yen, Van Chan, Van Yen and Yen Binh districts, and Nghia Lo town

No	Province	Regions with specially difficult socio-economic conditions	Regions with difficult socio-economic conditions
15	Quang Ninh	Ba Che and Binh Lieu districts, Co To island district, and other islands and isles of the province	Cam Pha district
16	Hai Phong	Island districts of Bach Long Vy and Cat Hai	
17	Ha Nam		Ly Nhan and Thanh Liem districts
18	Nam Dinh		Giao Thuy, Xuan Truong, Hai Hau and Nghia Hung districts
19	Thai Binh		Thai Thuy and Tien Hai districts
20	Ninh Binh		Nho Quan, Gia Vien, Kim Son, Tam Diep and Yen Mo districts
21	Thanh Hoa	Muong Lat, Quan Hoa, Ba Thuoc, Lang Chanh, Thuong Xuan, Cam Thuy, Ngoc Lac, Nhu Thanh and Nhu Xuan districts	Thach Thanh and Nong Cong districts
22	Nghe An	Ky Son, Tuong Duong, Con Cuong, Que Phong, Quy Hop, Quy Chau and Anh Son districts	Tan Ky, Nghia Dan and Thanh Chuong districts
23	Ha Tinh	Huong Khe, Huong Son and Vu Quang districts	Duc Tho, Ky Anh, Nghi Xuan, Thach Ha, Cam Xuyen and Can Loc districts
24	Quang Binh	Tuyen Hoa, Minh Hoa and Bo Trach districts	The remaining districts except Tuyen Hoa, Minh Hoa and Bo Trach districts
25	Quang Tri	Huong Hoa and Dac Krong districts	The remaining districts except Huong Hoa and Dac Krong districts
26	Thua Thien – Hue	A Luoi district	Phong Dien, Nam Dong, Quang Dien, Huong Tra, Phu Loc and Phu Vang districts
27	Da Nang	Hoang Sa island district	
28	Quang Nam	Dong Giang, Tay Giang, Nam Giang, Phuoc Son, Bac Tra My, Nam Tra My, Hiep Duc, Tien Phuoc, Nui Thanh districts, and Cu Lao Cham island	Dai Loc and Duy Xuyen districts

No	Province	Regions with specially difficult socio-economic conditions	Regions with difficult socio-economic conditions
29	Quang Ngai	Ba To, Tra Bong, Son Tay, Son Ha, Minh Long, Binh Son and Tay Tra districts, and Ly Son island district	Nghia Hanh and Son Tinh districts
30	Binh Dinh	An Lao, Vinh Thanh, Van Canh, Phu Cat and Tay Son districts	Hoai An and Phu My districts
31	Phu Yen	Song Hinh, Dong Xuan, Son Hoa and Phu Hoa districts	Song Cau, Tuy Hoa and Tuy An districts
32	Khanh Hoa	Khanh Vinh and Khanh Son districts, Truong Son island district, and other islands of the province	Van Ninh, Dien Khanh and Ninh Hoa districts, Cam Ranh town
33	Ninh Thuan	All districts	
34	Binh Thuan	Phu Quy island district	Bac Binh, Tuy Phong, Duc Linh, Tanh Linh, Ham Thuan Bac and Ham Thuan Nam districts
35	Dac Lac	All districts	
36	Gia Lai	All districts and town	
37	Kon Tum	All districts and town	
38	Dak Nong	All districts	
39	Lam Dong	All districts	Bao Loc town
40	Ba Ria – Vung Tau	Con Dao island district	Tan thanh district
41	Tay Ninh	Tan Bien, Tan Chau, Chau Thanh and Ben Cau districts	The remaining districts except Tan Bien, Tan Chau, Chau Thanh and Ben Cau districts
42	Binh Phuoc	Loc Ninh, Bu Dang and Bu Dop districts	Dong Phu, Binh Long, Phuoc Long and Chon Thanh districts
43	Long An		Duc Hue, Moc Hoa, Tan Thanh, Duc Hoa, Vinh Hung and Tan Hung districts
44	Tien Giang	Tan Phuoc district	Go Cong Dong and Go Cong Tay districts
45	Ben Tre	Thanh Phu, Ba Tri and Binh Dai districts	The remaining districts except Thanh Phu, Ba Tri and Binh Dai districts

No	Province	Regions with specially difficult socio-economic conditions	Regions with difficult socio-economic conditions
46	Tra Vinh	Chau Thanh and Tra Cu districts	Cau Ngang, Cau Ke and Tieu Can districts
47	Dong Thap	Hong Ngu, Tan Hong, Tam Nong and Thap Muoi districts	The remaining districts except Hong Ngu, Tan Hong, Tam Nong and Thap Muoi districts
48	Vinh Long		Tra On district
49	Soc Trang	All districts	Soc Trang town
50	Hau Giang	All districts	Vi Thanh town
51	An Giang	An Phu, Tri Ton, Thoai Son, Tan Chau and Tinh Bien districts	The remaining districts except An Phu, Tri Ton, Thoai Son, Tan Chau and Tinh Bien districts
52	Bac Lieu	All districts	Bac Lieu town
53	Ca Mau	All districts	Ca Mau city
54	Kien Giang	All districts, and islands and isles of the province	Ha Tien town, Rach Gia town
55	Other regions	High-tech zones and economic zones entitled to incentives, established under a decision of the Prime Minister	Industrial zones and export processing zones established under a decision of the Prime Minister

APPENDIX V.

LIST OF CONDITIONAL INVESTMENT
SECTORS APPLICABLE TO FOREIGN
INVESTORS

APPENDIX V

LIST OF CONDITIONAL INVESTMENT SECTORS APPLICABLE TO FOREIGN INVESTORS

(issued together with Decree No. 108/2006/ND-CP dated 22 September 2006, making detailed regulations and providing guidelines for implementation of the Law on Investment)

1. Radio-broadcasting, televising
2. Production, publication and distribution of cultural products.
3. Exploitation and processing of minerals.
4. Establishment of infrastructure facilities of telecommunications networks, broadcasting and transmission networks, provision of telecommunications and Internet services.
5. Construction of public postal networks, provision of postal and express services.
6. Construction and operation of river ports, sea ports, airports.
7. Transportation of cargoes and passengers by railroad, by air, by land, by sea, by inland waterway.
8. Catching of marine products.
9. Production of cigarettes.
10. Trade in properties.
11. Doing business in export-import and distribution sectors.
12. Investment in education and training sector.
13. Hospitals, clinics;
14. Other investment sectors in international treaties of which Viet Nam is a member and which require Viet Nam to commit to restricting the opening of the market to foreign investors.

Investment conditions applicable to foreign investors with investment projects included in investment sectors that are stipulated in this Appendix must conform to provisions of international treaties of which Viet Nam is a member.

APPENDIX VI.
USEFUL CONTACTS AND
ADDRESSES IN VIET NAM

APPENDIX VI USEFUL CONTACTS AND ADDRESSES IN VIET NAM

GOVERNMENT AGENCIES

Ministry of Foreign Affairs

1 Ton That Dam, Hanoi
Tel.: (84-4) 8458201
Fax: (84-4)8436488
Web: <http://www.mofa.gov.vn/en>

Ministry of Planning and Investment

2 Hoang Van Thu, Hanoi
Tel.: (84-4) 8455298
Fax: (84-4)8234453
Web: <http://www.mpi.gov.vn/>

Ministry of Finance

28 Tran Hung Dao, Hanoi
Tel.: (84-4)2202828
Fax: (84-4)2208020/2208021
Web: <http://www.mof.gov.vn>

Ministry of Trade

21 Ngo Quyen, Hanoi
Tel.: (84-4)8253915
Fax: (84-4)9342136
Web: <http://www.mot.gov.vn>

Ministry of Agriculture and Rural Development

2 Ngoc Ha, Hanoi
Tel.: (84-4)8459670
Fax: (84-4)7330752
Web: <http://www.mard.gov.vn/>

Ministry of Transport

80 Tran Hung Dao, Hanoi
Tel.: (84-4) 9422079
Fax: (84-4)9422386
Web: <http://www.mt.gov.vn>

Ministry of Construction

37 Le Dai Hanh, Hanoi
Tel.: (84-4)9760271
Fax: (84-4)9762153

Ministry of Industry

54 Hai Ba Trung, Hanoi
Tel.: (84-4) 8258311
Fax: (84-4)8265303
Web: <http://www.moi.gov.vn>

Ministry of Aquaculture

10 Nguyen Cong Hoan, Hanoi
Tel.: (84-4)8326714
Fax: (84-4)7716702

Ministry of Science and Technology

39 Tran Hung Dao, Hanoi
Tel. : (84-4)8252731
Fax: (84-4)8252733
Web: <http://www.most.gov.vn/>

Ministry of Environment and Resource

83 Nguyen Chi Thanh, Hanoi
Tel: (84-4)8343914
Fax: (84-4)8352131
Web: <http://www.monre.gov.vn>

Ministry of Post & Telecommunication

18 Nguyen Du, Hanoi
Tel: (84-4)9435602
Fax: (84-4)8263477

Ministry of Justice

58-60 Tran Phu, Hanoi
Tel: (84-4)7336213
Fax: (84-4)8431431

Office of Government

1A Hoang Hoa Tham , Hanoi
Tel. : (84)8043579

Viet Nam Chamber of Commerce & Industry

9 Dao Duy Anh, Hanoi
Tel: (84-4)5742022/5742143/5742031
Fax: (84-4)5742030/5742020
Web: <http://www.vcci.com.vn/>

PROVINCIAL DEPARTMENTS OF PLANNING AND INVESTMENT (DPI)

Hanoi DPI

17 Tran Nguyen Han - Hoan Kiem - Hanoi
Tel: 04.8256637/ 04.8260257
Fax: 04.8251733

Hai Phong DPI

No. 1 Dinh Tien Hoang, Hong Bang, Hai Phong
Tel: 031.842614/031. 842119
Fax: 031.842021

Bac Can DPI

Group 4, Duc Xuan ward, Bac Kan town, Bac Kan province
Tel: 0281.871287
Fax: 0281.871287

Ha Giang DPI

156 Tran Hung Dao, Ha Giang town, Ha Giang province
Tel: 019.866256/ 019.867051
Fax: 019.867623

Thai Nguyen DPI

No. 17 Doi Can, Thai Nguyen city, Thai Nguyen province
Tel: 0280.855688/0280.854211/ 0280.759605
Fax: 0280.851363

Lai Chau DPI

Phong Chau 1, Phong Tho town, Tam Duong district, Lai Chau province
Tel: 023.876501/ 023.876735
Fax: 023.876437

Lao Cai DPI

266 Hoang Lien str, Kim Tan, Lao Cai town, Lao Cai province
Tel: 020.840810
Fax: 020.842411

Hoa Binh DPI

No. 3 Tran Hung Dao str, Hoa Binh town, Hoa Binh province
Tel: 018.851457
Fax: 018.853152

Vinh Phuc DPI

No 40, Nguyen Trai str, Vinh Yen town, Vinh Phuc province
Tel: 0211.862480 /0211.842743
Fax: 0211.862480

Bac Ninh DPI

No 6 Ly Thai To str, Suoi Hoa ward, Bac Ninh town, Bac Ninh province
Tel: 0241.822569/0241.824902
Fax: 0241.825777

Hung Yen DPI

No 8 Chua Chuong, Hien Nam, Hung Yen, Hung Yen province
Tel: 0321.865127
Fax:

Quang Ninh DPI

Hong Ha ward, Ha Long city, Quang Ninh province
Tel: 033.835687/033.835693
Fax: 033.838072

Cao Bang DPI

Xuan Truong str. Hop Giang, Cao Bang town, Cao Bang province
Tel: 026.858743 /026.852535
Fax: 026.853335

Lang Son DPI

No 2 Hoang Van Thu, Chi Lang, Lang Son town, Lang Son province
Tel: 025.812122/ 025.812561
Fax: 025.813067

Tuyen Quang DPI

Tran Hung Dao str, Minh Xuan, Tuyen Quang town, Tuyen Quang province
Tel: 027.822814/027.821366
Fax: 027.823160

Dien Bien DPI

Muong Thanh ward, Dien Bien city, Dien Bien province
Tel: 023.825409/ 023.825896
Fax: 023.825944

Son La DPI

Khau Ca str, Son La town, Son La province
Tel : 022.859866/
Fax: 022.852032

Yen Bai DPI

Yen Ninh str, Dong Tam, Yen Bai city, Yen Bai province
Tel: 029.852409/029.853052
Fax: 029.851626

Phu Tho DPI

Tran Phu str, Tan Dan, Viet Tri city, Phu Tho province
Tel: 0210.847778
Fax: 0210.840955/ 0210.847419

Bac Giang DPI

Nguyen Gia Thieu str, Bac Giang town, Bac Giang province
Tel: 0240.854317/0240.859606
Fax: 0240.854923

Ha Tay DPI

No 2 Phung Hung - Ha Dong city, Ha Tay province
Tel: 034.824184/ 034.828064
Fax: 034.824608

Ha Nam DPI

15 Tran Phu, Phu Ly, Ha Nam province.
Tel: 0351.852701/ 0351.854317
Fax: 0351.852701

Hai Duong DPI

58 Quang Trung, Hai Duong city, Hai Duong province
Tel: 0320.853574/0320.855762
Fax: 0320.850814

Nam Dinh DPI

172 Han Thuyen, Nam Dinh city, Nam Dinh province.
Tel: 0350.648482/0350.645227
Fax: 0350.647120

Thanh Hoa DPI

45B Le Loi str, Lam Son ward, Thanh Hoa city, Thanh Hoa province
Tel: 037.852366/037.756149
Fax: 037.851451

Ha Tinh DPI

Phan Dinh Phung, Ha Tinh town, Ha Tinh province
Tel: 039.856750 /039.881267
Fax: 039.855576

Quang Tri DPI

34 Hung Vuong, Dong Ha town, Quang Tri province
Tel: 053.550167
Fax: 053.851760

Thua Thien Hue DPI

Ton Duc Thang str, Hue city
Tel: 054.822538 /054.824680
Fax: 054.821264

Quang Ngai DPI

No. 96 Nguyen Nghiem, Quang Ngai city, Quang Ngai province
Tel: 055.822868/055.826266
Fax:

Phu Yen DPI

No 2A Dien Bien Phu, Tuy Hoa town, Phu Yen province
Tel: 057.841112
Fax:

Ninh Thuan DPI

The 16th April str, Phan Rang town, Thap Cham, Ninh Thuan province
Tel: 068.822694/068.825880
Fax: 068.825488

Gia Lai DPI

No 02 Hoang Hoa Tham str, Pleiku city, Gia Lai province
Tel: 059.822204/059.823717
Fax: 059.823808

Dak Nong DPI

Gia Nghia town, Dak Nong province
Tel: 050.543689/050.544676
Fax:

Thai Binh DPI

233 duong Hai Ba Trung, Thai Binh city, Thai Binh province
Tel: 036.831774/ 036.830437
Fax: 036.830326

Ninh Binh DPI

15 Le Hong Phong, Ninh Binh town, Ninh Binh province
Tel: 030.871156/ 030.874913
Fax: 030.873381

Nghe An DPI

Truong Thi ward, Vinh city, Nghe An province
Tel: 038.844636/ 038.843102
Fax: 038.592246

Quang Binh DPI

No 9 Quang Trung, Dong Hoi, Quang Binh.
Tel: 052.824611/052.824635
Fax: 052.821520

Da Nang DPI

No 47 Ngo Gia Tu, Hai Chau 1 ward, Hai Chau, Da Nang city
Tel: 0511.822759
Fax:

Quang Nam DPI

No 02 Tran Phu, Tam Ky town, Quang Nam province
Tel: 0510.810394 /0510.810866
Fax: 0510.810396

Binh Dinh DPI

No 35 Le Loi str, Quy Nhon city, Binh Dinh province
Tel: 056.818888/056.818889
Fax: 056.824509/056.818887

Khanh Hoa DPI

No 01 Tran Phu str, Nha Trang city, Khanh Hoa province.
Tel:058.824243
Fax: 058.812943/058.824243

Binh Thuan DPI

No 290 Tran Hung Dao, Binh Hung ward, Phan Thiet city, Binh Thuan province
Tel: 062.821128/062.827170/062.831890
Fax: 062.828656

Kon Tum DPI

123B Tran Phu str, KonTum town, Kon Tum province
Tel: 060.862710/060.862546
Fax: 060.864253

Dak Lak DPI

No. 17 Le Duan str, Buon Ma Thuot city, Dak Lak province
Tel: 050.852702
Fax: 050.812187

Lam Dong DPI

No 04 Tran Hung Dao str, Da Lat city, Lam Dong province
Tel: 063.822311/063.830306
Fax: 063.834806

Can Tho DPI

61/21 Ly Tu Trong, An Phu ward, Can Tho city, Can Tho province
Tel: 071.830235/071.730259/071.830630
Fax: 071.830570

Dong Nai DPI

No 2 Nguyen Van Tri, Thanh Binh, Bien Hoa city, Dong Nai province
Tel: 061.824283/061.827116
Fax: 061.941718

Binh Duong DPI

No 188, Binh Duong str, Phu Hoa ward, Thu Dau Mot town, Binh Duong province
Tel: 0650.822926/0650.827954
Fax: 0650.825194

Long An DPI

No. 61 Truong Cong Dinh, ward 1, Tan An town, Long An province
Tel: 072.823461/072.286199
Fax: 072.825044

Vinh Long DPI

No. 1 Trung Nu Vuong, ward 1, Vinh Long town, Vinh Long province
Tel: 070.823319/070.834031
Fax: 070.828033

Ben Tre DPI

No. 6 Cach Mang Thang Tam str, ward 3, Ben Tre town, Ben Tre province
Tel: 075.821280/075.817358
Fax: 075.825543

Dong Thap DPI

No. 11, Vo Truong Toan, ward 1, Cao Lanh town, Dong Thap province
Tel: 067.851101/067.851101/067.851960
Fax: 067.852955

Kien Giang DPI

No. 29 Bach Dang, Rach gia town, Kien Giang province
Tel: 077.862037
Fax: 077.862037

Bac Lieu DPI

No.23 Hai Ba Trung, ward 3, Bac Lieu town, Bac Lieu province
Tel: 0781.827616
Fax: 0781.823874

Ho Chi Minh City DPI

No. 32 Le Thanh Ton, District 1, Ho Chi Minh city
Tel: 08.8297834/08.8272192/08.8293174
Fax: 08.8295008

Ba Ria - Vung Tau DPI

No. 01 Nguyen Chi Thanh, ward 2, Vung Tau city.
Tel: (064)852401/852320/858286/851381/852502
(ext. 0 or 25)

Tay Ninh DPI

300 Cach Mang Thang tam, ward 2, Tay Ninh town, Tay Ninh province
Tel: 066.822166/066.827638
Fax: 066.827947

Binh Phuoc DPI

The 14th National Highway, Dong Xoi town, Binh Phuoc province
Tel: 0651.879253/0651.870772
Fax: 0651.887088

Tien Giang DPI

No.38 Nam Ky Khoi Nghia str, My Tho city, Tien Giang province.
Tel: 073.873381/073.871961
Fax: 073.875487

Tra Vinh DPI

No.19A Nam Ky Khoi Nghia, Tra Vinh town
Tel: 074.862289/074.866300
Fax: 074.864348

Hau Giang DPI

No. 2 Hoa Binh, Vi Thanh town, Hau Giang province
Tel: 071.870214/071.870210
Fax: 071.878871

An Giang DPI

No. 8/18 Ly Thuong Kiet, Long Xuyen town, An Giang province.
Tel: 076.852913
Fax: 076.853380

Soc Trang DPI

No.21B Tran Hung Dao, Soc Trang town, Soc Trang province
Tel: 079.822333
Fax: 079.822333

Ca Mau DPI

No. 93 Ly Thuong Kiet, ward 5, Ca Mau city
Tel: 0780.831332/0780.825972
Fax: 0780.830773

MANAGEMENT BOARDS (MB) OF INDUSTRIAL ZONES/EXPORT PROCESSING ZONES/ECONOMIC ZONES/HI-TECH ZONES (IZ/EPZ/EZ/HTZ)

Hanoi IZs/EPZs MB

D8A, D8B Giang Vo, Ba Dinh, Ha Noi
Tel: 04.7721156
Fax: 04.7721152

Hai Phong IZs MB

No. 24 Cu Chinh Lan, Hong Bang, Hai Phong city
Tel: 031.823206
Fax: 031.842426

Thai Nguyen IZs MB

Tan Quang commune, Song Cong town, Thai Nguyen
Tel: 0280.845435
Fax: 0280.845434

Vinh Phuc IZs MB

Third floor, Vinh Phuc Provincial People's Committee, Nguyen Trai str, Vinh Yen town, Vinh Phuc province
Tel: 0211.843403
Fax: 0211.843407

Bac Ninh IZs MB

No. 10 Phu Dong Thien Vuong str, Bac Ninh town, Bac Ninh province
Tel: 0241.825232
Fax: 0241.825236

Hung Yen IZs MB

Pho Noi, My Hao district, Hung Yen province
Tel: 0321.942862
Fax: 0321.942927

Hai Duong IZs MB

No. 57 Quang Trung str, Hai Duong city
Tel: 0320.844723
Fax: 0320.844723

Nam Dinh IZs MB

Km 105, National Highway No. 10, Loc Vuong ward, Nam Dinh city
Tel: 0350.680806
Fax: 0350.680335

Thanh Hoa IZs MB

No. 15A Hac Thanh str, Lam Son ward, Thanh Hoa city
Tel: 037.850107
Fax: 037.850105

Ha Tinh IZs MB

No. 75 Nguyen Chi Thanh str, Ha Tinh town, Ha Tinh province
Tel: 039.881237
Fax: 039.881237/ 039.882992

Hoa Lac HTZ MB

First floor, Building 17T7, Trung Hoa - Nhan Chinh New City Town, Hoang Dao Thuy str, Thanh Xuan, Hanoi
Tel: 04.2511478
Fax: 04.2511529

Quang Ninh IZs MB

Nguyen Van Cu, Ha Long city, Quang Ninh province
Tel: 033.836573
Fax: 033.838022

Phu Tho IZs MB

Tan Dan ward, Viet Tri city, Phu Tho province
Tel: 0210.843021
Fax: 0210.844997

Bac Giang IZs MB

No 48 Ngo Gia Tu str, Bac Giang city, Bac Giang province
Tel: 0240.554133
Fax: 0240.554133

Ha Tay IZs MB

No. 2 Phung Hung - Ha Dong town - Ha Tay province
Tel: 034.501388
Fax:

Ha Nam IZs MB

Ho Chau Giang, Quang Trung ward, Phu Ly town, Ha Nam province
Tel: 0351.850569
Fax: 0351.850569

Thai Binh IZs MB

No. 81, Bo Xuyen str, Thai Binh city, Thai Binh province
Tel: 036.740872
Fax: 036.740872

Ninh Binh IZs MB

No. 2 Vo Thi Sau str, Dong Thanh ward, Ninh Binh town, Ninh Binh province
Tel: 030.876129
Fax: 030.873302

Nghe An IZs MB

Highway 3/2 Hung Phuc ward, Vinh city, Nghe An province
Tel: 038.835146/038.520354
Fax: 038.832657

Thua Thien Hue IZs MB

Unit 8 Phu Bai town, Huong Thuy district, Thua Thien Hue province
Tel: 054.861765
Fax: 054.861805

Da Nang IZs/EPZs MB

No. 58 Nguyen Chi Thanh, Da Nang city
Tel: 0511.810653
Fax: 0511.830015

Quang Ngai IZs MB

25 Hung Vuong Highway, Quang Ngai city,
Quang Ngai province
Tel: 055.828514
Fax: 055.828514

Binh Dinh IZs MB

No. 65 Tay Son, Quy Nhon city, Binh Dinh
province
Tel: 056.646257
Fax: 056.846616

Khanh Hoa IZs MB

No. 13B Hoang Hoa Tham, Nha Trang city,
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Tel: 058.527872
Fax: 058.527873

Dak Nong IZs MB

No. 1 Le Lai, Gia Nghia town, Dak Nong
province
Tel: 050.544592
Fax: 050.544591

Ba Ria - Vung Tau IZs MB

No.124 Vo Thi Sau str, Thang Tam ward,
Vung Tau city, Ba Ria - Vung Tau province
Tel: 064.816640
Fax: 064.858531

Dong Nai IZs MB

No. 26 2A road, Bien Hoa 2 Industrial Zone,
Dong Nai province
Tel: 061.892378
Fax: 061.892379

Binh Duong IZs MB

No. 5 Quang Trung, Thu Dau Mot town, Binh
Duong province
Tel: 0650.831215
Fax: 0650.823984

Binh Phuoc IZs MB

Highway 14, Tan Phu district, Dong Xoai town,
Binh Phuoc province
Tel: 0651.887524
Fax: 0651.887523

Tien Giang IZs MB

No. 27 Nam Ky Khoi Nghia, district 4, My Tho
city, Tien Giang province
Tel: 073.871808
Fax: 073.871808

Dong Thap IZs MB

No. 466 Nguyen Sinh Sac, district 1, Sa Dec
town, Dong Thap
Tel: 067.865471
Fax: 067.865471

Quang Nam IZs MB

No. 30 Hung Vuong str, Tam Ky town, Quang
Nam province
Tel: 0510.811589
Fax: 0510.859869

Dung Quat IZs MB

No. 39 Hai Ba Trung str, Quang Ngai city, Hai Ba
Trung str, Quang Ngai city, Quang Ngai province
Tel: 055.711788
Fax: 055.825828

Phu Yen IZs MB

No. 353 Tran Hung Dao, Tuy Hoa town, Phu Yen
province
Tel: 057.828250
Fax: 057.828949

Binh Thuan IZs MB

No. 119 Tran Hung Dao str, Phan Thiet city, Binh
Thuan province
Tel: 062.821243
Fax: 062.821243

Ho Chi Minh City IZs/EPZs MB

No. 35 Nguyen Binh Khiem, Dakao ward, Distric 1,
Ho Chi Minh city
Tel: 08.8290405/08.8290414
Fax: 08.8294271

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No. 105 Tran Hung Dao, Ninh Kieu district, Can
Tho city, Can Tho province
Tel: 071.830238
Fax: 071.830773

Tay Ninh IZs MB

Km 32, An Binh, An Tinh commune, Trang Bang,
Tay Ninh province
Tel: 066.882300
Fax: 066.882300

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Fax: 0650.743903

Long An IZs MB

65B Bao Dinh str, District 2, Tan An town, Long An
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Tel: 072.825449
Fax: 072.825442

Vinh Long IZs MB

No.85 Trung Nu Vuong, district 1, Vinh Long town,
Vinh Long province
Tel: 070.820972
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Quang Binh IZs MB

No. 317 Ly Thuong Kiet str, Dong Hoi city, Quang
Binh province
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Fax: 052.828516

Chu Lai Open Economic Zone MB

No. 1 Tran Phu, Tam Ky town, Quang Nam province

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Nhon Hoi Economic Zone MB

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Kon Tum IZs MB

No. 145 Ure str, Kon Tum town, Kon Tum province

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1208 Me Linh Point Tower,
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