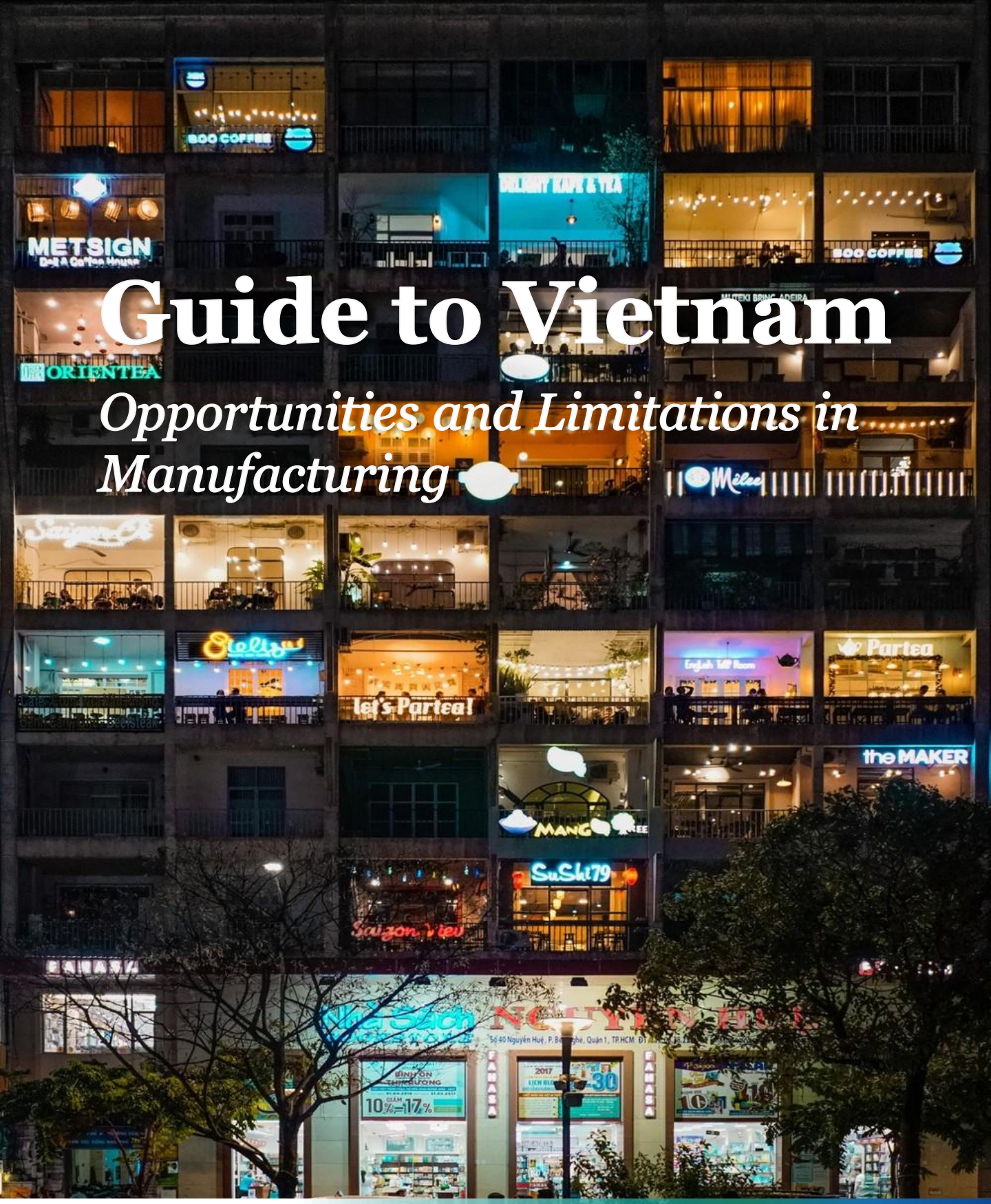
Guide to Vietnam

Opportunities and Limitations in Manufacturing



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Disclaimer

This material is prepared and intended for general information and reference purposes only. It does not cover exhaustively the subject it treats, but is intended to answer some of the important broad questions that may arise. When specific issues arise in practice, it will often be necessary to consider the relevant laws and regulations, and to obtain appropriate professional advice. The information contained here is current at the date of publishing and may change over time, and no representation, expressed or implied, is made as to its accuracy, completeness or correctness.

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1. Overview of Vietnam

Executive Summary

Vietnam has witnessed strong development over the last 30 years as a result of political and economic reforms under the Doi Moi Policy initiated in 1986. The country is now one of the most promising economies in Southeast Asia and has reached major agreements with international partners to foster trades.

Vietnam is engaged in five bilateral trade agreements with other countries in Asia Pacific, Latin America and Eastern Europe. These agreements eliminate tariffs and incentivise investments for a number of industries. As part of the Association of Southeast Asian Nations (ASEAN), Vietnam benefits from six other multilateral trade agreements with Mainland China, South Korea, Japan, India, Australia and New Zealand.

Vietnam is also a very attractive country for foreign investors as it benefits from a long-lasting political stability.

1. Overview of Vietnam

I. Country Profile[1,2,3,4,5,6,7]

Vietnam is one of the most promising countries in Southeast Asia in terms of economic development. Since the country opened itself to foreign investments and international trade in 1986 (with the Doi Moi policy), it has gone through fast economic growth and shifted from one of the world's poorest nations to a lower middle income country within 30 years. After a strong gross domestic product (GDP) growth of 7.1% in 2018, the country is predicted to grow at a more moderate rate of 6.5% in 2019. The Vietnamese government is eager to maintain this healthy growth rate, and therefore has developed a Socio-Economic Development Plan (SEDP) for 2016-2020. The SEDP and the country's future economic development will mainly focus on macroeconomic stability driven by structural reforms, environmental sustainability and social integration.

GDP *(in USD)*
261.0 bn (2019f)
242.6 bn (2018)

GDP Per Capita *(in USD)*
2,679 (2019f)
2,511 (2018)

Economic Structure
(in terms of GDP composition, 2017)
Agriculture: 15.3%
Industry: 33.3%
Services: 51.3%

External Trade *(% of GDP)*
Import: 92.1% (2018)
Export: 95.4% (2018)

Population
97.43 million (2019)
World ranking: 15/191

Median Age
30.9 (2018)
World ranking: 113/228 (from oldest to youngest)

Language
Vietnamese (official)
English

English Literacy
Moderate proficiency (2018)
World ranking: 41/88

Government Structure
Socialist republic with a single party leadership

Land Area
310,070 sq. km

II. Country Profile on Trade

A. International Trade Agreements and Restrictions

International trade agreements provide various benefits for the participating countries. It allows two or more companies or countries to trade goods with eliminated or decreased tariffs, therefore enhancing economic growth on both sides. This can be very attractive for Mainland China and Hong Kong companies that intend to expand their manufacturing footprint. Vietnam is a full member of ASEAN since 1995, giving the country preferential access to Southeast Asian markets. Since 2007, Vietnam has also been a member of the World Trade Organization (WTO), enabling the country to better participate in international trades fueling domestic economic reforms.

Currently, Vietnam has 13 signed and effective trade agreements, including five bilateral and eight collective trade agreements. In addition, the ASEAN–Hong Kong Free Trade Agreement (FTA) came into effect in June 2019 (see section below). Furthermore, there are four trade agreements being negotiated (with Israel, European Union (EU), European Free Trade Association, Regional Comprehensive Partnership) and another six proposed. One of the proposed agreements comprises the ASEAN and the EU which contains restructuring import quotas, tariffs for services, regulatory issues, intellectual property and sustainable development.

Signed and Effective Bilateral Trade Agreements (Part 1/2)[8]

	Affected Industry	Agreement (signing date)
	• Agriculture and Food • Metals • Textile • Electronics	**Japan-Vietnam Economic Partnership Agreement (2009)** • Overall trade liberalisation agreement between the two countries affecting trade in goods and services. • Facilitation of Japanese investments in Vietnam, enhancement of the business environment and intellectual property, travel facilitation between the two countries for individuals. • Tariffs exemption and preferential tariffs for agroforestry-aquatic products, industrial products (e.g. steel, chemicals), apparels and electronic appliances.
	• Textile • Food and Beverage • Metals • Electronics	**Vietnam-Chile Free Trade Agreement (2012)** • Vietnam abandons 87.8% of tariffs for 15 years, affecting products such as chemicals, construction steel, wood, textile, machinery, food and beverages (e.g. meat, fruits, alcohol). • Chile will eliminate nearly all tariffs (99.6%) up to 2029 on goods originating from Vietnam such as textile, maritime products, beverages (e.g. coffee and tea) and electronics (e.g. components and computers).
	• All	**Laos-Vietnam Free Trade Agreement (2015)** • Eliminate tariffs on more than 95% od goods traded between the two countries. • More than 9,000 products will benefit from zero tariffs.

Signed and Effective Bilateral Trade Agreements (Part 2/2)[8]

	Affected Industry	Agreement (signing date)
	• Food • Mining • Construction	**South Korea-Vietnam Free Trade Agreement (2015)** • Tariff exemptions affecting products not covered in the ASEAN-Korea Free Trade Agreement (elimination of 90% to 95% of tariffs); • Korean industrial products benefit from the concessions. • Products benefit from the agreement include fishery-agricultural and food products, industrial and mechanical goods, textile and garment.
	• Agriculture and Food • Textile • Electronics	**Eurasian Economic Union-Vietnam Free Trade Agreement (2016)** • Opens up a new market of 181 million people (including Russia, Armenia, Belarus, Kazakhstan and Kyrgyzstan). • Both parties should eliminate more than 90% of all tariffs over a 10-year period covering agricultural-forestry-fishery products, textile, footwear, machinery and electronic equipment. • Tariffs on specific products such as metals (e.g. iron, steel), petroleum, cars or alcohol will not be eliminated or reduced before 2027.

Signed and Effective Regional Trade Agreements as a Member of the ASEAN

As a member of the ASEAN, Vietnam benefits from agreements signed between the association and other countries. Therefore, the country has effective FTAs with: Mainland China (2005), South Korea (2007), Japan (2008), India (2010), Australia and New Zealand (2010).

In addition to the bilateral and multilateral agreements, there are few other key FTAs for Vietnam which have been recently signed or are being finalised with important trading blocs.

The Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)[9]

The Trans-Pacific Partnership (TPP) was originally an American initiative, but later the USA withdrew from the agreement. After that, the remaining 11 countries decided to sign a new FTA called CPTPP, or TPP11. This agreement is set between Canada and 10 countries in Latin America and Asia-Pacific: Chile, Peru, Mexico, Australia, New-Zealand, Singapore, Brunei, Malaysia, Vietnam and Japan. The CPTPP fully entered into force in January 2019, creating a trading network of 495 million consumers representing an estimated 13.5% of the global GDP with reduced tariffs for agriculture, metals, wood and fishery products.

A Major FTA Pending Ratification: EU-Vietnam FTA[10]

The FTA between the EU and Vietnam was signed on 30 June 2019 and is awaiting final ratification by each party's legislative bodies. The agreement is expected to remove 99% of custom duties on exports from both sides and provide EU companies with greater investment possibilities in Vietnam. The latter should benefit from the agreement as the EU is its second largest export market.

The Association of Southeast Asian Nations (ASEAN)

The ASEAN was founded in 1967 and currently has 10 members. The five founding members are Indonesia, Singapore, Malaysia, the Philippines, and Thailand. The remaining five countries joined in subsequent years: Brunei in 1984, Vietnam in 1995, Laos in 1997, Myanmar in 1997, and Cambodia in 1999.

The Association's Three Major Goals:

- Acceleration of economic growth, social progress, and cultural development in the region;
- Promotion of regional peace and stability in Southeast Asia; and
- Foster cooperation and mutual assistance in economic, social, cultural, technical, scientific and educational fields.

The ASEAN Free Trade Area (AFTA)

In 1992, ASEAN countries decided to strengthen this comprehensive cooperation by implementing the AFTA. The main objective of the AFTA is to increase the region's economic competitive advantage through trade liberalisation and the elimination of tariffs and non-tariff barriers among the ASEAN members.

The Common Effective Preferential Tariff (CEPT) Agreement for AFTA reduces the tariff rates on a wide range of products within the region to 0-5%. In addition, restrictions on quantity traded and other non-tariff barriers are eliminated.

The CEPT covers all manufactured products, including capital goods and processed agricultural products, and those falling outside the definition of agricultural products. Agricultural products are excluded from the CEPT Scheme (further details on www.asean.org).

There are only three situations where a product can be excluded from the CEPT Scheme:

- General Exceptions: a member may exclude a product considered necessary for the protection of its national security, the protection of public moral, the protection of human, animal or plant life and health, and the protection of articles of artistic, historic or archaeological value;
- Temporary Exclusions: a member which is temporarily not ready to include certain sensitive products (i.e. rice) in the CEPT Scheme may exclude such products on a temporary basis; and
- Unprocessed agricultural goods.

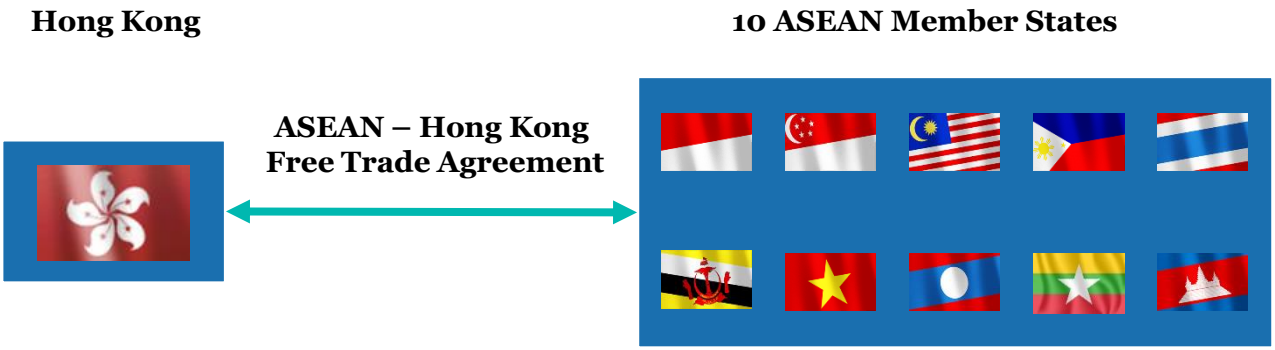
International Trade Agreement between Hong Kong and the ASEAN[11]

Overview

Trade within the region has been booming since the removal of tariffs between the ASEAN member states in 2015.

Hong Kong and the ASEAN announced the conclusion of negotiations on their Free Trade Agreements in September 2017 and forged agreements on 12 November 2017. Member states agreed to progressively cut down or eliminate custom duties on goods originating from Hong Kong. The agreements are comprehensive in scope and cover trade of goods, trade of services, investments, economic and technical cooperation, dispute settlement, and other relevant areas.

The ASEAN was Hong Kong's second largest merchandise trade partner in 2018 with a total value of HKD 1.1 trillion (around 12% of the total trade value).



Entry

Free Trade Agreement: 11 June 2019

Investment Agreement: 17 June 2019

Both for the parts relating to Hong Kong and Laos, Myanmar, Singapore, Thailand, and Vietnam. The dates of entry for the remaining five countries have not been announced yet.

Affected Major Industries

The tariff reduction commitments cover different kinds of major Hong Kong export commodities, such as (non-exhaustive):

- Jewellery
- Watches and Clocks
- Apparel and Clothing Accessories
- Toys

Other Affected Industries

- Food and Beverages
- Chemicals
- Pharmaceutical
- Metals
- Plastics & Rubber
- Footwear
- Machinery and Mechanical Appliances

B. Government Structure[12]

Vietnam is a socialist republic led by a single party: the Communist Party of Vietnam (VCP). In 2016, during the 14th National Assembly of Vietnam, 498 members were elected by a popular vote to serve a five-year mandate (until 2021). Officially, Vietnam is collectively ruled by the President, the Prime Minister, the Communist Party chief and the chair of the National Assembly. However, after the death of former President Tran Dai Quang in September 2018, the VCP's Secretary General, Nguyen Phu Trong, took over the function of President, combining two major positions in Vietnam's political ecosystem for the first time (since Ho Chi Minh in the 1960s). In Vietnam, each body or function has a specific role:

- The President acts as the face of the country for international matters;
- The Government, which is appointed by the President and the National Assembly, is led by the Prime Minister and has the executive power. Together, they are in charge of the management of the state and the economy; and
- The National Assembly has the legislative power and determines domestic and foreign policies, socio-economic tasks, national defence and security issues. The National Assembly is the only body which has the power to amend the Constitution and pass laws. However, the implementation and administration of the laws is decentralised (i.e. managed at province level).

The Vietnamese judiciary system is independent from the government. The highest centralised judiciary body of the country is the Supreme People's Court and smaller courts exist at provincial and district levels.

C. Political Uncertainties and Historical Coup Records[13,14,15]

Vietnam is generally considered as a politically stable country as it has not gone through any political coup since 1963. Vietnam ranked 74th out of 195 countries in the World Bank's Political Stability Index (with an above average value of 0.31 in 2017). However, some recent events can create political uncertainties.

- The health of the country leader Nguyen Phu Trong has aroused speculation. He fell ill in mid-April 2019 and did not make any public appearances for more than a month. On 15 May 2019, the Vietnam News Agency released a picture of him chairing a meeting in Hanoi and declared that the leader appeared in public alongside senior party leaders. The lack of official communication from April to May about the status of the 75-year-old leader led to various speculations on whether Phu Trong had fully recovered from illness. This event could shake Vietnam's political environment as the President is supposed to govern the country until 2021.
- The President's health condition also raises the issue of succession. Nguyen Phu Trong is currently the most powerful man in Vietnam as he holds a dual position as the Head of the State and the Party leader. As of May 2019, there is no potential candidate who fits the requirements to take over his roles, which could potentially lead to a succession crisis in the country.
- Since 2014, the rise of anti-Chinese nationalism sentiment has been affecting the political relationship between Vietnam and Mainland China. The last anti-Chinese demonstrations in Vietnam took place in June 2018 when workers protested against the government's plan to set up three new special economic zones with 99-years land concession. Workers feared that this new policy could bring in foreign investments mainly dominated by Chinese companies. The protests are jeopardising Vietnam's relationship with Mainland China. Political tensions between the two governments are on the rise and Vietnam may potentially be exposed to Chinese economic retaliation.

Source:

[1] *The World Bank, 2019*

[2] *Fitch Solutions, Vietnam Country Risk Report, 2019*

[3] *The World Factbook, CIA*

[4] *Imports of Goods and Services (% of GDP), Exports of Goods and Services (% of GDP), Worldbank*

[5] *Vietnam population, Worldometers, 2019*

[6] *EF English Proficiency Index, EF Education First*

[7] *Geography Statistics Of Vietnam, Worldatlas*

[8] *The Ministry of Finance of the Socialist Republic of Vietnam, International Cooperation; WTO Regional Trade Agreements database; Fitch Solutions*

[9] *What is the CPTPP?, Government of Canada*

[10] *Doing Business in Vietnam, PwC, 2018*

[11] *The Government of Hong Kong Special Administrative Region – Trade and Industry Department, Press Release, 2019*

[12] *Doing Business In Vietnam, Grant Thornton, 2018*

[13] *World Bank Political Stability And Absence Of Violence/Terrorism*

[14] *Vietnam leader Nguyen Phu Trong reappears in state media after illness, Reuters, 2019*

[15] *Anti-China protests in Vietnam set to aggravate tensions with Beijing, South China Morning Post, 2018*

2. Legal Environment and Competition Law

Executive Summary

Vietnam welcomes and attracts foreign investors. Only very few sectors are restricted for foreigners.

Mainland China and Hong Kong companies can choose to set up different types of business entities. It is possible to establish a 100% foreign-owned enterprise such as a Limited Liability or a Joint-Stock Company amongst others. However, the establishment process can still be complex as different authorities are involved.

Imports and exports are still highly regulated by the government despite becoming an open and market-oriented economy. Foreign operators are required to register with the corresponding authorities and get an investment certificate. Depending on the goods, other permits from the government may also be required.

2. Legal Environment and Competition Law

SĐổi Mới is the name given to the economic reforms initiated in Vietnam in 1986 with the goal of creating a "socialist-oriented market economy". Since then, Vietnam has been welcoming foreign investments, providing an attractive legal environment to enhance economic growth and development of the country. Additionally in 2014, a new investment law (No. 67/2014/QH13) was enacted which reduces the list of restricted investment areas for foreign companies from 51 to 7 sectors.[1]

Vietnam's investment law only distinguishes between Vietnamese and foreign companies and does not outline special regulations for Mainland China or Hong Kong companies.

Two Lists with Restricted or Limited Businesses Access to Foreign Investors[2,3]

List 1

Businesses that are restricted by the Law of Investment to foreigners.

Examples:

- Drugs and narcotics;
- Hazardous chemicals and minerals;
- Specimens of wild flora and fauna.

List 2

Several businesses that Vietnam sets conditions that investment projects must satisfy the purposes of national defence and security, social order and safety, social ethics and community health. These conditions are applicable to both foreign and local investors. Vietnam also reserves its sovereign right to limit foreign investment in certain sectors by setting conditions.

Examples:

- Foreign ownership limitation;
- Form of investment and requirements of Vietnamese partners;
- Operational contents;
- Other conditions stipulated in the international treaties to which Vietnam is a party.

The government has the ability to further restrict other sectors from foreign investment, such as advertising services, broadcasting, postal services, publishing and distribution of cultural goods or telecommunication services (non-exhaustive). For further details, please refer to section 8 of this report.

I. *Types of Legal Business Entity Available for Foreign Investment*[4,5,6,7,8]

As in most countries, there are several different main structures to expand a business or the manufacturing footprint as an investor from Mainland China or Hong Kong to Vietnam. The country has introduced a range of open policies and clearer guidance that support foreigners in establishing a commercial presence. As opposed to many other countries, Vietnam offers the possibility of setting up a 100% Foreign Owned Enterprise (FOE).[4]

Some Main Forms of Doing Business or Expanding the Manufacturing Footprint to Vietnam Include:

Establishing a separate entity (100% Foreign-owned Company)	1. Limited Liability Company (LLC) 2. Joint-Stock Company (JSC)
Establishing a partnership	3. Joint Venture (JV) 4. Public Private Partnership (PPP)
Establishing a non-separate (regional) office	5. Representative office (RO) 6. Branch office (BO)

Limited Liability Company (LLC) (100% Foreign-owned Enterprise)

Definition and Shareholding-Percent by Foreign Investors

This is the most commonly seen form for foreign investors due to the reduced liability and capital requirements. An LLC is a separate legal entity established by capital contribution which is treated as equity (or charter capital) from its members (i.e. owners). An LLC is not allowed to issue shares, in addition, the number of members is limited to 50. The members are liable for the financial obligations of the company.

An LLC established by Mainland China or Hong Kong investors may take the form of either:

- A 100% foreign-owned enterprise (where all members are foreign investors); or
- A foreign-invested joint venture enterprise between foreign investors and at least one domestic investor.

Minimum Required Capital

Generally, there is no minimum capital requirement for Mainland China and Hong Kong companies to set up an LLC. However, authorities would usually expect an investor to initially commit a reasonable amount of charter capital based on the size of the business. The capital has to be invested within 90 days after the registration certification is issued.

Timeline

Setting up an LLC in Vietnam takes about two to four months on average.

Joint-Stock Company (JSC) (100% Foreign-owned Enterprise)

Definition and Shareholding-Percent by Foreign Investors

Unlike an LLC, a JSC can issue securities and bonds, giving investors the opportunity to go public. A JSC needs at least three shareholders, however, there is no limitation on the maximum number of shareholders. In addition, the shareholders can be natural persons or institutions, Vietnamese as well as foreigners.

A JSC can take two different forms:

- 100% foreign-owned; or
- A joint venture between foreign and domestic investors.

Minimum Required Capital

Generally, there is no minimum capital requirement for Mainland China and Hong Kong investors to set up a JSC. The charter capital is composed of the shares belonging to the founding shareholders in proportion to the capital they have contributed. The shares have to be paid within 90 days after the enterprise registration certificate is issued.

Timeline

Setting up a JSC as an FOE in Vietnam takes about two to four months on average.

Joint Venture (JV)

Definition and Shareholding-Percent by Foreign Investors

A JV is a group of persons (natural and/or juristic) entering into an agreement in order to carry on a business together. A JV is not a unique corporate structuring option; partners usually establish an LLC for standard JVs or a JSC if there is a desire to list on the stock exchange in Vietnam. Mainland China and Hong Kong investors can choose to enter into a JV as the majority shareholder (owning more than 50% of the shares) or also as a minority shareholder (owning less than 50% of the shares). However, the statutory guidelines demand a foreign contribution of a minimum of 30% for JVs as well as a maximum percentage in specific conditional sectors.

Minimum Required Capital

Generally, there is no minimum capital requirement for Mainland China and Hong Kong investors to set up a JV, however, the Ministry of Planning and Investment (MPI) can request businesses to satisfy industry specific capital requirements.

Timeline

Setting up a JV in Vietnam takes about two to four months on average.

Private Public Partnership (PPP)[4,5]

Definition and Shareholding-Percent by Foreign Investors

A PPP is an investment form based on a contract between a foreign or domestic enterprise and the government to perform regulated infrastructure work or public services such as power plants, transportation or water supply systems. There are five types of PPPs: Build-Transfer-Operate, Build Transfer, Build-Operate-Transfer, Build-Own-Operate and Build, Transfer and Lease.

The PPP can be established in two different forms:

- Limited liability company; or
- Joint-stock company.

The Vietnamese government strongly pursues PPPs to develop and improve the country's infrastructure.

Representative Office (RO)

An RO has an easy registration procedure and offers a low-cost solution for Mainland China and Hong Kong companies to enter the Vietnamese market. Therefore, ROs are often chosen by first-time entrants who may potentially want to establish a larger presence in future. However, ROs are not allowed to conduct revenue generating activities, such as the execution of contracts, receipt of income, sale or purchase of goods or provision of services. An RO is only permitted to engage in the following activities:

- Act as a liaison office;
- Conduct market research; and
- Promote its head office's business and investment opportunities.

Minimum Required Capital

There is no minimum capital requirements defined by the MPI, however, companies have to show that their capital contribution is sufficient to cover the activities of their operations. This usually translates into a minimum initial capital of USD10,000 to fund the operations.

Timeline

Setting up a RO takes about six to eight weeks on average.

Branch Office (BO)

Definition and Shareholding-Percent by Foreign Investors

A BO is not a very common form of foreign investment as it can only conduct services in a few sectors such as finance and banking. Like the RO, the BO is not an independent legal entity. In addition, the BO's parent company must have conducted business activities in its home country for at least five years. However, unlike the RO, the BO can engage in commercial activities in Vietnam. A BO is permitted to engage in the following activities:

- Rent offices;
- Lease or purchase equipment and facilities required for operations;
- Recruit local and foreign employees;
- Remit profits abroad;
- Purchase and sell goods and commercial activities per licensing;
- Set up Accounting, Marketing and Human Resources departments to represent the parent company.

Setting up a BO requires a license and a manager who is a Vietnam resident. Foreigners are also allowed to appoint a manager from their country of origin, however, this employee must have a Vietnam work permit.

The registration of a BO needs to be approved by the Department of Industry and Trade.

Timeline

The establishment process typically takes about three weeks.

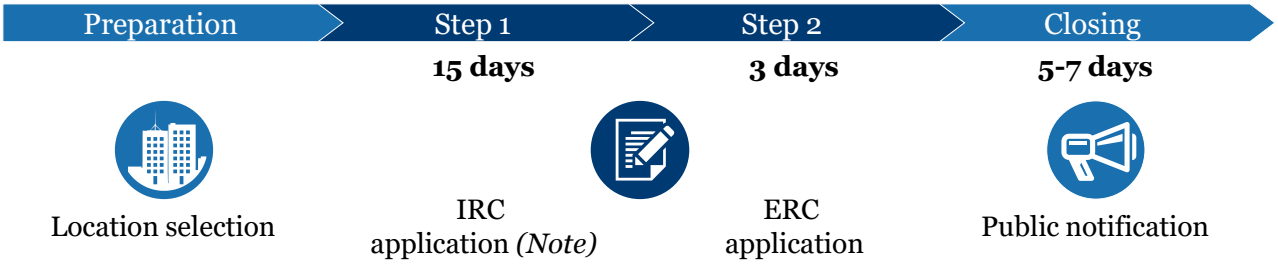
Setting Up a Business in Vietnam

Vietnam is very attractive to foreign investors, however, the legal process to expand a manufacturing footprint or to set up a business can still be complex. There are different establishment procedures for different entities. For some entity types, companies need to get a pre-investment approval from the Vietnamese authorities. Therefore, it is recommended to get in contact with the MPI (www.mpi.gov.vn/en) before starting the entire investment process. There is no special procedure for investors from Mainland China or Hong Kong.

Establishment Process for: LLC, JSC, and JV

Under the new Law on Investment and Law on Enterprises, foreign investors have to go through two steps in order to register their investment with the appropriate licensing authorities:

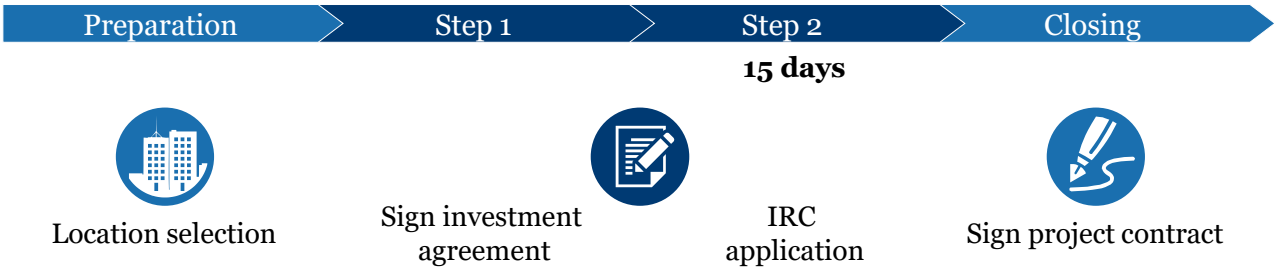
Step 1: obtaining Investment Registration Certificate (IRC)
Step 2: obtaining Enterprise Registration Certificate (ERC)



Note:
IRC is required only for investments by foreign investors or deemed-to-be foreign investors.

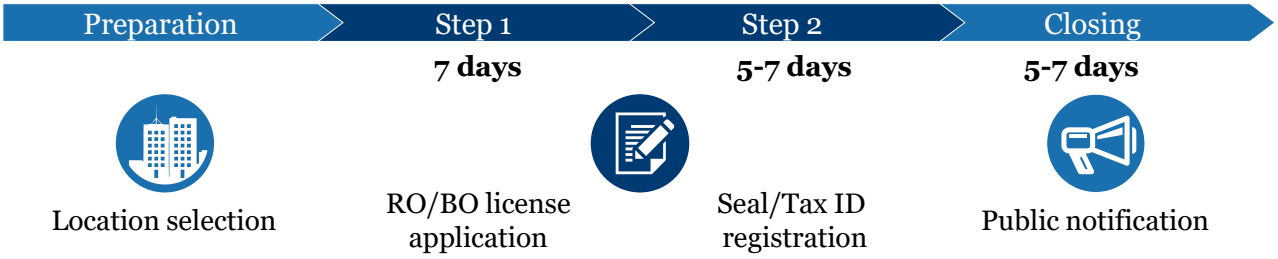
Establishment Process for: PPP

Before companies can apply for the IRC, an investment agreement has to be signed with an authorised state authority. After the IRC is issued, a project contract has to be signed with the relevant state body in order to set up the project company in the form of an LLC or a JSC.



Establishment Process for: RO and BO

For these types of entities, once the licenses have been issues, further steps have to be conducted, such as seal carving and the tax ID registration.



Overview of Advantages and Disadvantages of Different Business Entities

Business Entity Type	Common Purposes	Advantages	Disadvantages
Limited Liability Company	• Separate legal entity	• Liability limited to capital contribution • No restriction on the scope of business	• Cannot issue shares • Maximum 50 shareholders
Joint-Stock Company	• Separate legal entity	• Liability limited to capital contribution • No restriction on the scope of business • Can issue shares and go public	• Three or more shareholders required • Supervisory board required for most joint-stock companies
Joint Venture	• Partnership of companies or individuals for specific business purposes	• Unconditional sectors not subject to specific capital requirements	• Minimum contribution guidelines for domestic investors for industry specific cases • Two to four months to set up
Public Private Partnership	• Entails partnership between foreign or domestic enterprises and government for infrastructure projects	• Government aggressively pursuing PPPs to develop infrastructure	• Several PPP models (complexity) • Investors unsure of returns
Representative Office	• Non-separate legal entity • Market research • Liaison with overseas parent companies	• Easy registration procedure	• Cannot conduct profit making activities • Parent company bears liability
Branch Office	• Non-separate legal entity • Commercial activities within parent company's scope	• Can remit profits abroad	• Limited to certain industry sectors • Parent company bears liability

II. Overview on Other Business Laws and Regulations

A. Legal and Administrative Framework on Competition Law[8,9,10]

The National Assembly of Vietnam passed the new Law on Competition (LOC) in June 2018, which entered into force on 1 July 2019. The new law replaces the 2004 version and outlines various changes. It is crucial for both existing and potential new investors to understand the new regulatory environment.

The LOC outlines general regulations and does not specify particular rules for Mainland China or Hong Kong businesses aspiring to expand their manufacturing footprint to Vietnam.

The new LOC includes Vietnamese and foreign companies and individuals in case their actions have or potentially have a competition restriction impact on the domestic market. The new LOC prohibits:

1. Anti-competitive agreements;
2. Abuse of dominant market position/monopoly position; and
3. Economic concentration.

Under the new law, the Vietnam Competition Authority and the Vietnam Competition Council have been merged to form the National Competition Committee (NCC). A Competition Investigation Agency has also been established under the NCC, and is responsible for monitoring and investigating any breaches of the competition law. The Ministry of Industry and Trade oversee the new departments.

Anti-Competitive Agreements

In the 2004 version, agreements were only prohibited if the market share of the combined parties exceeded 30%. The new LOC is stricter in terms of anti-competitive agreements and prohibits certain actions if the players are in the same market. It now also comprises a distinction between horizontal and vertical agreements (e.g. retailer and distributor) between business operators:

- Directly or indirectly fixing prices;
- Sharing customers or markets or supply sources; and
- Controlling the quantity of goods produced, sold, or bought as well as services provided.

The new LOC also prohibits actions that have a negative impact on market competitiveness, such as:

- Restraining investments, technical, and technology capabilities; and
- Forcing other companies to sign contracts related to the buying or selling of goods and services or bind them into commitments not related to the content of the contract.

The new LOC provides exemptions in certain cases, for example if the customers are seen to benefit from the agreements or if it increases the competitiveness of Vietnamese companies in the international market.

Abuse of Dominant Market Position/Monopoly Position

The new LOC considers a company to be in a dominant market position if it has more than 30% market share and if it has significant market power. Whether or not it has significant market power will be assessed by the following factors:

- The financial strength of the firm;
- Technology advantages and technical infrastructure;
- Ownership and the right to pose and access infrastructure or use items of intellectual property rights;
- Correlation of market share among firms in the market; and
- Other factors specific to their sectors.

Economic Concentration

In the 2004 version, economic concentration activities (e.g. mergers, acquisitions or joint ventures) were prohibited if the combined market share was above 50%. The new LOC removes the condition around market shares and it can directly prohibit economic concentration activities of companies.

The NCC's decision on economic concentration is based on the following factors:

- Combined market share;
- Level of concentration before and after the economic concentration;
- The relationship of the firms in the chain of production, distribution, or supply of goods/services or whose business lines acts as an input or is complementary in nature;
- Competitive advantages due to the economic concentration;
- The probability of the participating firms to significantly increase the prices or rate of profit after economic concentration; and
- The capability of the firms to remove or prevent other firms from entering the market.

Also, in the previous version, economic concentration activities that could lead to market shares exceeding 30% had to be reported to the relevant authorities. Under the new LOC it is required to report economic concentration activities to the NCC, if the following thresholds are met:

- Either party's total asset exceeds VND 1,000 billion (around USD 43 million) in the preceding fiscal year;
- Either party's total turnover exceeds VND 1,000 billion (around USD 43 million) in the preceding fiscal year;
- The value of the transaction exceeds VND 500 billion (around USD 21.5 million). Only applies to economic concentrations in Vietnam; and
- The combined market share of the combining entities in the relevant market is 30% or more.

Note: These thresholds were released in a draft decree in October 2018 and have yet to be finalised.

The penalty for violations of economic concentration activities is 5% of the total revenues of the firm (in the 2004 version, the penalty was twice as high).

B. Intellectual Property Protection Law on Trademarks[3,7,11,12]

A trademark is defined as a symbol, logo, word or sound which indicates that a certain good or service belongs to the owner of the trademark. Vietnam's overarching intellectual property (IP) protection is comparatively low compared to other countries (ranked 43rd out of 50). However, its protection relating to trademarks is just slightly below the regional average. In 2005, Vietnam's National Assembly passed the law on Intellectual Property Rights (IPR), which forms the basis for IP protection (including trademarks) in the country. The law was further amended and supplemented in 2009, as Vietnam has been committed to imposing stronger IP laws after joining the World Trade Organization (WTO) in 2007. The National Office of Intellectual Property of Vietnam (NOIP) which acts under the Ministry of Science and Technology is responsible for exercising the IPR and providing related services.

A trademark is protected once it has either been registered with the NOIP or accepted for protection by the NOIP after being filed through the Madrid System (through another member country of the Madrid Agreement or the Madrid Protocol), designating Vietnam as a contracting party. The protection is valid for 10 years and can be renewed for consecutive 10-year terms). The registration duration is usually between 14 to 18 months.

C. Import/Export Regulations and Licenses[13,14]

Import and export business in Vietnam is still highly regulated by the government in spite of becoming a more open economy. Mainland China and Hong Kong companies can engage in the import and export business without owning a company in Vietnam, however, the investor has to register with the Department of Planning and Investment (DPI). In addition, an Investment Certificate must be obtained, as well as other permits from the government depending on the goods.

If engaging in the import business, it is recommended to register the business on the National Business Registration Portal (dangkykinhdoanh.gov.vn/en) and to register the customs declaration on the Vietnam National Single Window Portal (vnsw.gov.vn/en). These are online portals that provide access to business registration information and issue business registration certificates.

Certain goods are prohibited from being imported or exported. Goods banned for export include petroleum oil, weapons or natural relics. Prohibited import goods include cigars, tobacco, newspapers, journals, aircraft or second-hand consumer goods such as textiles and garments, electronics or refrigerators. The government's decree also defines a list of import and export items which are subject to the issuance of special permits. For more details, please refer to Annex I in Decree No.187/2013/ND-CP published by the government's Investment & Trade Promotion Centre.

D. Jurisdiction System on Business Related Matters[15]

Vietnam is primarily a civil law jurisdiction and has a two-tier court system comprising the courts of first instances and the courts of appeal. Lawsuits can be brought before courts whereby a party sues another for the enforcement or protection of a right, or the prevention or redress of a wrong.

The Vietnam court system consists of the following courts:

- The Supreme People's Court;
- The Local People's Court (comprising the Provincial People's Courts and the District People's Courts);
- Military Courts; and
- Other law-prescribed courts.

The District People's Courts have jurisdiction to resolve first instance level cases, however, disputes involving parties or properties in foreign countries or which must be judicially entrusted to Vietnamese consulates overseas or to foreign courts shall not fall under the jurisdiction of the District People's Court (Article 33.3 of the Civil Procedure Code).

The Supreme People's Court is the highest court in Vietnam and is accountable to the National Assembly. The appellate courts of the Supreme People's Court have jurisdiction to review first instance judgements that have not come into force yet. First instance judgements involve, amongst others, business and trade disputes, labour disputes or civil disputes resolved by the District People's Courts.

Source:

[1] *The World Bank in Vietnam, World Bank, 2019*

[2] *Investing in Vietnam – Practical Law, Thomson Reuters, 2019*

[3] *Legal guide to investment in Vietnam, Allens, 2017*

[4] *How to Set Up in Vietnam, Vietnam Briefing, 2019*

[5] *Doing Business in Vietnam 2018, Deloitte*

[6] *Doing Business in Viet Nam, PwC, 2018*

[7] *Doing Business in Vietnam 2018-19, Dezan Shira & Associates*

[8] *Vietnam Issues New Competition Law, Vietnam Briefing from Dezan Shira & Associates, 2018*

[9] *New Law on Competition, PwC Vietnam, 2018*

[10] *Vietnam Competition Law – Key Changes in 2019, Mayer Brown, 2018*

[11] *U.S. Chamber International IP Index, GIPC 2019*

[12] *Procedure and timeline for registering trademark in Vietnam, S&B Law, 2016*

[13] *Vietnam's Import and Export Regulations Explained, Vietnam Briefing, 2019*

[14] *Business Registration, National Business Registration Portal*

[15] *Dispute Resolution Around the World, Baker McKenzie*

3. Taxation, Transfer Pricing, Banking and Currency Control

Executive Summary

The main forms of taxation include personal and corporate income tax (CIT), value added tax (VAT), and among other specific business taxes.

Transfer pricing provisions were enacted in February 2017, and officially came into effect in May 2017.

Vietnam adopts a managed float exchange rate regime by the State Bank of Vietnam. Vietnam generally welcomes foreign direct investments, with the exception of a selected number of industries, in which both foreigners and Vietnamese are restricted from investing in. Use of foreign currencies is restricted in Vietnam, with the Vietnamese Dong (VND) being required for most transactions within the country.

3. Taxation, Transfer Pricing, Banking and Currency Control

I. Taxation Practice[1]

All taxes in Vietnam are imposed at the national level, with no local, state, or provincial income taxes. There is no tax residency for corporate income tax (CIT).

Companies incorporated in Vietnam are subject to CIT and taxed on worldwide income: 20% CIT is applied to all foreign income, with no tax incentives.

Companies incorporated abroad but conducting businesses in Vietnam with Vietnamese parties are subject to foreign contractor tax (FCT). FCT is not a separate tax, but rather a combination of CIT and value-added tax (VAT).

A. Corporate Income Tax (CIT)[2,3]

Tax Calculation

CIT in Vietnam is calculated from taxable profits.

Companies are required to present adjustments made to accounting profit to arrive at taxable profit in the annual CIT return.

Applicable Tax Rate

The standard CIT is 20% in Vietnam, except for oil and gas industry, as well as activities related to prospecting, exploration and exploitation of certain mineral resources. The following table provides the CIT rates by industry:

Industry	Tax Rate
Standard CIT rate for all industries if not otherwise specified	20%
Oil and gas	32 - 50%
Prospecting, exploration, and exploitation of certain mineral resources (e.g. gold, silver, gemstones)	40% or 50%

Deductible Expenses

When calculating CIT, expenses are generally tax-deductible if they:

- Are related to the generation of revenue;
- Are properly supported by appropriate documentation; and
- Are not specifically identified as being non-deductible.

Examples of non-deductible expenses include:

- Expenses not actually paid or not made in accordance with current regulations;
- Unpaid employee remunerations;
- Staff welfare exceeding one month's average salary;
- Contributions to voluntary pension funds and employee life insurance exceeding VND 3 million per month per employee;
- Interests not contributed, exceeding 20% of earnings before interest, tax, depreciation and amortisation (EBITDA), or 1.5x the interest rate set by the State Bank of Vietnam; and
- Unrealised foreign exchange losses due to year-end revaluation of foreign currency items (other than for accounts payable).

For certain industries (e.g. insurance, securities trading, lotteries, etc.), the Ministry of Finance provides specific guidance on deductible expenses for calculating CIT.

Companies in Vietnam may also set up a tax deductible Research & Development (R&D) fund, where companies can allocate up to 10% of annual profits before tax.

Dividend Income

For dividends paid to foreign corporate shareholders, no withholding or remittance tax will be imposed. For dividends paid to individual investors, a withholding tax of 5% will be imposed.

Losses and Consolidation

Tax losses can be carried forward for a maximum of five years to deduct against future profits. There is no claw-back provision. Each company is taxed independently, without any form of group relief or relief by consolidation.

Profit Remittance

Foreign investors are permitted to remit their profits at the end of each fiscal year, or upon termination of the investment in Vietnam, unless the company has accumulated losses.

The foreign investor or the investee company is required to notify the tax authorities of the plan to remit profits at least seven working days prior to the scheduled remittance.

Tax Filing

Companies must make provisional CIT payments quarterly based on estimates. If the total payment is less than 80% of the annual final CIT liability, any shortfall in excess of 20% is subject to late payment interest (as high as 11% per annum). The annual final CIT return must be filed and submitted no later than 90 days from the fiscal year end. Any outstanding tax payable must be paid at the same time.

For companies with branches in different provinces, only a single CIT return is required for all branches. However, manufacturing companies may be required to allocate tax payments to the various provincial tax authorities on a pro rata basis according to the expenditure in each location.

The standard tax year is the calendar year. Companies are required to notify the tax authorities if they use a tax year other than the calendar year.

Tax Governance[4]

The General Department of Taxation is the highest tax collection agency under the Ministry of Finance.

For more information, please visit the official website (www.gdt.gov.vn/wps/portal/English).

Foreign Tax Relief and Double Taxation Agreement (DTA)

For income derived from countries that do not have DTA with Vietnam, foreign tax credits are allowed.

DTA with Hong Kong[5]

Vietnam has entered into DTAs with 80 countries as of 2019. The DTA between Vietnam and Hong Kong has been in effect since August 2009 (with the second protocol that came into effect in January 2015).

DTA aims to eliminate double taxation. The table below illustrates the tax rates applied on various sources of income stipulated in the DTA between Vietnam and Hong Kong:

Categories	Conditions	Applicable Rates of Withholding Taxes
Dividends	N/A	10%
Interests	Interest derived from certain government bodies	0%
	All other conditions not mentioned above	10%
Royalties	Royalties made as a consideration for the use of, or the right to use, any patent, design or model, plan, secret formula or process	7%
	All other conditions not mentioned above	10%

B. Value Added Tax (VAT)[2,3,6]

VAT is applicable to all goods and services used for production, trading, and consumption in Vietnam. Imported goods are subject to VAT, and VAT must be paid at the same time as import duties. VAT is calculated as output VAT minus input VAT.

VAT Rates

Taxable Business Activities	Tax Rate
• Exported goods and goods processed for export; • Certain exported services; • Goods sold to non-tariff areas, export processing companies, and duty free shops; • Construction and installation carried out for export processing companies; and • International air or sea transportation services.	0% *(Note)*

• Goods and services considered essential, including:
  ○ Clean water;
  ○ Teaching materials and books;
  ○ Medicine and medical equipment;
  ○ Various agricultural products and services;
  ○ Technical or scientific services;
  ○ Certain cultural, artistic, sport services or products; and
  ○ Social housing.
	5%

• Imports of goods or sales of goods or provision of services not exempted or subject to the 0% or 5% rates	10%

Note: The 0% VAT refers to 0% VAT on output VAT, but are still eligible for input VAT credits.

Exemptions from VAT

The following table provides examples of business activities exempt from both output VAT tax and input VAT credits:

VAT Exempt Business Activities
• Goods or services provided by individuals with annual revenue of VND 100 million or lower
• Goods or services for internal use
• Certain imported machinery, materials, airplanes, and ships that cannot be produced in Vietnam
• Various financial services including but not limited to: financial derivatives and credit services, securities services, foreign currency trading, debt factoring, and certain insurance services
• Medical and care services
• Transfer of land use rights
• Transfer of technology, software, and software services, except exported software entitled to 0%
• Gold imported in pieces not processed into jewellery
• Unprocessed exported natural resources or processed but with at least 51% of their cost being natural resources and energy

VAT filing and payments

Companies are required to file VAT returns either monthly by the 20th day of the subsequent month, or quarterly by the 30th day of the subsequent quarter if prior year annual revenue was VND 50 billion or less. In certain cases, branches of a company must separately declare VAT on their own activities.

Other Key Taxes for Manufacturers

Foreign Contractor Tax (FCT)

The FCT applies to foreign companies and individuals doing business or earning income from Vietnam through contracts with Vietnamese parties. The FCT is not a separate tax, but usually a combination of CIT and VAT. There are three calculation methods for FCT: the deduction method, the direct method, and the hybrid method.

Under the deduction method, the foreign company will pay according to standard rules for CIT and VAT (see the respective sections for more details). Under the direct method, companies pay CIT and VAT based on specific rates. Under the hybrid method, companies pay VAT according to standard rules (see the VAT section), and pay CIT based on specific rates. The table below lists out the specific rates used in the direct and hybrid methods:

Category	Items	VAT Rate (%)	CIT Rate (%)
Goods	• Goods accompanied by services in Vietnam	Exempt	1%
Services	• Services provided or consumed within Vietnam	5%	5%
	• Services together with supply of equipment	3%	2%
	• Restaurant, hotel, and casino management	5%	10%
Others	• Construction and installation without supply of materials and equipment	5%	2%
	• Construction and installation with supply of materials and equipment	3%	2%
	• Leasing of machinery and equipment	5%	5%
	• Leasing of aircraft and vessels	Exempt	2%
	• Transportation	3%	2%
	• Interest	Exempt	5%
	• Royalties	Exempt	10%
	• Insurance	Exempt or 5%	5%
	• Reinsurance	Exempt	0.1%
	• Securities transfers	Exempt	0.1%
	• Financial derivatives	Exempt	2%
	• Other activities	2%	2%

Other business taxes in Vietnam that may be applicable depending on a company's business activities include:

- Property tax, a tax payable on the rental fees for land use rights, or land ownership;
- Special Sales Tax (SST), which is a form of excise tax that applies to production or import of certain goods (certain vehicles, and gambling, smoking, or liquor-related goods), and the provision of certain services (typically related to gambling);
- Natural Resources Tax (NRT), a tax payable by industries exploiting Vietnam's natural resources; and
- Environment Protection Tax (EPT), a tax payable on production and import of goods deemed harmful to the environment, such as petroleum and coal.

C. Transfer Pricing Provisions[7]

The transfer pricing provisions for Vietnam are Decree 20/2017/ND-CP (Decree 20), which were enacted in February 2017 and came into effect in May 2017. A guiding Circular 41/2017/TT-BTC (Circular 41) was enacted in April 2017 and also came into effect in May 2017.

Major points of the transfer pricing provisions are as follows:

- Three-tiered transfer pricing documentation including a master file, a local file, and a country-by-country report (CbCR), which must be submitted together with the annual CIT return within 90 days of the fiscal year end;
- Tax authorities have the power to use internal databases for transfer pricing assessment purposes, should taxpayers be deemed non-compliant with Decree 20;
- If the taxpayer's ultimate parent company is located in Vietnam and has global consolidated revenues in the fiscal year of over VND 18,000 billion, the ultimate parent company in Vietnam is responsible for preparing and submitting the CbCR. However, if the ultimate parent is outside Vietnam, the Vietnamese entity is responsible for obtaining a copy of the ultimate parent company's CbCR and submitting this upon request by the tax authorities;
- Companies engaging in related party transactions solely with domestic related parties could be exempt from requirements to disclose information of these transactions, provided that both parties have the same tax rate, and neither party enjoys tax incentives;
- Companies may be exempt from preparing transfer pricing documentation if the company:
    - Has revenue of VND 50 billion or less, and total value of related party transactions of VND 30 billion or less; or
    - Has revenue of VND 200 billion or less, performs simple functions, and achieves earning before interest and taxes (EBIT) margins from the following businesses of at least: distribution (5%), manufacturing (10%), processing (15%); or
    - Concludes an advance pricing agreement (APA), and submits annual APA reports.
- A cap of 20% of EBITDA on the tax deductibility of total interest costs; and
- Various criteria for tax deductibility of tax service charges. For example, taxpayers must demonstrate that the intercompany services provide commercial, financial, and economic value, and provide evidence for the reasonableness of the charges.

D. Statutory Auditing Requirements and Accounting Standards

Audit Requirements

Vietnam has issued 47 auditing standards which are primarily based on international auditing standards.

All companies must file annual financial statements, and are required to appoint a Chief Accountant satisfying the Law on Accounting and guiding regulations. The annual financial statements must be approved by the Chief Accountant and the legal representative of the company. Listed enterprises and public interest enterprises must additionally prepare interim financial statements.

Audited annual financial statements must be completed within 90 days of the fiscal year end date and interim financial statements must be completed within 45 days from the end date of the first half of the fiscal year. These financial statements should be filed with the Ministry of Finance, local tax authorities, Department of Statistics, the applicable licensing body and other relevant authorities.

Audit contracts should be signed with independent auditing companies no later than 30 days before the end of the enterprise's fiscal year. Signing auditors are required to be rotated after three consecutive years. Practising auditors for public interest entities are additionally required to be rotated after four consecutive years. Audit firms for credit institutions are also required to be rotated after five consecutive years.

Accounting Standards

There are currently 26 Vietnamese Accounting Standards (VAS), which were issued between 2001 to 2005 and were primarily based on old versions of the International Accounting Standards (IAS). Some key accounting standards, such as those for financial instruments and impairment of assets, have yet to be issued in Vietnam.

The Accounting Law issued by the National Assembly is the highest accounting regulation in Vietnam. Accounting issues are governed by various decisions, decrees, circulars, official letters, and the VAS.

Certain financial industries, including credit institutions, insurance, securities, fund managers, and funds have industry-specific accounting guidelines. Accounting guidelines for credit institutions are issued by the State Bank of Vietnam.

The basic set of financial statements prepared under VAS comprises the following:

- Balance sheet;
- Income statement;
- Cash flow statement; and
- Notes to the financial statements, including a disclosure on changes in equity.

II. Banking & Currency Control

A. Bank Account Setup Requirements and Restrictions for Foreign Direct Investment (FDI)

Bank Account Setup Requirements[8]

Both locally and foreign incorporated companies can open business bank accounts in Vietnam. Foreign companies may open accounts denominated in VND, and may also open accounts denominated in USD and other foreign currencies.

Each bank may require different minimum deposits to open an account. Each application will generally require a bank-issued application form, a copy of the notification on use of the company seal from the Business Registration Office, the Charter of the Company, the Enterprise Registration Certificate, and other specific documents.

Foreign Direct Investment (FDI) Restrictions[9]

Vietnam generally welcomes FDI. The overarching law governing investments in Vietnam is the Law on Investment (LOI). The LOI provides incentives for investors in specific industries and projects, and also lists out activities that foreign and local investors may be restricted from, as well as the industries designated as government monopolies.

Definition of "Foreign Investment"

Under the LOI, foreign investors are "any foreign organisation or individual using capital in order to carry out an investment activity in Vietnam". A foreign investment means that "a foreign investor brings into Vietnam its capital in lawful cash or other assets in order to carry out an investment activity".

Restricted Business Activities Under the Law on Investment (LOI)

The LOI prescribes certain industries that are prohibited from any investment (foreign or local). For more information, please refer to section 8 of this report.

B. Restrictions on Inbound and Outbound Funding in Foreign Currency and Local Currency

Foreign Currency[10,11,12]

The foreign exchange control policy in Vietnam is primarily administered by the State Bank of Vietnam (SBV). Vietnam has imposed certain foreign exchange controls, which are designed to limit foreign currency outflows. The Vietnam government has also been introducing measures to reduce dependency on USD.

All buying, selling, lending, and transfer of any foreign currency must be made through banks or other financial institutions authorised by the SBV. Remittance of foreign currencies offshore is permitted only in specific cases, including:

- Remittance of invested capital and profits;
- Repayment of offshore loans, and other payments related to such loans;
- Payments for certain imported goods and services; and
- Funding permitted activities offshore, such as offshore investments and offices.

Foreign individuals working in Vietnam are permitted to receive salaries, bonuses, and allowances in foreign currencies, and may deposit these amounts in foreign currency accounts in Vietnam.

Restrictions of foreign currency earnings, payments, and exchange transactions may not apply to companies operating in export processing zones (EPZ). For more information, please refer to section 9 of this report.

There are no restrictions on the amount of foreign currency that may be brought into or out of Vietnam, but any amount over USD 5,000 or equivalent must be declared upon arrival or departure.

Local Currency

The VND is not freely convertible, and cannot be remitted overseas. VND must be used for all domestic transactions, except in certain specified cases.

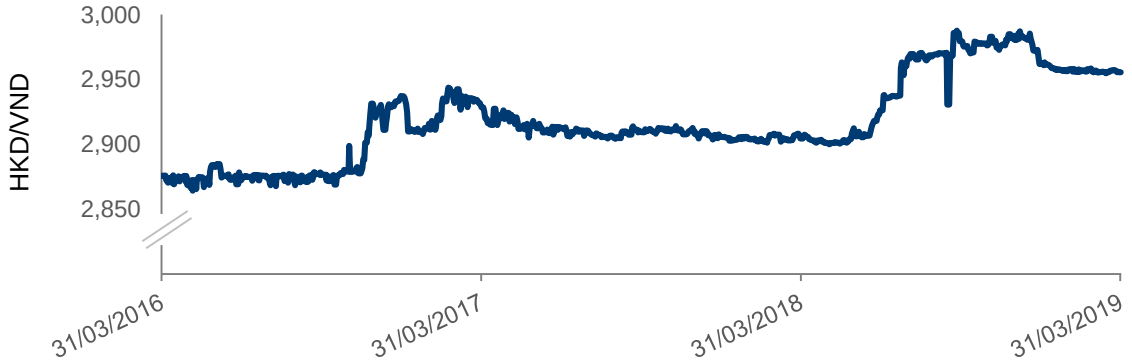
There are no restrictions on the amount of VND that can be brought into or out of Vietnam, but any amount over VND 15 million (around USD 650) must be declared upon arrival or departure.

C. Policy on Foreign Exchange Rate and Three-year Historic Trend

A managed floating exchange rate regime is adopted by Vietnam by which the value of the VND is determined mainly by market forces to allow the currency to fluctuate within a range determined by the SBV.

Publishing or quoting prices for products or services by Vietnamese businesses in foreign currencies are not permitted, even for businesses established by foreign investors.

Three-year Exchange Rate Trend for HKD to VND (Part 1/2)[13]



Three-year Exchange Rate Trend for HKD to VND (Part 2/2)[13]

Date	HKD/VND Rate
30/03/2016	2,876.06
30/03/2017	2,928.57
30/03/2018	2,903.96
30/03/2019	2,954.28

D. List of Banks from Foreign Investments[14,15]

As of 30 June 2018, there are nine wholly-owned foreign banks in Vietnam according to the SBV. The Vietnamese government plans to limit or completely stop issuing new licenses for wholly-owned foreign banks, in order to encourage takeovers of weaker local lenders.

List of Wholly-owned Foreign Banks

	Names of Banks
	ANZ Bank (Vietnam) Limited - ANZVL
	Hong Leong Bank Vietnam Limited - HLBVN
	Hongkong – Shanghai Bank Vietnam Limited - HSBC
	Shinhan Bank Vietnam Limited - SHBVN
	Standard Chartered Bank (Vietnam) Limited - SCBVL
	Public Bank Vietnam
	CIMB Vietnam
	Woori Bank Vietnam
	United Overseas Bank Vietnam

In addition, there are 47 foreign bank branches, and 49 foreign banks that have a representative office in the country. For a detailed list of the foreign bank branches and representative offices, please refer to Appendix 1.

Source:

[1] *Vietnam – Taxes on corporate income, PwC*

[2] *Vietnam Pocket Tax Book 2019, PwC*

[3] *Vietnam Tax Profile, KPMG, Aug 2018*

[4] *About us, General Department of Taxation*

[5] *Comprehensive Double Taxation Agreement – Vietnam, Inland Revenue Department of the Government of the Hong Kong Special Administrative Region*

[6] *Vietnam Highlights 2019, Deloitte*

[7] *Decree 20/2017/ND-CP, The Government of the Socialist Republic of Vietnam*

[8] *Doing Business 2019 – Vietnam, World Bank*

[9] *Law on Investment, National Assembly of the Socialist Republic of Vietnam*

[10] *Foreign Investment (June 2018), Clifford Chance*

[11] *Doing Business in Vietnam 2018, Deloitte*

[12] *Viet Nam Customs, Currency & Airport Tax regulation details, International Air Transport Association*

[13] *Bloomberg*

[14] *Wholly Foreign-Owned Banks, State Bank of Vietnam*

[15] *Vietnam to limit new foreign bank licenses to encourage local acquisitions (Aug 2018), Reuters*

4. Labour, Compensation Rule and Labour Supply Situation

Executive Summary

Vietnam's labour laws provide guidance on matters such as maximum working hours, minimum wages and welfare to protect employees.

The sizable labour force is an attractive factor for expanding manufacturing operations to Vietnam for Mainland China and Hong Kong businesses. However, since the ratio of highly educated and skilled labour is still low, considerable investments in employee training are expected. Another concerning factor in recent years is the increasing labour costs in Vietnam, in which the average monthly manufacturing and construction salary has been increasing at around 8% per year from 2015 to 2018.

Vietnam generally welcomes foreign workers and they can be employed in the country as managers, general directors, experts or technicians. They are required to obtain a work permit for legal employment in Vietnam, subject to certain exemptions.

4. Labour, Compensation Rule and Labour Supply Situation

I. Overview on Laws and Regulations over Local Labour Employment

A. Contracts and Protection Towards Employees[1,2,3,4,5,6]

The legal framework for Vietnamese employment conditions are set out in the Labour Code and other relevant regulations.

In general, employers and employees are free to negotiate their labour contracts, provided that the contract terms are not less favourable than the conditions prescribed by law.

Minimum Legal Working Age

The minimum age of employment is 15 under normal working conditions and 16 under hazardous working conditions (except for apprentices working in approved trade training centres, who must be at least 13).

Labour Contracts

In Vietnam, all workers (including full-time, part-time, temporary, and agency workers), must enter contracts with their employers, which are subject to the regulations under the Labour Code. All labour contracts must be in writing, except for certain temporary jobs of less than three months which can be contracted verbally. If the employment concerns foreigners, bilingual contracts (one of which must be Vietnamese) may be used but should inconsistencies between the two languages arise, the Vietnamese version prevails.

There are three types of labour contracts in Vietnam depending on the term:

- Indefinite term: contract without specification of the term and employment termination date;
- Definite term: contract with exact employment termination date, typically with a period of 12 to 36 months;
- Specific/seasonal term: contract of a specific/seasonal job of less than 12 months.

Probationary Contract/Provision

Before entering into longer term contracts (i.e. definite or indefinite), it is a common practice to arrange a probationary period when hiring new workers in Vietnam, especially for jobs that require certain levels of technical skills. Employers can include the probation period in the labour contract or enter into a separate probation contract.

Probationary periods may last up to 60 days, depending on the types of job requirements:

Job Requirements	Max. Probationary Period
Jobs requiring a college diploma or above	60 days
Jobs requiring a specialised worker or technical qualifications like secondary vocational certificate and secondary professional qualification	30 days
Other jobs including manual and general manufacturing labour	6 days

During the probationary period, the employer must pay a salary corresponding to at least 85% of the ordinary salary. Either party may terminate the employment during the probation without notice or paying compensation.

Apprenticeship

If companies or factories cannot hire employees with sufficient skills or want to train their own workers, the owners have the option to enter into "apprentice contracts" with new workers. In general, apprentice contract terms are based entirely on mutual agreement, including wage, duration of apprenticeship, etc.

Employers are not required to register apprenticeships as vocational training activities, but they must not charge fees for any training provided during an apprenticeship and must enter into a written contract with the apprentice. At the end of the apprenticeship, new labour contracts must be signed to establish a formal employment relationship if the employer would like to hire the apprentice as a formal employee.

Periodic Declaration of Use of Employees

The employer is required to declare its use of employees periodically to the Provincial Departments of Labour, War Invalids and Social Affairs (DOLISA), with the first declaration to be done within 30 days from the date of its commencement of operation. Further reports of labour usage changes (including termination of employment) must be submitted every six months.

Internal Labour Rules (ILRs)

Employers with more than 10 employees must establish written ILRs. The employer must consult with the company's trade union (if applicable) and register the ILRs with the DOLISA. Without an effective ILR, the employer will not be able to apply any disciplinary actions to employees or terminate labour contracts, even within circumstances prescribed by law.

Salary Payment

The compensation of Vietnamese employees must be paid in Vietnamese Dong (VND), while foreign employees can be paid in foreign currency.

Renewal of Labour Contract

The definite or seasonal term labour contracts must be renewed within 30 days after the expiry date of the old contract; otherwise the contract will be converted to an indefinite contract (for definite contract) or a definite contract (for seasonal term contract).

In all cases, after two consecutive definite term contracts, an indefinite term labour contract must be entered for the continuation of employment. In other words, employers cannot enter into three consecutive definite contracts with any employees.

Termination of Employment

The Labour Code specifies circumstances where employees and employers can lawfully terminate the labour contract unilaterally. Required notice period and compensation are also explicitly stipulated by law.

Notice Period

The notice period varies depending on the type of labour contract.

Type of Labour Contract	Notice Period (for both employers and employees)
Indefinite Term	45 days
Definite Term	30 days
Specific/seasonal Term	3 working days

Permitted Grounds for Unilateral Termination of Employment

Both employers and employees are permitted to terminate a labour contract unilaterally. However, in general, employers are subject to more stringent conditions. The table lists out some of the common causes for labour contract termination.

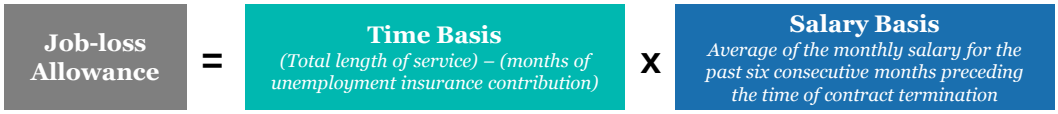
Examples of Permitted Grounds for Unilateral Termination of Contracts in Vietnam			
Initiated by Employee		**Initiated by Employer**	
Indefinite Term Contracts	1. Unilateral termination is permitted without cause;	Under all types of contracts	1. Employee repeatedly fails to perform his work in accordance with the terms of his contract;
Definite Term Contracts	2. Employee is assigned a duty or assigned to work at a location/condition inconsistent with the labour contract, or against his/her will;		2. Employee is ill and remains unable to work after having received treatment for certain periods of time;
	3. Employee is not paid in full or on time; and		3. Employer must reduce production after attempting all measures to recover from an event of force majeure; and
	4. Employee is maltreated or forced to do inappropriate tasks, etc.		4. Termination for disciplinary violations, etc.

Severance Payment

Employees working for at least 12 months shall be entitled to severance allowance upon termination of labour contract (exception in cases of dismissal on disciplinary grounds). Severance payment is calculated as follows:

Severance Payment = **Time Basis** *(Total length of service) – (months of unemployment insurance contribution)* x **Salary Basis** *Average of the monthly salary for the past six consecutive months preceding the time of contract termination* x **1/2**

Job-loss allowance: In the event of retrenchment due to organisational restructuring (mergers & acquisitions, separation, transfer of assets, etc.) or technology changes, the terminated employee is entitled to job-loss allowance provided that the worker has been working for 12 months or more. The allowance is calculated as follows, subject to a minimum of two full months' pay:



B. Minimum Wage Level[7,8,9,10]

There are national and regional minimum wage level in Vietnam. The national minimum wage is used to determine social and health insurance contributions while the regional minimum wage governs the minimum stated salary in labour contracts of Vietnamese employees in that particular region.

The monthly national minimum wage is VND 1.49 million (around USD 64) starting from 1 July 2019 as stipulated in Decree 38/2019/ND-CP.

The regional minimum monthly wages are categorised into four regions according to Decree 157/2018/ND-CP with effect from 1 January 2019. The regional minimum wage levels are set as follows:

VND 4.18 million

Region I

Includes:
- ***Urban and certain sub-urban districts*** *in Hanoi, Hai Phong City, Ho Chi Minh City and Ba Ria – Vung Tau and Dong Nai Province*
- *Binh Duong Province*

VND 3.71 million

Region II

Includes:
- ***Remaining sub-urban districts*** *in Hanoi, Hai Phong City, Ho Chi Minh City, Ba Ria – Vung Tau and Dong Nai Province not included in Region I*
- *Certain cities and towns of other medium provinces*

VND 3.25 million

Region III

Includes:
- *Certain towns and sub-urban districts of medium provinces and cities*
- *Certain towns of small provinces*

VND 2.92 million

Region IV

Includes:
- *Other less developed areas not mentioned in Region I - III*

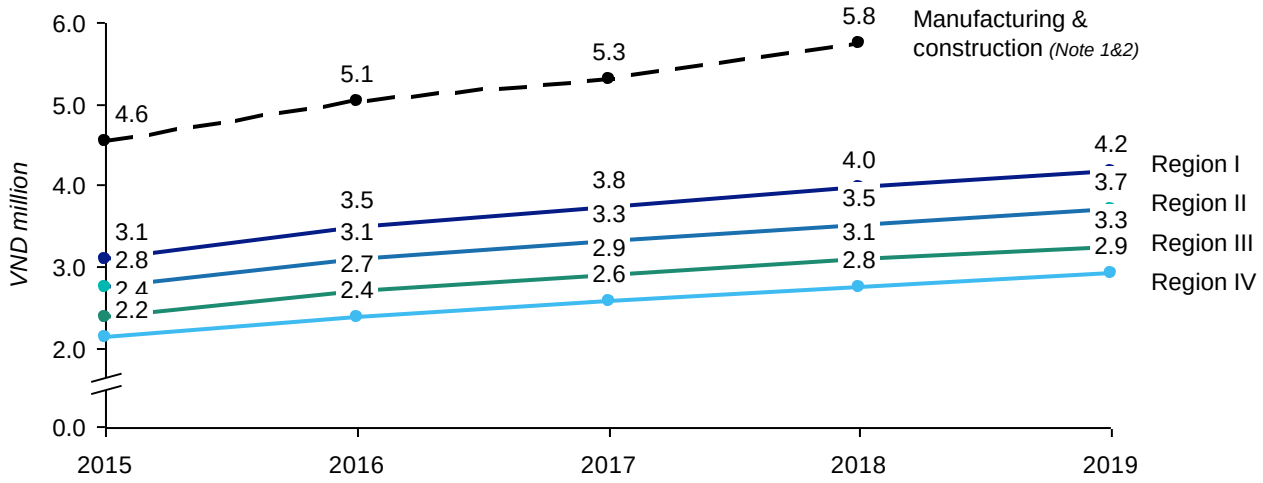
The above mentioned wage rates only apply to Vietnamese employees without vocational training. Employees considered as skilled workers by law (e.g. holders of vocational training certificates/ diplomas, graduates from professional secondary schools or above, etc.), shall be paid at least 7% higher than the regional minimum wage.

There is no specific minimum wage established for apprentices, but employers are encouraged to pay a reasonable subsidy to cover their transport and meals.

Both foreign and local enterprises shall apply the regional minimum wages according to the operating regions of their headquarter and branches. Enterprises operating in industrial parks and export processing zones will instead apply the highest regional minimum wage level within the province.

The regional classifications of individual city may be subject to change year by year. Please refer to the Ministry of Labour for updated regional rates.

Vietnam's Five-year Monthly Minimum Wage Trend by Region (2015 – 2019) and Average Monthly Wage in Manufacturing and Construction Sector (2015 – 2018)



Note 1: The latest available data in 2018 is as of Q1. The other data points in 2015 – 2017 are as of Q4.

Note 2: Based on constant exchange rate as of 28 Jun 2019, the average monthly wage in manufacturing and construction sector in USD, based on constant exchange rate on 28 Jun 2019, is as follows: 2015: USD 194; 2016: USD 216; 2017:USD 227; 2018: USD 246.

Over the past five years, the minimum wages across all regions have been increasing at a rate of 8% per year. As for the manufacturing and construction sector, the average monthly wage has been consistently at around 45% higher than the minimum wage in Region I.

C. Maximum Working Hours and Days[2,3,4]

The maximum number of hours per day is eight hours in normal working conditions or six hours in hazardous working conditions, but not exceeding 48 hours per week.

Employees are who work for eight consecutive hours in normal working conditions or six consecutive hours in hazardous working conditions are entitled to at least a 30 minute break within their respective working hours. Employees who work night shifts (between 10pm-6am of the following day) are entitled to at least a 45 minute break within their working hours.

Overtime

Overtime is normally limited to 4 hours/day, 30 hours/month and 200 hours/year. In some sectors, the limit may be extended to 300 hours/year subject to the approval of the labour authority. The overtime pay must be at least 150% of actual hourly wage on a normal working day; at least 200% on a weekly day off; and at least 300% on a public holiday or paid days off.

D. Mandatory Welfare[1,5,11,12,13,14]

Compulsory Social Insurance (SI), Health Insurance (HI) and Unemployment Insurance (UI)

Eligibility of participation in SI/ HI/ UI: Whether an employee is subject to compulsory insurance contribution depends on the employee's nationality and the type of labour contract:

- SI: Vietnamese and foreigners with an indefinite term or definite term contract of at least one month;
- HI: Vietnamese and foreigners with an indefinite term or definite term contract of at least three months;
- UI: Only Vietnamese workers with an indefinite term or definite term contract of at least three month.

Contribution Basis

The types of income subject to SI/HI/UI contributions include salary, certain allowances and other regular payments prescribed in law, but is capped at 20x of national minimum wage for SI/HI and 20x of regional minimum wage for UI. The following table summarises the SI/HI/UI contribution basis and contribution percentage for employee and employer.

Type of Insurance	Maximum Cap of Contribution Basis	Employee Contribution %	Employer Contribution %
SI	VND 29.8 million	8.0%	17.5%
HI		1.5%	3.0%
UI	VND 58.4 million – 83.6 million	1.0%	1.0%
Total		10.5%	21.5%

Other Statutory Rights of Employees Under the Labour Code

The Labour Code of Vietnam includes a wide range of protections and rights for Vietnamese employees:

- Holiday entitlement: all local and foreign employees are entitled to 12 days annual paid leaves (or 14 – 16 days if working under hazardous conditions) with one additional day for every five years of employment. There are 10 public holidays with full salary payment for employees in Vietnam, in addition to which, a foreign employee is entitled to one day off for the traditional new year and national day of his country respectively;
- Sick leave: all Vietnamese employees are entitled to paid sick leaves ranging from 30 to 70 days per year, depending on the number of years of contribution to social insurance and working conditions. The sick leave pay is covered by the social insurance fund, not by the employer. Sick leave entitlement for foreign workers is subject to negotiation between employer and employee;
- Maternity rights: female workers are entitled to six months of maternity leave. They are paid at 100% of the average monthly gross income, which are covered by the social insurance fund. The maternity entitlements of foreign employee is, however, subject to negotiation with employer; and
- Other statutory leave entitlements: the Labour Code also permits paid leaves for various personal commitments, including marriage, bereavement, parental commitments, (i.e. paternity, surrogacy, adoption and parental care) etc.

Besides the abovementioned statutory rights, an employer must also comply with relevant laws and regulations and satisfy their obligations to ensure occupational safety and hygiene, as well as prevent work-related accidents and occupational diseases.

E. Labour Law Governing Authorities, Enforcements, and Restrictions[2,11,15,16,17]

Governing Authorities

- The Ministry of Labour, War Invalids and Social Affairs (MOLISA): the MOLISA is the government body authorised to implement national policies on employment, provide guidance concerning such policies, and supervise those subject to the policies to ensure compliance; and
- Provincial Departments of Labour, War Invalids and Social Affairs (DOLISA): the DOLISA administers employment issues within its governed province. It is responsible for the registration of a company's internal labour rules (ILRs), review of renewal applications for work permits and reports on termination of employment.

Labour Law Enforcements

- The Vietnam General Confederation of Labour supervises compliance with labour laws;
- The People's Court is the judicial institution responsible for settling labour disputes, which comes at two levels as follows:
  - The People's Court in a district level has jurisdiction to settle labour disputes involving local employer located within its governed district and its local employees; and
  - The People's Court in a province or centrally-run city, on the other hand, has jurisdiction to settle labour disputes that involve foreign companies/individuals and that relate to an entity located within that province or city.

Restrictions on Employment

Restrictions on Foreign Employment

Generally, foreigner nationals can only be employed as manager, general director, expert or technician (as prescribed in the Law of Enterprises). Under Vietnam's commitments to the World Trade Organization (WTO), at least 20% of the total number of the managers, executive directors and experts of the enterprise must be Vietnamese citizens, but at least three non-Vietnamese managers, executives and specialists should be permitted per enterprise.

The labour laws do not prohibit any industries where foreigners cannot be employed.

Restrictions on Labour Outsourcing Services in Vietnam

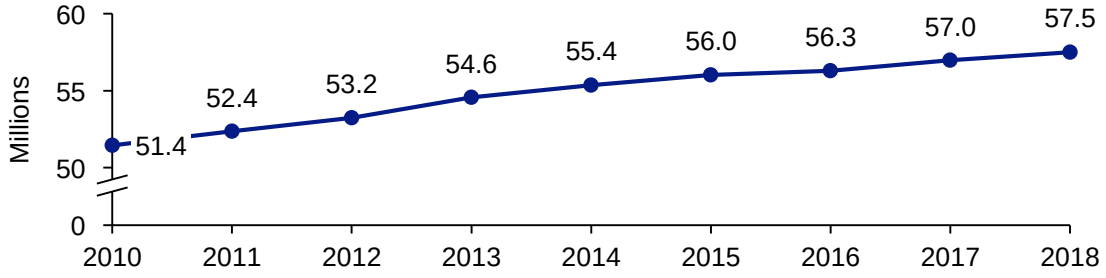
According to Decree No. 55/2013/ND-CP, labour outsourcing services are restricted to 17 job categories, including sales support staff, financial and tax consultants, and manufacturers of telecom equipment etc.

The duration of labour outsourcing service may not exceed 12 months and may not be extended with the same outsourced employee, but the company supplying the outsourced employee is not bound.

II. *Local Labour Supply Market Condition*

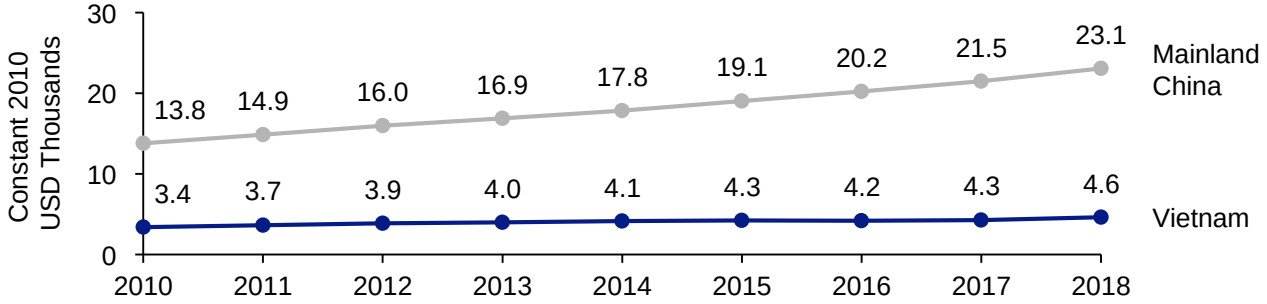
A. Supply Situation for Total Labour Force[18,19]

Vietnam Total Labour Force (2010 – 2018)



The total labour force was around 57.5 million in 2018. Workforce between the ages of 15 and 39 years accounted for nearly half of the total labour force. As of 2018 Q1, around 39% of the labour force worked in the agricultural sector, 35% in the service sector (vs 32% in 2014) and 27% in the manufacturing and construction sector (vs 22% in 2014). It shows that agricultural labour has been shifting to service, manufacturing and construction sectors.

Vietnam Industry Labour Productivity (value added per worker) *(Note)* (2010 – 2018)

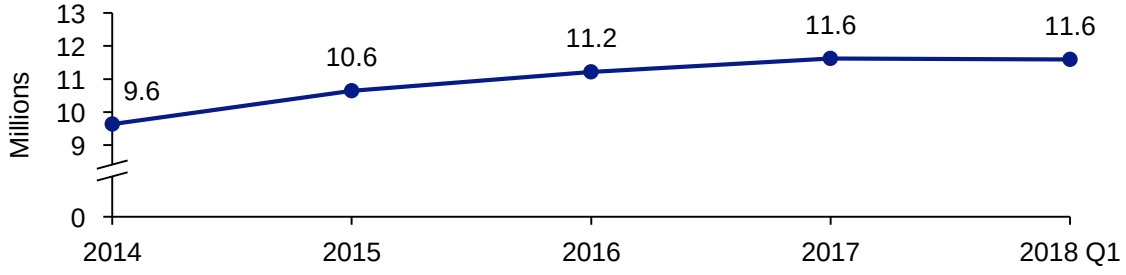


Vietnam's labour productivity grew at a lower rate (around 3.9%) than Mainland China's (around 6.7%) between 2010-2018, and its productivity was around 80% lower in comparison to Mainland China in 2018. When compared with other ASEAN countries, Vietnam's productivity is the second lowest (i.e. only higher than that of Cambodia).

Note: Industry labour productivity measures the value added per worker in manufacturing, construction, mining and quarrying and public utility sectors.

B. Supply on Educated Employees[20]

Vietnam Estimated Employed Population with Higher Education (2014 – 2018 Q1)



The estimated employed population with at least three months of vocational training, professional secondary school, professional college and other tertiary education was around 11.6 million in Q1 2018, around 21% of the total employed population. Only 12% of the employed population possessed tertiary education in Vietnam.

C. Government Support on Employee Training[21,22]

The Law on Vocational Education and Training (VET Law) established in 2015 provides the rights and responsibilities of the government and private enterprises in vocational training:

- The MOLISA is the government body responsible for overseeing the national vocational training system; and
- Private enterprises should provide information on training needs to training institutes and create conditions for employees to join vocational training in working hours.

The Vietnam government also provides preferential tax policies for enterprises engaging in vocational training activities. For example, expenditures for the purchase of fixed assets for VET activities and expenditures incurred for employees' training are tax deductible.

As of February 2018, there are over 1,900 public and private vocational training institutes in Vietnam. They offer programmes in various sectors such as garment and textiles, precision mechanics, construction, etc. For further detail on programmes, please consult the individual vocational training institutions.

D. Labour Unionisation and Related Government Regulations[5,17]

The Labour Code and the Law on Trade Unions regulate all the activities of trade unions in Vietnam. The Vietnam General Confederation of Labour (VGCL) is the umbrella organisation to all the grassroots trade unions established at company level. The minimum establishment requirement of a grassroots trade union is five employees. All local and foreign companies in Vietnam are required to allow their employees to form trade unions and grant union officers are granted certain paid time off to fulfil their duties in the unions.

Union Fee

The employer is required to contribute 2% of total SI contribution basis of all employees per month as a trade union fee.

Collective Labour Agreements (CLA)

If requested by the majority of employees in the company, the employer and the enterprise's trade union shall enter into a CLA, setting out terms and conditions regarding both parties' rights and obligations. The CLA must be registered with DOLISA.

Strike

The law stipulates that a legal strike must be organised and led by trade union according to the statutory process. A strike may be deemed illegal if the strike participants do not work for the same company or the strike does not arise due to collective labour disputes, among other reasons. If the provincial court considers the strike to be illegal, the employer may require the trade union or even employees to compensate their losses.

E. Work Permits and Visa[5,23]

Work Permits

In general, all non-Vietnamese nationals are required to obtain a work permit from DOLISA before the commencement of employment. A work permit is valid for a maximum period of 24 months and may be renewed afterwards.

Exemptions for Work Permit

There are various exemptions for foreign workers to be employed in Vietnam without a work permit. In order to enjoy the exemptions, except if otherwise specified, the employer must file an application of "Confirmation on Work Permit Exemption" with the DOLISA. The most common exemptions are laid out in the following table.

Category	Conditions for Exemptions
Short term assignment (30/90 rule)	• Each employment of not more than 30 days; • Total employment not exceeding 90 days per year; and • Exempted from applying a "Confirmation on Work Permit Exemption".
Short term assignment (3-month category)	• Stay in Vietnam less than three consecutive months; • Sell services or handle emergency matters/technical issues; and • Exempted from applying a "Confirmation on Work Permit Exemption".
Investor/member of Board of Directors	• Capital contributing member/owner of a limited liability company; and • Member of the Board in a Vietnamese entity.
Lawyer	• Holder of Foreign Registered Lawyer License.
Internal transfer in 11 service industries in Vietnam's WTO commitments	• Assigned by a foreign company to work in its Vietnamese subsidiaries/branches; and • Employed by the original foreign company for at least 12 months before transferring to Vietnam.

Application Process

Employers are responsible for ensuring legal employment of foreign employees in Vietnam, which involves the three steps described below.

Application Steps	Documents Required	Timeline	Outcome
Step 1 Registration of the need of using foreigners	• Report on the need of using foreigners	10 working days	Approval on the need of using foreigners
Step 2 Application for a work permit	• Application form • Approval on the need of using foreigner from Step 1 • Criminal record from overseas or in Vietnam • Health check from overseas or in Vietnam • Experience confirmation and Educational Qualification	7 working days	Issue of work permit
Step 3 Submission of labour contract (recruitment case)	• Copy of signed labour contract	The signed labour contract must be submitted to the labour authority within 5 working days upon the date of signing the labour contract	

Visas

Foreign nationals must hold valid visas to enter and remain in Vietnam but visas do not confer the rights of employment. Thus, in order to work in Vietnam, both visa and work permit are required. The following are the visas commonly held by the foreign employees in Vietnam:

- Business visa: this type of visa targets foreigners entering Vietnam for business purposes with common validity of three months.
- Working visa: this type of visa is issued when the foreigner obtains a work permit, with a maximum validity of two years.
- Investment visa: foreign investors mentioned in the Enterprise Registration Certificate and the Investment Registration Certificate can apply for this visa with a maximum validity of five years.
- Temporary Residence Card (TRC): foreign workers who reside in Vietnam for at least one year with a valid work permit may be granted a TRC (subject to a maximum validity of five years) to replace their visa. The dependent family members of the foreign worker are entitled to TRC as well. The TRC can be renewed if the foreign worker continues to work for the same company sponsoring the visa.

Travelling to Vietnam

Hong Kong residents are required to apply for a visa to enter Vietnam for any purposes (including tourism). Individuals may apply for a Vietnam visa via 1) Online (www.vietnamimmigration.org/vietnam-visa-application-online); 2) Embassy or consulate of Vietnam in Hong Kong; or 3) Request for visa on arrival from the Immigration Department of Vietnam through authorised travel agencies.

F. Religious and Cultural Concerns or Considerations[24,25]

Religion

Vietnam is officially an atheist country. However, many Vietnamese follow folk religions and religious customs. The most common religions in Vietnam include Mahayana Buddhism, Catholicism, Protestantism, Daoism, etc. There may still be sensitivities around discussing religion in public and foreigners should be aware and mindful when invited to such discussions.

Culture

Personal relationships play a large role in Vietnamese business culture. Trust is key to good business; thus third-party introductions maybe necessary for a new business relationship. Moreover, gift giving is common and welcome in Vietnam as a token of appreciation, however one should be mindful of the value of the gifts sent or received in order to avoid bribery offenses.

Source:

[1] *Vietnam Labour Laws 2019, PersolKelly*

[2] *Legal guide to investment in Vietnam, Allens & Linklaters*

[3] *Doing business in Vietnam 2018, Foreign Investment Agency of Ministry of Planning and Investment Foreign and Deloitte*

[4] *An Introduction to doing business in Vietnam 2018-19, Dezan Shira & Associates*

[5] *Managing Change – labour law in Vietnam, Rodl & Partner*

[6] *Guide to Vietnamese Labour Law for the Garment Industry 2018, International Labour Organization (ILO) and International Finance Corporation (IFC)*

[7] *PwC Vietnam Legal NewsBrief – New minimum salaries from January 2019, PwC*

[8] *PwC Vietnam NewsBrief - Government boosts minimum basic salary from July 2019, ,PwC*

[9] *Decree 157/2018/ND-CP, Ministry of Labour, War Invalids and Social Affairs (MOLISA)*

[10] *Minimum Wage – Vietnam, WageIndicator.org*

[11] *Labour inspection country profile: Vietnam, International Labour Organisation (ILO)*

[12] *Employment and employee benefits in Vietnam, Thomson Reuters Practical Law*

[13] *Social Insurance Law from 2018, Mazar*

[14] *Vietnam Briefing – Managing Human Resources in Vietnam, Dezan Shira & Associates*

[15] *Doing Business in Vietnam, PwC*

[16] *New Guiding Decree on Labour Outsourcing Services in Vietnam, Tilleke & Gibbins International Ltd*

[17] *Employment Manual, Russin & Vecchi International Legal Counsellors*

[18] *Total Labour Force (Vietnam), The World Bank*

[19] *Industry (including construction), value added per worker (constant 2010 US$), the World Bank*

[20] *Vietnam Labour Force Survey (2014 – 2018), General Statistic Office of the Ministry of Planning and Investment*

[21] *Vietnam Vocational Education and Training Report 2016 (issued in 2018), Directorate of Vocational Education and Training*

[22] *Vietnamese Government to Provide Vocational Training for 2.2 Million People, HR in Asia*

[23] *VietnBwqam Visa Requirement For Hong Konger, Vietnamimmigration.org*

[24] *Cultural Information – Vietnam, Global Affairs Canada*

[25] *The Cultural Atlas, IES, 2019*

5. Research and Development Environment

Executive Summary

Vietnam transformed from a low income to a middle income country mainly through low-tech manufacturing development, and the country is now a major Southeast Asian manufacturing hub. The national government has implemented the 2011-2020 Strategy for Science and Technology (S&T) Development to help the country grow from a low-tech to a hi-tech manufacturing hub and boost economic competitiveness.

However, the country is lagging behind and is still far from reaching the targets set in the Strategy. The S&T development is experiencing major hurdles. The lack of a skilled workforce and a poor intellectual property protection framework slow down foreign investments and prevent Vietnam from upgrading its economy.

5. Research and Development Environment

I. The Science and Technology (S&T) in Vietnam

Vietnam is a well-known manufacturing hub in Southeast Asia. In recent years, it has also grown into an attractive destination for research and development (R&D) investment. This trend is supported by the government's strong will to upgrade the country's S&T capacity, through establishing national policies to develop S&T in the country.

A. Policies and Trends in S&T

The Strategy for Science and Technology Development for 2011–2020[1]

Vietnam's Ministry of Science and Technology (MOST) drafted an overall strategy to guide the country towards an S&T ecosystem upgrade over a ten-year period. The Strategy for Science and Technology Development for 2011–2020 sets broad policy directions designed to enhance every aspect of the S&T framework (i.e. education, investments, Intellectual Property (IP), international integration). S&T is a national priority for Vietnam and should contribute to the country's fast and sustainable socio-economic development. The overall objective of the strategy is to enhance Vietnam's economic competitiveness and reach the S&T level of the most advanced ASEAN countries. Other major goals are:

- Couple S&T with education and trainings in order to form a skilled workforce enabling the country to speed up industrialisation and modernisation;
- Reform S&T organisations and national agencies (e.g. management structure, operational mechanism) to promote R&D;
- Increase national S&T investments and further develop funding to help and incentivise companies to invest in R&D/S&T;
- Strengthen the IP Protection framework and increase enforcement levels in order to encourage R&D; and
- Enhance Vietnam's international integration in the S&T ecosystem to foster technology transfers and upgrade the country to international standards.

To reach the objectives mentioned above, MOST also drafted specific targets that will serve as indicators to assess the success of the Strategy. Some of the main numerical S&T goals are:

- The value of hi-tech products will account for about 45% of the GDP by 2020;
- The number of research publications from state-funded agencies should increase at a 15%-20% rate year-on-year;
- Total R&D investments should reach 1.5% of GDP in 2015 and 2% in 2020;
- The country should have a ratio of researchers and engineers of 11-12 per 10,000 people; and a total count of 10,000 hi-tech engineers by 2020; and
- By 2020, Vietnam aims to have 60 international level research institutions dedicated to S&T; 5,000 certified S&T enterprises and 30 hi-tech technology incubators.

In the 2011-2020 Strategy, MOST also lists out the key industries where an increase in R&D activities would benefit the entire country:

- Agriculture: become an agriculturally strong country in terms of rice, tropical and livestock products (e.g by using biotechnologies);
- Medicine and Pharmaceuticals: improve general living standards (e.g. by mastering advanced techniques in diagnosis and treatment of diseases);
- Energy: ensure an appropriate energy structure (e.g. by developing technologies in electricity, nuclear energy, renewable energies);
- Transport: study and develop safe, smart and environmental-friendly transport technologies;
- Construction: foster a sustainable urban and rural development; and
- Others sectors: which include marine research or natural resources management and usage.

Additional Specific Policies[2,3]

The Vietnamese government also developed other national policies targeting specific industries in order to strengthen the 2011-2020 Strategy. Some examples are the Sustainable Development Strategy or the Mechanical Engineering Industry Development Strategy. All the policies focus on the same aspects: develop a highly skilled workforce, increase investments in R&D, roll out fiscal incentives for S&T companies and steer towards a sustainable development.

Outlook[4,5,6,7,8]

Policies implementation is encountering major challenges. According to the recent situation assessment, Vietnam is unlikely to meet its 2020 objectives defined in the Strategy for Science and Technology Development. The implementation of the overall policy is confronted with major difficulties. First of all, national organisations and private companies are reluctant and afraid to go through technological changes. This is a direct result of a lack of government support and also of an unclear implementation roadmap. The country has also not yet managed to reform the state-owned S&T organisations and agencies. Another major obstacle is the difficulty for companies to profit from existing incentives. Private firms are faced with complicated and inefficient administrative procedures, preventing them from being certified as a S&T company. Without being certified by the government, companies are less likely to receive funding or being granted tax incentives. Last but not least, S&T businesses are still not able to become Vietnam's innovation engine. A lack of clear communication and efficiency prevents R&D advancement from being implemented in the business operations. As a result, companies fail to upgrade their products which will hinder Vietnam's improvement of its economic competitiveness.

These issues are therefore preventing Vietnam from meeting its S&T objectives and upgrading its economy:

- The country lacks S&T-focused enterprises: in 2019, only 380 firms are certified as an S&T enterprise and 2,100 are in the process to be certified versus an objective of 5,000;
- The economy is not hi-tech driven: only 5-6% of companies in the country are using hi-tech and advanced technologies while the target is around 40%; and
- Lack of transparency on R&D investments: data from 2015 indicates R&D investments of 0.44% of GDP versus a target of 1.5% of GDP in 2015.

As a result, Vietnam's innovation capabilities are decreasing compared to other countries. The country lost 11 places in the 2018 Global Competitiveness Index. Vietnam ranked 82nd out of 140 countries versus 71st in 2017 on the "Innovation Capability" criteria of this report. The country was only ranked higher than Laos and Cambodia among the ASEAN countries (Myanmar is not ranked in this report).

B. S&T Related Organisations

In Vietnam, the various ministries manage around 160 research institutions, which focus on agricultural and rural development, health, science and technology, as well as industry and trade. The most important S&T organisation in the country is the Ministry of Science and Technology.

Ministry of Science and Technology (MOST)[9]

The MOST is a governmental body responsible for overseeing and managing Vietnam's S&T related activities. Its areas of expertise include: development of the country's S&T potential, scientific research, technology development, innovation activities, IP protection and energy (i.e. atomic energy and nuclear safety). Its main missions are:

- To draft and implement long and short term S&T strategies;
- To support the establishment of a comprehensive S&T ecosystem in Vietnam (e.g. agencies, private sector, incubators, human resources); and
- To develop, guide and organise the implementation of IP laws related to S&T.

The MOST also manages two major Vietnamese funding agencies: the National Foundation for Science and Technology Development (NAFOSTED) and the National Technology Innovation Fund (NATIF).

II. The Infrastructure of Science and Technology

S&T infrastructure is an important mean to develop R&D activities in Vietnam. However, the 2011-2020 Strategy does not heavily focus on infrastructure enhancement as some major hi-tech parks or private R&D centres have just been built in the last 15 years.

A. Government R&D Institutes and/or Funding Agencies[10]

To promote S&T and attract domestic and foreign investments, Vietnam uses the Hi-Tech Park model. These parks, generally located in major cities act like hubs connecting R&D activities with manufacturing facilities. They also offer additional services or facilities such as training centres, incubators or funding agencies in order to create a comprehensive S&T environment. To attract companies, Hi-Tech Parks generally offer various incentives such as tax exemptions.

In Vietnam, there are three national Hi-Tech Parks located in Hanoi (Hoa Lac Hi-Tech Park), Ho Chi Minh City (Saigon Hi-Tech Park) and Da Nang (Da Nang Hi-Tech Park).

In order to attract investments, companies can benefit from multiple incentives in these three locations:

- Corporate income tax (CIT): exemption for the first four years, then rate of 10% for 15-30 years depending on total investment (the normal CIT rate for outside enterprises is 20%);
- Import duty: exemption for the first five years for raw materials and accessories (that cannot be domestically produced/sourced);
- Free Land rental: selected high-tech projects are eligible for free land rental for the entire term of the investment project, and will only be required to pay construction costs, utilities, and other disbursements; and
- Other incentives such as immigration assistance or housing provided for foreign workers.

Vietnam's Hi-Tech Park Ecosystem

Hoa Lac Hi-Tech Park (Hanoi)[11]

Hoa Lac Hi-Tech Park (HHTP) is the oldest park in Vietnam. It was built in 1998 in Hanoi. It is currently the second most important park of the country with a total of 81 investment projects for a total value of USD 3 billion. To further develop the park, management aims to attract investors working in R&D, training, incubation and hi-tech product manufacturing. The main industries in the park include biotechnology, information communications technologies (ICT), automation and new materials.

Da Nang Hi-Tech Park[12]

Established in 2010, Da Nang is the latest and currently the smallest hi-tech park of the country with investments amounting to USD 390 million in 2018 (for around 10 projects). Its main missions are to support R&D activities in hi-tech, training a hi-tech workforce and incubating S&T start-ups. An example of a current project in the park is a digital factory investment which will be supported by the construction of an automation and hi-tech R&D centre, a training centre and also a solution centre focusing on Industry 4.0 technologies.

This map is for illustrative purposes only, and does not imply official endorsement or acceptance of any boundaries and/or names.

Saigon Hi-Tech Park (Ho Chi Minh City)[13]

Created in 2002 by the government, Saigon Hi-Tech Park (SHTP) is the most important park of the country as it accommodates (in 2018) more than 100 projects worth around USD 6.5 billion. The hub's priority is to attract investments from four hi-tech sectors: 1) microelectronics, information technology, telecommunications; 2) precision engineering and automation, 3) biotechnology (in pharmaceuticals) and 4) new materials, new energy, nano technologies. Major industry leaders companies are present on the campus, amongst which includes Intel (chip assembling and inspection), Samsung (manufacturing electronic devices), Nidec (manufacturing precision mechanical equipment) and Sanofi (pharmaceutical research).

B. University-based R&D Institutes[14]

Apart from the government, universities are important players in the R&D field. According to the 2019 QS Asia University Rankings, Vietnam has only four universities ranked in the top 300, indicating a poor quality in research and teaching. Typically, QS Institute ranks the top universities in Asia according to six criteria, among which the most important ones are academic reputation (assessing teaching and research quality) and citation per faculty (assessing importance of research outputs). The top Vietnamese institution only comes in 124th place, implying that research carried out in the university has a low impact in the international S&T scene. Below is an overview of the top three institutions.

University	Research Fields in the University[15,16,17]
Vietnam National University, Hanoi (124th)	The largest university in Vietnam (which is under the direct control of the Prime Minister). The university's S&T research facilities include: the Institute of Natural Resources and Environmental Studies, the Information Technology Institute and the Institute of Microbiology and Biotechnology. The university also focuses on Humanities and Social Sciences.
Vietnam National University, Ho Chi Minh City (144th)	The university plays a key role in the national S&T research activities. The institution focuses on training engineers in multiple domains and carries out research in: Natural Sciences (mathematics, physics, chemistry, biology, environmental sciences) and Technology (ICT, automation, electronics, energy, material S&T).
Hanoi University of Science and Technology (270th)	The first technology university established in Vietnam back in 1956. The institutions hosts 20 laboratories and research centres focusing on: material science, information science, bioelectronics, software engineering, satellite navigation and precision machine engineering.

C. Private Business Firms (Research Centres)[18]

In Vietnam, the private sector plays a key role in the R&D ecosystem. In recent years, the country has become more and more active in building R&D hubs. Multinational corporations are building R&D centres in the country in order to improve geographical proximity with their manufacturing facilities. The increasing number of Foreign Direct Investment (FDI) projects related to R&D could positively influence Vietnam's economy and transform it into a hi-tech one. Some examples of multinational companies with R&D centres in Vietnam include: Samsung, Bosch, Panasonic, Yamaha, GE and HP. Other smaller enterprises like Grab (ride hailing platform) have recently opened their R&D campus and many others are in the process of establishing one. Below is a detailed table of some major R&D centres opened or currently under construction in Vietnam.

Selected Major Private R&D Centres in Vietnam

Investor	Research Focus	Description[19,20]
Samsung	Software and smart devices	Invested USD 300 million in 2012 to open the Samsung Vietnam Mobile R&D centre (SVMC) in Hanoi. The centre hosts 2,600 employees focusing on: • Research on smart devices and its applications/use; • Collaboration with manufacturer for product testing, application testing, and application development (e.g. software for Galaxy A7).
	Household appliances and electronics	Invested USD 600 million in 2017 to build a second R&D centre, the Samsung Ho Chi Minh Research & Development centre (SHRD). The centre is the largest of its kind in Southeast Asia with a focus on: • Cutting-edge technologies to be used in household appliances and electronics such as washing machine and fridge; • Designing and producing products with specific functionalities to cater to its 64 different markets around the world.
	Mobile phones and network devices	Currently building a USD 300 million R&D centre in Hanoi for hi-tech electric electronic and telecom products (estimated to be opened in 2022). This centre will focus on: • Mobile phones and network devices; • Samsung's 5G technology development; • Contributing to smart factories in Vietnam.
Bosch	Automotive	Invested in 2014 to build an automotive R&D centre in Ho Chi Minh. The centre focuses on: • Automotive technologies such as computer-aided design (CAD), continuously variable transmission (CVT) and fuel injection technologies; • Simulations and testing of hardware.
	Internet of Things	Invested in a Software and Engineering R&D centre in Ho Chi Minh. It serves as: • A laboratory for smart cities and Industry 4.0 solutions (e.g. smart solution such as embedded software, hardware and information technology (IT) tools or IT-enabled services); • An Internet of Things (IoT) test lab. A total of 1,400 employees work in both Bosch R&D facilities.

D. Infrastructure Availability for Foreign Investments

The government plans to lever R&D and S&T to increase Vietnam's economic competitiveness. To do so, it rolled out major incentives directed at foreign companies in order to attract their investments in the country. Two of the main objectives of the Strategy for Science and Technology Development for 2011–2020 are technology transfer and international integration in the S&T ecosystem. To meet these targets, a strong collaboration between foreign companies and Vietnam is required. In addition, the government built Hi-Tech Parks offering various incentives to the domestic and foreign investors. Therefore, the Vietnamese government is very keen on receiving S&T or R&D-related FDI and national infrastructure such as Hi-Tech Parks, which are available for foreign investments.

III. Priority Areas in Vietnam[21]

Due to its relatively cheap and large labour force, attractive tax policies, stable political environment and openness to trade, Vietnam attracts many foreign companies looking to expand their low-end manufacturing facilities. In 2018, the top five exports from Vietnam were:

Top Five Exports	% of Total Exports (in 2018)
Electrical Machinery and Equipment	40.3%
Apparel and Clothing	10.6%
Footwear	7.8%
Machinery and Equipment	5.5%
Other Commodities	3.8%

Generally, these industries feature low to medium technology, however in 2017, roughly 30% of Vietnam's exported products were classified as hi-tech (e.g. products with high R&D intensity, such as in computers, aerospace, pharmaceuticals). This indicates that the country has been upgrading its technology levels over the past few years.

IV. Funding for S&T and R&D[22,23]

In Vietnam, the Ministry of Science and Technology operates the two main funding agencies of the country.

National Foundation for S&T Development (NAFOSTED)

The NAFOSTED provides grant programmes for:

- Basic research in mathematics, physical sciences and astronomy, chemistry, computer sciences, mechanics, life sciences, earth sciences and interdisciplinary sciences.
  - To apply for the funding, the lead scientist (team leader) must be affiliated with an S&T organisation and be a PhD holder, or have relevant credentials published in scientific journals.
- Other projects including applied research, emergence/breakthrough research task and international cooperation.

The foundation also provides interest-free or low interest loans to S&T organisations (businesses or individuals) that execute research projects in new and emerging technologies, which could have a positive impact on the social and economic growth. Details of the loan criteria are described below:

- Priority is given to projects in hi-tech, green-tech and new highly competitive products;
- Maximum loan of 70% of the total investment; this amount cannot exceed VND 10 billion; and
- Lending period limited to 36 months.

National Technology Innovation Fund (NATIF)

The agency provides grants and preferential loans (e.g. subsidised loans interest) to S&T organisations, companies and individuals. The projects eligible for funding should focus on: hi-tech R&D, S&T enterprises incubators, workforce trainings and hi-tech technology transfer. The main mission of the agency is to sponsor the development of a comprehensive hi-tech ecosystem in Vietnam. At the same time, they also focus on technology transfer for agricultural and rural development.

V. Human Resources for S&T[24,25]

Vietnam's workforce is generally regarded as tech-proficient and embracing of new technology. The country has a relatively high rate of Internet and smartphone penetration (i.e. more than 50 million Internet users). However, finding a skilled S&T workforce in Vietnam is a major challenge preventing companies from investing in Vietnam. In fields such as hi-tech, the quality of the workforce falls short of investors' requirements. As an example, the management of Dasan Zhone Solutions (provider of telecommunications networking equipment) highlighted that the company lacks "chip programming" personnel because Vietnam's IT universities do not train graduates in this specific topic. One of the main solutions mentioned by investors is to create a linkage between universities and the private sector. Firms should collaborate with institutions to offer specific industry trainings, allowing students to apply their theoretical knowledge with real life challenges and gain valuable experience. Additional initiatives from companies such as funding scholarship or offering R&D internships are key elements to solve the current knowledge gap in Vietnam.

Overall, in the 2019 Global Innovation Index, the country ranked 58th out of 126 countries in the criteria of "Researchers, FTE/mn pop." with a ratio of 701 researchers per 1 million people. This ratio is the fourth highest among the ASEAN countries. In addition, 23% of tertiary graduates students graduated in science and engineering. *(Note)*

Note: the figure represents the share of all tertiary-level graduates in natural sciences, mathematics, statistics, information and technology, manufacturing, engineering, and construction as a percentage of all tertiary-level graduates.

VI. Supports in Testing and Certification

The testing and certification market is growing in Vietnam with more and more companies entering this field. There is no specific government support provided to the companies. However, the largest institute in Vietnam's testing, inspection and certification market is the state owned agency STAMEQ. Operating under the MOST, the agency prepares and drafts the national standards with benchmarking against international best practices.

VII. Intellectual Property (IP) Policies[26]

IP rights are an important factor to consider when entering a country. Some nations have trouble implementing a strong framework to protect IP rights which can lead to serious damages to the companies. Each year the Global Innovation Policy Center (GIPC) publishes a worldwide ranking which analyses eight IP protection-related categories: patents, copyrights, trademarks, trade secrets, commercialisation of IP assets, enforcement, systemic efficiency, as well as membership and ratification of international treaties. According to the 2019 IP Index published by the GIPC, Vietnam's IP Protection is very low. Globally, the country is ranked 43rd out of 50 analysed countries. Regionally it is also underperforming when compared to other Asian countries. Overall, Vietnam scored 31% compared to 52% for the Asian average (as a reference the top five world economies' average was 92% in the index).

The report underlines areas where Vietnam's IP protection have improved over the years:

- Overall basic level of IP protection;
- Increasing enforcement (e.g. stronger penalties for commercial-scale infringements);
- Greater integration into international IP platforms due to the Free Trade Agreements (FTAs) (e.g. through EU-Vietnam FTA); and
- General efforts to implement a strong IP protection framework.

However, substantial weaknesses still exist, including:

- Overall, low IP enforcement with insufficient penalties and administrative inaction;
- Poor copyright protection (e.g. online infringement);
- High physical counterfeiting rates;
- High digital piracy rates (software piracy estimated at 74%); and
- Specific inefficiency in life science patents protection.

Source:

[1] *Approving the Strategy for Science and Technology, Ministry of Science and Technology*

[2] *Vietnam Sustainable Development Strategy for 2011-2020, Socialist Republic of Vietnam*

[3] *Vietnam's mechanical engineering industry development strategy until 2010 & vision to 2020, Socialist Republic of Vietnam*

[4] *National Strategy on Science and Technology Development encounters hindrances, VietnamNet, 2018*

[5] *Vietnam: New Incentives for Science and Technology Firms, Vietnam Briefing, 2019*

[6] *Ministry of Planning and Investment, 2017*

[7] *Research and development expenditure (% of GDP), World Bank , updated in 2018*

[8] *The Global Competitiveness Report 2018, World Economic Forum*

[9] *Functions and Tasks, Ministry of Science and Technology*

[10] *Vietnam's Third High-Tech Park Offers Incentives to Investors, Tilleke & Gibbins, 2018*

[11] *Masterplan; Vietnam Economic News, Government offers incentives for high-tech park development, HHTP, 2018*

[12] *Da Nang Hi-Tech Park; Vietnam Economic News, Da Nang seeks investment in Hi-Tech Park, HHTP, 2018*

[13] *Saigon Silicon City, About Hi-tech Park*

[14] *QS Asia University Rankings 2019, QS World University Rankings*

[15] *Vietnam National University Hanoi, Institutes*

[16] *Vietnam National University Ho Chi Minh City, Research*

[17] *Hanoi University of Technology*

[18] *MNCs see benefits of R&D centres in Vietnam, Vietnam Economic Times, 2018*

[19] *Vietnam becoming Samsung's global R&D headquarters, Vietnam Investment Review, 2018; Samsung eager to develop R&D centre in Hanoi, 2019*

[20] *Bosch looks to grow its name in Vietnam, The Voice of Vietnam, 2017*

[21] *Trade Map, International Trade Centre*

[22] *NAFOSTED, Funding programmes*

[23] *NATIF, Supported Projects*

[24] *MNCs see benefits of R&D centres in Vietnam, Vietnam Economic Times, 2018, Vietnam sets target to develop digital economy, Hanoi Times, 2018*

[25] *Global Innovation Index 2019, INSEAD*

[26] *2019 IP Index, Global Innovation Policy Center, 2019*

6. Supply Chain Environment

Executive Summary

In the last decade, Vietnam has undergone a substantial shift in its economy, moving away from the agriculture sector to become more industry and services focused. To accelerate the industrialisation process in Vietnam and further establish the country as a regional manufacturing hub, the Vietnamese government focuses on the supply of raw materials, spare parts, and components in the key electronics, garment, and hi-tech industries.

In order to better support these industries, Vietnam has enacted a number of schemes aiming to build a mature manufacturing ecosystem with relevant supporting infrastructure.

6. Supply Chain Environment

I. *Industry Profiles in Vietnam*

Breakdown of 2018's Top 10 Exports[1]

Vietnam's major sectors by gross domestic product (GDP) in 2017 were services (51.3%), industry (33.3%) and agriculture (15.3%).

The services sector in Vietnam mainly includes tourism, transportation, banking, and finance.

The industry sector refers to electrical machinery, mechanical appliances and parts, furniture, garment, as well as optical and medical instruments.

The main agricultural products in Vietnam are livestock, and crops such as coffee, corn, coconuts, and cashews.

Over the years, Vietnam has experienced rapid growth due to its industrial exports. In 2018, Vietnam's total exports amounted to USD 290 billion, of which over 75% were contributed by its top 10 exports.

Product Groups *(Note)*	Value in 2018	% of Total Exports
1. Electrical machinery and equipment	USD 117.2 billion	40.3%
2. Footwear, and related products	USD 22.6 billion	7.8%
3. Machinery, and mechanical appliances	USD 15.9 billion	5.5%
4. Apparel and clothing, not knitted or crocheted	USD 15.8 billion	5.5%
5. Apparel and clothing, knitted or crocheted	USD 14.8 billion	5.1%
6. Other commodities	USD 11.0 billion	3.8%
7. Furniture and bedding	USD 9.8 billion	3.4%
8. Optical and medical instruments	USD 6.2 billion	2.1%
9. Fish and other seafood	USD 5.6 billion	1.9%
10. Coffee, tea, and spices	USD 4.4 billion	1.5%

Note: The above categories are grouped based on the Harmonized Commodity Description and Coding System (HS Code). For specific items within each category, please refer to www.censtatd.gov.hk/trader/hscode/index.jsp.

Vietnam is a global leader in the field of electrical machinery and equipment. According to the Observatory of Economic Complexity, Vietnam was the second largest producer of broadcasting equipment in 2017 with USD 31 billion worth of goods, the third largest exporter of telephones and parts with USD 15 billion worth of goods, and the 10th largest integrated circuits supplier in the world with USD 15 billion worth of goods.

Vietnam also occupies a strong position in global leather and footwear industry. In 2017, Vietnam was the second largest global exporter of footwear with around 1 billion pairs (7.1% of the global market), behind Mainland China which exported around 10 billion pairs (67.5% of the global market).

II. The Key Supported Industries in Vietnam[2]

In 2017, the Vietnamese government issued Decision 68/2017/QĐ-TTg, which outlines the development plan for key industries over 2016-2025. It aims to attract domestic and foreign investments into these industries to create an entry point for Vietnamese enterprises to step into the global value chains.
The key supported industries include electronics, garment textile and footwear, hi-tech, and automotive.

A. Supply Chain Policy for Key Supported Industries and Local Supply Situations

Electronics

In 2018, Vietnam was the 10th largest global exporter of electronic goods by value and the third largest in ASEAN. Many electronic goods manufacturers are moving their factories into Vietnam. For example, Mainland China's Goertek, the assembler for Apple's AirPods (wireless headphones) has confirmed plans to move production to Vietnam.

Certain raw materials such as plastic and glass components, batteries, and certain metals used in the manufacturing of electrical machinery may be eligible for tax incentives.

Garment, Textile and Footwear

Vietnam is the second largest exporter in garment, textile and footwear. Multinational companies (MNCs), such as Nike and Adidas, have set up manufacturing bases in the country. According to the Vietnam Customs, the industry export turnover reached USD 2.5 billion in the month of January 2018 (a 15% increase from Jan 2017), accounting for 12% of the country's total export turnover.

In order to reduce the garment industry's dependency on imported raw materials, the government has set a target to increase domestic textile output to 18 billion metres by 2025 (vs 2.9 billion in 2016). In order to achieve such target, the Vietnamese government has established several textile industrial parks. Vietnam National Textile and Garment Group (Vinatex), the country's largest state-owned textile company, has started the construction of Rang Dong industrial park in Nam Dinh, which is set to become the country's largest garment and textile centre. The goal of the park is to attract both foreign and local investors to Vietnam's apparel and textile industries, and to produce 1 billion metres of fabrics in 2020 and 1.5 billion metres by 2025.

Hi-tech

Many hi-tech MNCs such as Intel, LG, Panasonic, and Samsung have a presence in Vietnam. Currently the supply of domestic companies in hi-tech industries is still limited. For instance, only 10% of Samsung's suppliers are domestic firms and they usually focus on providing relatively lower value added activities. In addition, the supply of skilled workers able to operate advanced automated machines is relatively scarce in Vietnam. In order to solve the human resources issue, the Saigon Hi-Tech Park (SHTP) in Ho Chi Minh City set up the Viet Nam-Japan Training and Technology Transfer Centre, with the aim of training and upskilling local workers to meet the demand of hi-tech manufacturers.

Automotive

Global automotive firms such as Chevrolet, Toyota, Honda or Ford have established assembly lines in Vietnam. However, the localisation rate of automotive parts and components has remained relatively low at 10-40%. From 2018 to 2025, the domestic automobile manufacturing industry is predicted to grow at a 18.5% rate with output reaching 0.5 million units by 2025 and 1.8 million by 2035. The localisation rate is expected to increase to 25-40% in 2020 for all types of automobiles.

To further promote localisation of automotive industry, the government will provide incentives for raw materials used in the production of automobiles, such as tires, aluminum rims, generators and seats, encouraging the development of local supply. The complete list of qualifying parts and accessories can be found under Decree No. 111/2015/ND-CP.

III. Key Raw Materials Sourcing Platforms/Channels

The Vietnamese government has established the website Asemconnectvietnam.gov.vn with the aim of promoting international integration and trade exchanges between Asian and European enterprises. The website is run by the Vietnam Industry and Trade Information Centre under the Ministry of Industry and Trade. However, for other industries such as garment, textile and footwear, or electronics, Vietnam has yet to establish sourcing platforms at the moment. Foreign investors, however, can still benefit from the numerous Original Equipment Manufacturers (OEMs), who can provide direct sourcing of raw materials and parts.

IV. Procurement Situation (local and overseas) of Raw Materials[3]

A. Hurdles or Problems Encountered

In recent years, Mainland China's rising labour costs and other sociopolitical factors (e.g US-China trade disputes) have led to many Chinese companies looking for alternative manufacturing destinations. The Vietnamese government has strategically positioned the country as a "China plus one" destination by engaging in numerous free trade deals and developed its infrastructure to become a desired target for Chinese companies looking to expand their manufacturing base outside of Mainland China. However, anti-Chinese sentiment still continues to pose an issue for companies looking to expand to Vietnam.

Unlike other more developed countries, Vietnam's current economy is not able to support companies along the entire supply chain, especially in the supply of parts and components needed for many industries. According to the Vietnam Chamber of Commerce and Industries, there are around 151,000 enterprises working in the industrial and construction sector in Vietnam. However, only 1,400 Vietnamese companies, mostly small and medium-sized enterprises (SMEs), are engaged in industries supporting the global supply chain.

According to the World Bank, Vietnam's garment and textile industry is expected to achieve a growth rate of 41% by 2020. However, fabric production only meets 15-16% of the domestic demand due to the lack of domestic cotton suppliers. Vietnam therefore needs to import large amounts of cotton every year, as a result, customs play an important role for most businesses in this industry.

According to a 2019 report by the World Bank, Vietnam ranked the 69th out of 190 countries in Ease of Doing Business. It was ranked fifth among the ASEAN countries (Hong Kong ranked fourth worldwide in the same report).

B. Efficiency of Customs and Clearance Process

All goods arriving in and departing from Vietnam are governed by the Law on Customs and supplementary government circulars. The 8-digit ASEAN Harmonised Tariff Nomenclature (AHTN) is used for trade transactions between Vietnam and the other ASEAN countries, whilst the 6-digit Harmonised Commodity Description & Coding System (commonly known as the HS Code) applies for trade with non-ASEAN countries. Most goods imported and exported are subjected to duties and tax.

An investment license and a business registration certificate are required from the Department of Planning and Investment (DPI) to import into Vietnam. If the imported goods are for the purpose of wholesale or retail sales in Vietnam, a trading license must also be obtained.

Goods to be imported or exported are subject to the relevant customs clearance standards, which effectively check the quality, specifications, quantity and volume of the goods. Export shipment procedures are typically completed on the same day, while import shipments typically take around one to three days to complete for full container loads (FCL) and less than container loads (LCL).

Custom Clearance Process

Step 1:

Goods imported or exported are subject to customs declaration. Relevant list of documents are required for submission by the General Department of Custom, within 30 days from the date of arrival at the check-point.

Step 2:

Goods shall be lodged to the customs offices at the checkpoint. After acceptance of the customs, goods are permitted to be unloaded to the warehouse.

Step 3:

Depending on whether the goods are subject to import duties, payment for taxable goods can be made at the customs checkpoint or through the bank.

The list of goods eligible for tax exemption are determined by the Ministry of Finance.

Step 4:

All goods for importation will be inspected by customs officials, depending on the characteristics of the goods. Goods will be released after duty collection and inspection.

The following table shows the supplementary documents needed for customs declaration:

Import Goods	Export Goods
Bill of lading	
Certificate of origin	
Commercial invoice	
Packing list	
Technical standard/health certificate	
Import goods declaration form	Customs export declaration form
Import permit (for restricted goods)	Export permit
Cargo release order	Electronic export customs declaration
Customs import declaration form	Contract
Inspection report	
Delivery order (for goods imported through seaports)	

Priority Customs Treatment

Companies can apply for priority treatment to reduce the complexity of customs clearance. Standards for qualifying for priority treatment can be found in Decree No. 08/2015/ND-CP. Potential benefits of the preferential customs treatment are:

- Exemption from examination of supplementary customs documentation; and
- Exemption from physical inspection of goods.

V. *Logistics Support*

A. Infrastructure Conditions (e.g. major airports/ports/highways)[4]

Vietnam's transport infrastructure is expanding, but at a lower rate than the country's socio-economic growth.

Airports

Vietnam has a total of 23 civil airports, of which, 11 are international airports. The three main airports are Noi Bai International Airport (HAN) in Hanoi, Tan Son Nhat International Airport (SGN) in Ho Chi Minh City, and Da Nang International Airport (DAD) in Da Nang. The government is currently expanding and modernising the airport infrastructure, most notably with the construction of Long Thanh airport in the Dong Nai province.

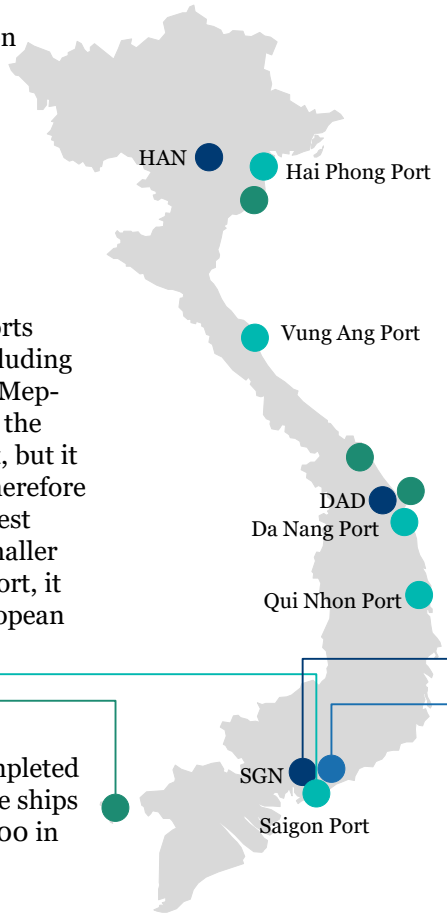
Seaports

Vietnam has 8,000 km of inland waterways. As of December 2017, the country has 44 seaports with a total capacity around 500 million tonnes per year. The major ports include: Hai Phong and Vung Ang in the north (construction of Lach Huyen), Qui Nhon and Da Nang in central Vietnam (construction of My Thuy and Lien Chieu seaports), and Ho Chi Minh City in south (construction of Hon Khoai seaport).

Location of Major Airports and Seaports in Vietnam

- Airport
- Airport Under Construction
- Port
- Port Under Construction

This map is for illustrative purposes only, and does not imply official endorsement or acceptance of any boundaries and/or names.



Saigon Port

Saigon Port is a network of ports around Ho Chi Minh City, including the international ports of Cai Mep-Thi Via and Cat Lai. Cat Lai is the largest and most modern port, but it is not a deepwater port and therefore cannot accommodate the largest ships. Cai Mep-Thi Via is a smaller port, but being a deepwater port, it has direct connections to European ports.

Tan Son Nhat International Airport (SGN)

The busiest airport in Vietnam (serving 38.5 million passengers in 2018). The airport has reached its maximum capacity of 25 million passengers, but is undergoing expansion works including: construction of a new passenger terminal that will have a capacity of 20 million passengers, and other supporting facilities such as cargo terminals and logistics processing facilities.

Hon Khoai Seaport

Mega-port expected to be completed by 2020, able to accommodate ships with a capacity of up to 250,000 in deadweight tonnage (DWT).

Long Thanh Airport

Upon completion, it may become the largest airport in Vietnam, accommodating up to 25 million passengers and 1.2 million tonnes of cargo a year.

Highways

The road system in Vietnam is approximately 233,000 km, of which about 60% of roads are paved. However, most of the roads have fewer than four lanes and no separate interchanges. Despite this, road is still the dominant mode of freight in Vietnam, serving about 75% of all freight transport. The lack of well-maintained and sufficiently outfitted road infrastructure network hinder Vietnam's economic growth.

To improve the road infrastructure in the country, the Vietnamese government plans to complete a 2,000 km long transnational expressway by 2025. The main infrastructure of the plan includes the North-South Expressway. The estimated cost is about VND 118 trillion (USD 5.1 billion), of which nearly 50% is funded by the state. The project is divided in 11 sections, three of which will kick start in 2019.

Railways

Vietnam's current railway system is 2,600 km long. The rail network includes 15 main routes and branches connecting 35 provinces and cities. Several railway lines have been proposed for construction in recent years, most notably is the high speed North-South Express Railway. The project is funded by the Vietnamese and Japanese government and is planned to be implemented in three phases: Hanoi to Vinh City (285 km); Vinh City to Nha Trang (364 km); and Nha Trang to Ho Chi Minh City (896 km). Construction activities on the first phase are expected to commence in 2020 and the whole project is scheduled for completion in 2050.

B. Key Logistics Hubs[5]

In response to the increased demand for transport and logistics hubs, the Vietnamese government has permitted foreign investors to establish joint venture and wholly foreign-owned logistic enterprises to provide cross-border maritime transport and international logistics services. A recent trend for both domestic and multinational companies is to outsource logistics functions to third-party logistics service providers (3PLs). To take advantage of this increasing demand, many international logistics companies, such as Kerry Logistics from Hong Kong, have set up a presence in Vietnam.

Vietnam also aims to become a regional logistics hub by 2025 and Decision No. 200/QD-TTg was issued to set out the objectives and targets. The objectives include increasing the contribution of the logistics sector to 8-10% of GDP, reaching a service growth rate of 15-20%, increasing the proportion of outsourcing logistic services to 50-60%, while reducing logistic costs.

To achieve these objectives, the Vietnamese government intends to improve the legal environment for the logistics sector, to upgrade the logistics infrastructure, and to enhance the capacity of enterprises and services quality.

C. Logistics Information Tractability and Transparency[6]

In the 2018 World Bank's Logistics Performance Index (LPI), Vietnam ranked 39th out of 160 countries for the overall LPI, an improvement from 2016's result (ranked 64th out of 160 countries). Vietnam ranked third amongst the ASEAN countries.

On a granular level, the LPI score is made up of six elements: (1) Customs; (2) Infrastructure; (3) International shipments; (4) Logistics competence; (5) Tracking and tracing and (6) Timeliness. Vietnam performed relatively better in Logistics competence (33rd) and Tracking and tracing (34th), but suffered in Infrastructure (47th) and International shipments (49th).

Source:

[1] *Trade Map, International Trade Centre*

[2] *Supporting Industry Promotion Policies in APEC (2017), Asia-Pacific Economic Cooperation*

[3] *Supporting Industries in Vietnam, Vietnam Briefing*

[4] *Port Infrastructure in Vietnam, Vietnam Briefing*

[5] *Prime Minister Decision No. 200/QD-TTg*

[6] *Logistics Performance Index (LPI), The World Bank*

7. Infrastructure

Executive Summary

Industrial parks in Vietnam are popular investment destinations for foreign businesses. As Vietnam continues to attract foreign direct investment, industrial zones have been improving their infrastructure to meet international standards.

Rapid economic and population growth, increasing global interconnectivity, intensifying competition within the ASEAN region, and the Vietnamese government's plan to develop the country into a dominant transportation centre to attract more foreign investments have resulted in corresponding needs for more and better infrastructure. Overall, Vietnam's infrastructure is lagging behind some of it's Southeast Asian peers. However, more than USD 600 billion are expected to be spent on various initiatives to improve Vietnam's infrastructure by 2040.

Attracting new private investors is critical to the implementation of Vietnam's infrastructure strategy.

7. Infrastructure

I. List of Major Industrial Parks or Zones and Geographical Locations

A. Availability of Infrastructure, Associated Cost of Usage, and Options for the Major Industrial Parks or Zones[1,2]

Industrial zones are popular investment destinations for foreign businesses. In Vietnam these zones are locations earmarked by the government for the production of industrial goods and services. Typically, industrial zones complement certain activities (e.g. production, export, or hi-tech), and offer incentives for businesses setting up there.

As of December 2018, there were around 326 industrial zones set up countrywide, with 249 in operation. According to the Ministry of Planning and Investment (MOPI), the occupancy rate was 73%. Industrial zone's management is typically decentralised: the MOPI is in charge of general policy making and property management, while provincial and municipal governments are responsible for attracting foreign direct investment (FDI) and drafting regulations. Over the past few years, industrial zones have been improving their infrastructure to meet international standards.

Support and Incentives

Utilities

Industrial parks are equipped with utilities including water, electricity, water flood defenses, centralised sewage services, etc. Typically industrial zones have multiple power supply options (to guarantee the absence of power failures) and amenities such as housing (e.g. apartments for foreigners), clinics, schools, banks, shops, restaurants, and sports facilities.

Transportation

Many industrial zones are located near highways leading to airports, seaports, and railway stations for easy connection with various transportation means. According to the 2018 Provincial Competitiveness Index, the best infrastructure of the country are found in Binh Duong, Da Nang, Vinh Phuc, Hai Duong, and Ba Ria-Vung Tau provinces.

Government Incentives

Vietnam has a series of tax and non-tax incentives in place to encourage both domestic and foreign investments in various industries:

- Tax incentives are granted based on the business lines and location of the investors. The incentives include exemptions or reductions for specific periods on corporate income tax, value added tax and import tariffs;
- Encouraged sectors include education, healthcare, sports, culture, high technology, environmental protection, scientific research, infrastructural development, or software manufacturing.

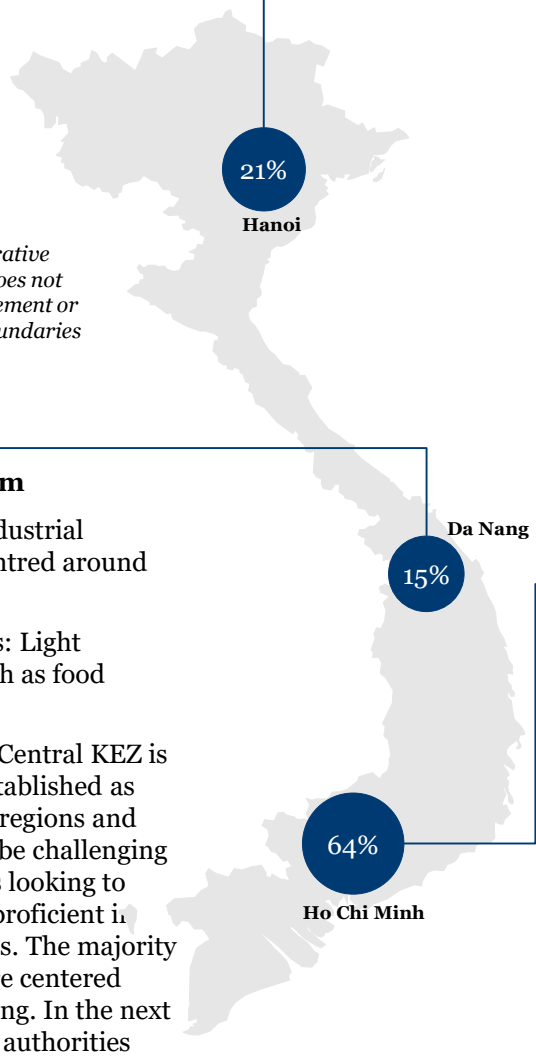
Additional exemptions from import duty and incentives on land rental are also offered to investors. Such incentives and exemptions depend on the industry and the location of investment. For more details, please refer to section 8 of this report.

Industrial Estates by Zones and Regional Implications

The country's industrial zones are located in three different areas: the Northern, Central, and Southern Vietnam. Each region has its own characteristics, as well as unique incentive programmes *(Note)*.

% Percentage of Industrial Estates

% Key Economic Zones (KEZs)



This map is for illustrative purposes only, and does not imply official endorsement or acceptance of any boundaries and/or names.

Northern Vietnam

- Number of industrial estates: 64 centred around Hanoi.
- Key industries: Agriculture.
- Outlook: The proximity of the zone to Mainland China is particularly suitable for companies eager to expand manufacturing operations to Vietnam but continue operating in Mainland China, as part of the "China plus one" strategy. Talent is available and competitive in the north, with cities such as Hanoi and Hai Phong having ample supply of qualified workers. Minimum wages are higher in these cities than in other provinces.

Central Vietnam

- Number of industrial estates: 45 centred around Da Nang.
- Key industries: Light industries such as food processing.
- Outlook: The Central KEZ is not as well-established as the other two regions and therefore can be challenging for companies looking to hire workers proficient in technical fields. The majority of activities are centered around Da Nang. In the next few years, the authorities aim to develop sectors such as oil and gas, ship building, logistics, and other high-tech industries.

Southern Vietnam

- Number of industrial estates: 194 centred around Ho Chi Minh City.
- Key industries: Technology, telecommunications, commerce, and services.
- Outlook: The Southern KEZ is a well-established industrial hub, which attracts the highest number of FDI thanks to its favourable investment climate. The zone benefits from preferential access to the largest commercial port in Vietnam. Talents are available and supported by various education institutions, however competition between employers to hire skilled personnel is high in the region.

Note: 20 industrial estates are not accounted for in this map according to official sources.

For further details regarding specific industrial estates (e.g. estate address, size and proximity to major transportation hubs etc.), please refer to the IZ Vietnam homepage (viipip.com /homeen/?module=listip). Please refer to Appendix 2 for the list of industrial estates per location.

Foreign Direct Investment (FDI)[3]

Vietnam has an advantageous geographical location, abundant natural resources, and an affordable labour force. The country is therefore one of the main FDI destinations in Southeast Asia. In 2018, Vietnam received USD 35 billion FDI, with the top three leading investors being Japan (24.2%), Korea (20.3%) and Singapore (14.1%). An important point to note is that Mainland China has been increasing its investment in Vietnam rapidly. This can partly be attributed to the US-China trade war, but some analysts say that Mainland China is also pushing investment through Hong Kong as Vietnam becomes more cautious about Chinese investment.

Vietnam's industrial and economic zones attracted 8,000 foreign projects with a total capital of around USD 145 billion by the end of 2018 (and 7,500 domestic projects worth USD 42 billion).

Cost of Usage

The land price in industrial estates varies from one site to another depending on factors such as location, provision of utilities, transportation links, proximity and access to raw materials, etc.

Industrial estates are usually specialised, with facilities tailored to meet the needs of specific industries. Investors not operating in these industries are unlikely to benefit from the existing infrastructure. They may therefore end up paying a premium as industrial estates would charge higher prices (e.g rental) for the availability of any required infrastructure.

Vietnam's industrial zones can impose limits on the minimum land parcels available for lease. Therefore settling in the country's most popular zones can be challenging and expensive.

For prices of specific sites, please refer to the Industrial Park Homepage (industrialzone.vn/lng/2/industrial-zone-search/90/0/0/0/search.aspx)

Outlook

Infrastructure remains a major hurdle for FDI expansion in Vietnam. Companies may refrain from investing in the country as they can suffer from poor access to utilities or from the lack of transport networks necessary for daily operations.

However, industrial zones provide a possible solution to these issues and therefore have become increasingly popular. The proximity to ports and other transportation networks, availability of tax and non-tax incentives, and access to talent pools proficient in specific industries are among the multiple advantages of these zones. Therefore, the number of industrial zones in Vietnam continues to rise and their infrastructure quality is increasing to meet international standards. Nevertheless, investors should pay specific attention to assessing the quality of factory buildings and warehouses, sources of electricity and water, wastewater treatment plants, etc. of the specific industrial zone prior to expanding there.

B. Land or Building for the Major Industrial Parks or Zones

Availability for Foreign Ownership

A foreign-invested enterprise may purchase real estate for commercial operations in industrial parks, export processing zones, hi-tech parks or economic zones. For prices of specific sites, please refer to the Industrial Park Homepage (industrialzone.vn/lng/2/industrial-zone-search/90/0/0/0/search.aspx).

Application Procedures for Setting up Business Operations in Industrial Estates:

Limited-liability Company/Joint-Stock Company/Partnership for Projects Located Inside of Industrial Zones

Step 1 — Investment Registration Certificate → **15** days → The provincial industrial zone management authority or economic zone management authority

In practice, it usually takes longer.

(for projects located inside of industrial zones, export processing zones, high-tech zones and economic zones)

Step 2 — Enterprise Registration Certificate → **3** days → The provincial department of planning and investment

In practice, it usually takes longer.

Representative Office

Representative Registration Certificate → **7** Working days → The provincial industrial zone management authority or economic zone management authority

In practice, it usually takes longer.

(for projects located inside of industrial zones, export processing zones, high-tech zones and economic zones)

II. Potential Infrastructure Shortfall[4]

Vietnam has rolled out projects designed to improve infrastructure quality. However, planning flaws and slow construction progress remain major hurdles to the country's development. In the World Economic Forum's 2018 Competitiveness Report, Vietnam ranked 75th out of 140 countries for the quality of its infrastructure, well below other Southeast Asian countries such as Singapore (1st) or Malaysia (32nd). The country ranked especially low on criteria such as: quality of roads (109th), road connectivity (107th), and efficiency of air transport services (101st). Improving these rankings is essential to make the country more competitive.

These ranking reflects the reality of Vietnam's infrastructure. The main identified challenges are:

- Poor quality of national roads, with only around 60% being paved;
- Limited capacity of ports: ports may reach their maximum capacity due to increasing trade volumes; and
- Ageing railways: the Hanoi – Ho Chi Minh City railway needs severe upgrades.

To address these issues, Vietnam needs to attract additional private investors. The government has therefore been working towards reforming the country's Public-Private Partnership (PPP) framework. However, the current environment remains highly regulatory and deterring for many potential investors.

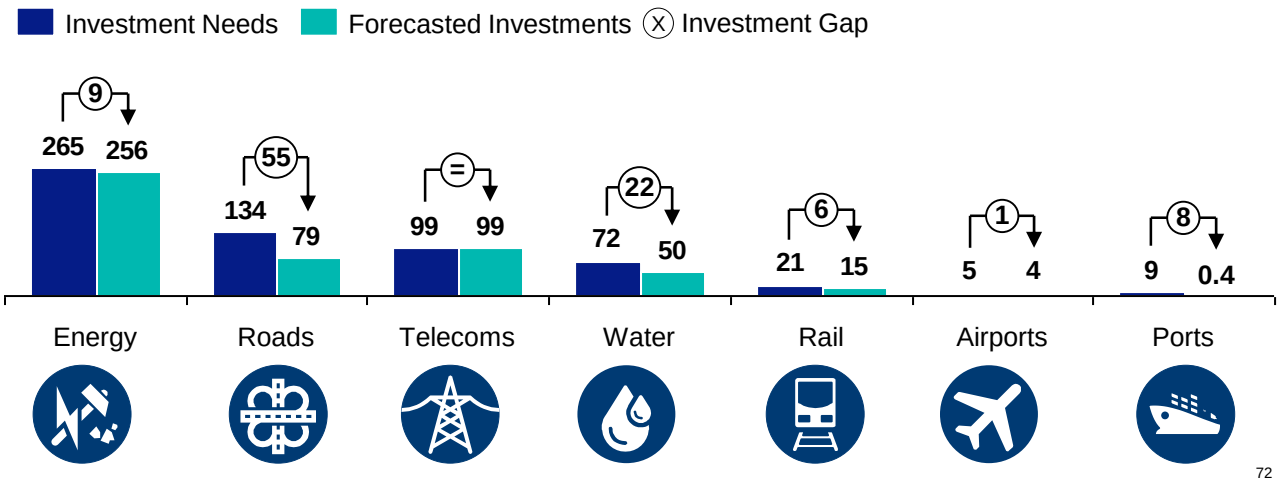
III. Latest and Upcoming Major Local Infrastructure Projects and Spending[5]

This section highlights the major infrastructure developments in Vietnam. Please refer to Appendix 3 for a comprehensive list of projects.

Vietnam needs to develop new infrastructure and upgrade existing ones in order to address the challenges posed by rapid economic and population growth, increasing global interconnectivity, and intensifying competition within the ASEAN region. In addition, the government plans to transform the country into a regional transportation hub in order to attract more foreign investments. Therefore, in 2016, the Vietnamese government launched a new Socio-Economic Development Plan (SEDP), which is a five-year reform plan aiming to support the country in achieving an annual GDP growth of 6.5% to 7% by 2020, through the development of multiple sectors, one of which is infrastructure.

From 2016 to 2040, around USD 605 billion will be needed to finance all infrastructure projects planned by the government (see chart below for breakdown by sector). Over the period it is forecasted that Vietnam's public and private sectors will invest USD 503 billion, therefore covering 80% of the country's needs.

Vietnam's Infrastructure Investment Needs 2016-2040 per Sector (USD billion)



Transportation

Transportation-specific development plans are consolidated under the Transport Strategy 2020. The strategy forecasts 6.3 billion passenger movements in 2020 (around 90% by road). Total cargo volumes are expected to reach 2.1 billion tonnes (around 70% by road and the rest by inland waterway and sea).

Examples of major initiatives under the strategy include:

- Construction of the new Long Thanh International Airport in southern Vietnam (located outside Ho Chi Minh City). Total project budget is USD 5.6 billion;
- Improvements of the railway between Hanoi and Ho Chi Minh City (which is expected to reduce travel time from 32 to 7 hours). Total project budget is USD 2.3 billion;
- Resumption of the Van Phong Port construction to transform it into the largest Vietnamese port. Total project budget is USD 500 million; and
- Modernisation of road networks (currently only 60% of the country's roads are paved)

Water

There is a lack of water supply systems and sewage infrastructure in both residential and industrial areas. The government has therefore set rigorous targets to upgrade wastewater treatment capacity. By 2025, all urban cities should have wastewater treatment and collection systems capable of collecting and treating 70 to 80% of municipal wastewaters. Numerous PPP projects (worth USD 500 million) developing water treatment and water supply facilities/infrastructure are underway in major cities. More companies will be pushed to develop better wastewater treatment facilities as the government is taking a tougher stance on pollution issues.

Telecommunications

There is an increasing number of government initiatives designed to upgrade the country's telecom infrastructure such as expanding the broadband network and developing the 5G mobile connectivity (5G frequencies tests are ongoing in 2019).

Funding Infrastructure through Public-Private Partnership and Equitisation

To increase the efficiency and scope of infrastructure development, the government encourages foreign and private investment via PPP. A law enabling PPP in a wider scope of infrastructure projects is set to be passed in 2020. The types of projects listed include:

- Upgrading and constructing roads, bridges, and railways;
- Expanding capacity and reliability of power grids in Hanoi and Ho Chi Minh City;
- Construction and development of industrial parks and complexes; and
- Expansion of existing port capacity.

Vietnam has attracted 147 PPP infrastructural projects worth a total VND 1,140 trillion (USD 50 billion).

IV. Availability of Natural Resources[6,7,8]

Natural Resources	Details
Natural Vegetation, Forests and Timber	• Around 14 million hectares (ha) of forested land, which constitutes 41% of the total land area. • Around 10 million ha are primary or otherwise naturally regenerated forest, and around 4 million hectares are planted forest. • Wood sourced from the Vietnamese forests often originates from plantations. • Species most commonly used in forestry plantations are Acacia and Eucalyptus.
Agriculture	• Agriculture accounts for almost 15% of GDP. • Agriculture's contribution to the national GDP is expected to decline by 0.5% annually, due to decreasing employment in the primary agricultural sector. • Dominant crops include coffee, rubber, cashew and rice.
Fishing/ Aquaculture	• The Vietnamese government aims to turn the country into a global leading seafood exporter which is set out in the country's fisheries development strategy plan 2020. • Under this plan, the seafood industry is expected to contribute to 30-35% of the country's agro-forestry-fisheries GDP. • Vietnam's most important seafood products include shrimp, pangasius and tuna.
Livestock	• Meat production in the past decade has grown rapidly in response to the growing demand for meat, milk, and eggs. • In 2014, Vietnam spent around USD 500 million to import poultry meat and beef from the US, Brazil, Korea, Australia, etc. • In 2016, 5 million tonnes of pork, beef, and poultry were slaughtered in Vietnam. Pork dominates Vietnamese meat production (73%), poultry (19%), beef (6%), and buffalo (2%).
Water Resources	• Water resources in Vietnam comprise both natural and artificial water bodies. • Water resources are under increasing pressure from over-exploitation due to rising irrigation demand, urban and industrial development, as well as concentrated areas of increasing population.
Minerals	• Vietnam is reasonably endowed with mineral resources, yet many have not been developed. • In 2018 mining and quarrying accounted for around 7.9 % share of GDP, the sector employed less than 1% of the workforce. • Common types of mineral in Vietnam include, antimony, bauxite, chromium, copper, gold, iron, rare elements, etc.
Coal, Oil and Fossil Fuels	• Vietnam is one of the three leading producers of oil in Southeast Asia. • The state-owned PetroVietnam holds a monopoly in the oil industry and in 2014 it was estimated to account for 20% of the national GDP as well as contributing up to 25% of Vietnam's state budget. • Vietnam is a major producer of coal and the government owns all coal in the country. Vietnam uses this resource in domestic power plants and also exports to the Asia Pacific nations.
Renewable Energy	• With Vietnam's coal reserves depleting, the government is seeking to expand the energy mix away from fossil fuels, wind and solar power are poised for a significant rise in Vietnam and will hit 20 gigawatts (GW) by 2030.

Source:

[1] *Vietnam's Industrial Zones – How to Pick a Location for Your Business, Vietnam Briefing, 2019*

[2] *Industrial Park, Vietnam Industrial Parks Investment Promotion, 2019*

[3] *Vietnam lures $35.46 billion FDI in 2018, Vietnam Net, 2018*

[4] *2018 Competitiveness Report, World Economic Forum, 2018*

[5] *Forecasting infrastructure investment needs and gaps, G-20, 2017*

[6] *Vietnam Introduction, Encyclopedia Britannica*

[7] *Natural Resources in Vietnam, Facts and Details*

[8] *Renewables in Vietnam: Current Opportunities and Future Outlook, Vietnam Briefing*

8. Types of Industries Encouraged by the Local Government

Executive Summary

All domestic and foreign enterprises investing in Vietnam must follow the Law on Investment, enacted in 2015. The Law on Investment encourages investment in certain type of industries and geographical locations.

The Law on Investment also details the types of business activities that are prohibited or restricted from either domestic or foreign participation.

8. Types of Industries Encouraged by the Local Government

I. Government Programmes Encouraging Investment in Specific Industries[1,2]

The Law on Investment (LOI) and Law of Enterprises (LOE), effective since 1 July 2015, provide guidelines on the investment regime in Vietnam. The government adopts identical legal mechanisms for domestic and foreign investors. Government support and investment incentives are granted to foreign investors for projects in the following industries:

Scientific Research & Development

Hi-tech

Infrastructural Development

Information Technology

Healthcare

Environmental Protection

Renewable Energy

Agricultural and Aquatic Products

Education

Sport and Culture

Depending on which sub-industry a business is engaged in, they may receive more incentives. For further detailed specialisation on encouraged/specially encouraged investment projects, please refer to Appendix I of Decree 118/2015/ND-CP.

Investment in a Specific Geographical Location

The LOI also specifies that investments are eligible for incentives if they are located in: 1) Administrative divisions in disadvantaged or extremely disadvantaged areas or 2) Special zones such as industrial zones (IZs), economic zones (EZs) or hi-tech zones (HTZs).

Specific Types of Manufacturing Projects

For large manufacturing projects that are not subject to special sales tax or related to the exploitation of mineral resources, the LOI also specifies certain criteria for projects to receive various investment incentives:

- Capital investment ≥ VND 6 trillion, with investment disbursed within three years from the date listed on the investment registration certificate;
- Projects in a rural area employing more than 500 workers; and
- Hi-tech, science and technology companies or organisations.

Qualified projects may be eligible for investment incentives such as reduced taxes, import duty exemptions, and land rental benefits. For further details on the specific incentives, please refer to section 9 of this report.

II. List of Business Activities that Foreign Participation may be Prohibited or Restricted from[1,2,3]

Prohibited Foreign Investment Activities

The general rule under the LOI is that foreign investors can invest in all sectors not prohibited by law. The Vietnamese government prohibits all illegal business activities, including trading of illegal drugs, prostitution, human trafficking, sale of tissues and parts of human body, etc. The government will not issue licenses to any foreign investment project in sectors or regions which may have adverse effects on national defence, national security, cultural and historical heritage, fine custom and tradition, or the environment.

The government prohibits both domestic and foreign participation and maintains monopoly over certain goods and services. The complete list of prohibited goods and services is shown below:

Category	List of Prohibited Activities
Vietnamese Government Monopolies	• Performance of national defence and security tasks; • Production and supply of industrial explosives; • Production and supply of toxic chemicals; • National electricity transmission, multi-purpose hydropower and nuclear power of extreme socio-economic importance associated with national defence and security; • Management and operation of national and urban railways, national and urban railway transport control; • Management and operation of airports which play an important role in national defence, security and flight control; • Maritime safety assurance; • Public postal services; • Lotteries; • Publishing (excluding printing and distribution of publications); • Money printing and minting; • Cartography serving national defence and security; • Management and exploitation of inter-provincial and inter-district irrigation works and sea walls; • Planting and protection of upstream forests, protective forests or specialised forests; • Provision of credit loans for socio-economic development; and • Member enterprises of state-owned groups/corporations which play a key role in production and business activities, development strategies or hold business and technological know-how.

Restricted Activities for Foreign Investments

As part of Vietnam's World Trade Organization (WTO) agreement, Vietnam reserves its sovereign right to restrict foreign investment in certain sectors by setting conditions which foreign investment projects must satisfy, such as:

- Foreign ownership limitations;
- Ownership percentage;
- Investment forms or requiring Vietnamese partners; and
- Operational contents.

A comprehensive list of 243 "conditional sectors" is provided by the Ministry of Planning and Investment. Investment sectors in which foreign investments are restricted include (non-exhaustive):

Banking and Finance

Construction

Entertainment

Education

Trading and Distribution

Real Estate

Transportation

Telecommunications

Foreign investment projects with a capital above VND 300 billion, or in these conditional sectors, must be approved by the Ministry of Planning and Investment. The issue of an investment certificate for those projects usually takes 30 to 45 business days.

To access the complete list of investment conditions applied to foreign investors, please refer to Clause 2 Article 13 Decree 118/2015/ND-CP and the "List of Investment Conditions Applied to Foreign Investors" consolidated by the Ministry of Planning and Investment.

8. Types of Industries Encouraged by the Local Government

Source:

[1] *Law on Investment (2014), The National Assembly of Vietnam*

[2] *Law on Enterprises (2014), The National Assembly of Vietnam*

[3] *Decree 118/2015/ND-CP, The Minister of Planning and Investment*

9. Key Government Incentives

Executive Summary

The Vietnamese government regulates investments with the Law on Investment, which treats both domestic and foreign investments homogenously. Investments that are eligible for incentives are entitled to preferential corporate income tax rates, import duty exemption for fixed assets, as well as exemption or reduction of land use fees/land rental and tax allowance.

Vietnam also has various types of special industrial and economic zones serving different purposes, providing incentives for enterprises residing in these areas.

9. Key Government Incentives

I. *Criteria and Eligibility for Government Incentives*

Under the Law on Investment (LOI) in Vietnam, incentives are given to both foreign and domestic investment projects in certain business sectors and locations. Incentives include:

- Exemption or reduction of corporate income tax for a definite term or for the whole project life;
- Import duties exemption for fixed assets; and
- Exemption or reduction of land use fees/land rental.

Corporate Income Tax (CIT) Incentives[1,2]

Companies can receive CIT incentives in both tax rate and tax holidays based on the industry, location, and size of the investment. The Vietnamese government has classified certain regions in the country as disadvantaged and extremely disadvantaged. These are generally remote and mountains areas where ethnic minorities live (e.g. Northern Highlands, Central Highlands and parts of Southern Vietnam). Investments in these areas will usually receive more incentives. For a detailed list of which areas fall under these categories, please refer to Decree 118/2015/ND-CP.

CIT Incentives by Industry

Industry	Preferential Tax Rate *(Note)*	Tax Holiday
• High-tech industries • Environmental protection • Infrastructure development • Software production • Supporting industries	10% for 15 years	4 years of tax exemption; and 50% reduction for the subsequent 9 years
• Socialised projects (e.g. education, healthcare) not located in disadvantaged or extremely disadvantaged areas	10% for project duration	4 years of tax exemption; and 50% reduction for the subsequent 5 years
• Socialised projects (e.g. education, healthcare) located in disadvantaged or extremely disadvantaged areas	10% for project duration	4 years of tax exemption; and 50% reduction for the subsequent 9 years
• Agriculture and forestry-related industries in disadvantaged areas	10% for project duration	Based on incentives for location (if applicable)
• Agriculture and related industries not in disadvantaged areas	15% for project duration	N/A
• Steel, energy saving products, agricultural machinery, forestry and fisheries, etc.	17% for 10 years	N/A

Note: Standard CIT is 20%.

CIT Incentives by Location

Location	Preferential Tax Rate	Tax Holiday
• In extremely disadvantaged areas; • Economic zones (EZs); or • Hi-tech zones (HTZs).	10% for 15 years	4 years of tax exemption; and 50% reduction for the subsequent 9 years
• In disadvantaged areas	17% for 10 years	2 years of tax exemption; and 50% reduction for the subsequent 4 years
• Industrial parks	N/A	2 years of tax exemption; and 50% reduction for the subsequent 4 years

CIT Incentives by Size (for manufacturing projects)

Investment Size	Preferential Tax Rate	Tax Holiday

• > VND 6 trillion in total capital with:
  ○ Annual revenue of VND 10 trillion by the fourth year; or
  ○ More than 3,000 employees by the fourth year of operation.
	10% for 15 years	4 years of tax exemption; and 50% reduction for the subsequent 9 years

• > VND 12 trillion in total capital, disbursed within five years since the license issuing date, and using evaluated technologies		

Import Duty Exemption for Fixed Assets

Under the LOI, Vietnamese government grants foreign investment projects exemptions on import duty for certain items, including:

- Equipment and machinery;
- Specialised means of transportation used by transport workers;
- Components, details, parts, fittings, moulds and accessories accompanying the equipment;
- Raw materials used in manufacturing components, details, parts, fittings, moulds and accessories accompanying equipment; and
- Construction materials which are not yet domestically produced.

The exemption from import duty shall also apply to the following items, if used for expansion or technology upgrade on a current project:

- Raw materials and components imported for production of projects in sectors where investment is specially encouraged or in regions with specially difficult socio-economic conditions; and
- Other special goods which need investment encouragement.

Exemption or Reduction of Land Use Fees/Land Rental

The incentives on land rental and land use fees are set out in Decree 46/2014/ND-CP. The incentives depend on whether the project is in disadvantaged or extremely disadvantaged areas, and whether it is in an encouraged or specially encouraged sector. For the specific designations for both categories, please refer to Decree 118/2015/ND-CP.

The table below summarises the incentives on Land Rental.

Project	Land Rental Exemption Period
• Invest in specially encouraged sectors and in extremely disadvantaged areas; and • Project with a total capital ≥ VND 6 trillion in specially encouraged sectors.	The whole rental period
• Invest in encouraged investment sectors; and • New business development bases.	3 years
• Invest in disadvantaged areas; and • Labour-intensive projects in rural areas using ≥500 full-time employees.	7 years
• Invest in: specially encouraged sectors, extremely disadvantaged areas, or encouraged sectors in disadvantaged areas; • Labour-intensive projects in rural areas using ≥500 full-time employees in encouraged sectors; and • Project with a total capital ≥ VND 6,000 billion.	11 years
• Invest in: specially encouraged sectors in disadvantaged areas, or encouraged sectors in extremely disadvantaged areas; • Labour-intensive projects in rural areas using ≥500 full-time employees in specially encouraged sectors; and • Project with a total capital ≥ VND 6,000 billion in encouraged sectors.	15 years

II. *Scope of Special Economic Zone Scheme and Geographical Location*[3,4]

Economic Zones (EZs)

EZs aim to promote investments, socio-economic development, and maintain national defence and security. There are 18 coastal economic zones with more than 300 state supported industrial parks throughout the country. EZs are categorised into the following types:

Type of Zone	Definition	Incentives
Costal Economic Zone	An economic zone on a coastal area and its surrounding areas	• Tax deductibles for expenses in construction, operations, or renting of apartments and social infrastructure for workers. • Priority in investment projects in the construction of houses, cultural and sport works, and social infrastructure for workers. • Entitled to receive assistance from competent authorities in carrying out administrative procedures for investment, trade and others under the "single-window or one-stop-shop" mechanism and other related issues during the process of executing the project.
Border-gate Economic Zone	An economic zone on the border areas of Vietnam and its surrounding areas	

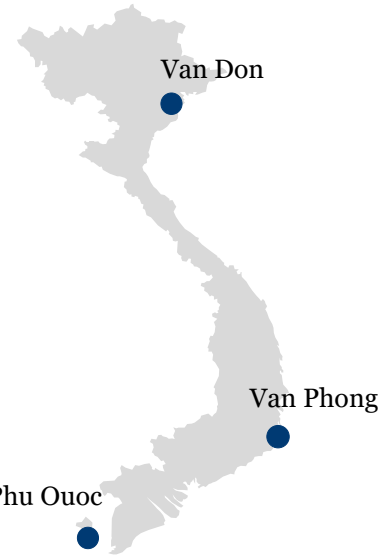
Proposed Special Economic Zones (SEZs)

The draft law on SEZ was proposed to be adopted by the Vietnamese National Assembly in June 2018. However, the bill has raised controversy as it allows potential foreign investors to lease land in the zones for up to 99 years. As a result, the land-related policies in the draft law have been omitted. The Vietnamese government agreed to postpone passing the draft law on SEZ.

The three proposed SEZs include:

- Van Don (Quang Ninh Province).
- Van Phong (Khanh Hoa Province).
- Phu Quoc (Kien Giang Province).

Location of Proposed SEZs



This map is for illustrative purposes only, and does not imply official endorsement or acceptance of any boundaries and/or names.

III. Other Local Government Support Funding Schemes, Including Both Local and Foreign Investment[5]

Hi-tech Zones (HTZs)

HTZs are multifunctional economic-technical parks, established by the Prime Minister, aiming to develop and apply advanced technologies, encourage hi-tech enterprises, train hi-tech manpower, as well as produce and trade in hi-tech products. For more information regarding each hi-tech park in Vietnam, please refer to section 5. The following industries are encouraged to participate in HTZs:

- Building and operations of technical infrastructural works;
- Manufacturing and trading of hi-tech products;
- Scientific research and technology development, training of hi-tech manpower;
- Development of advanced technologies, hi-tech enterprises and hi-tech trade promotion;
- Provision of assorted services;
- Information, communications, software technologies;
- Bio-technologies in service of agriculture, aquaculture and healthcare;
- Microelectronics, precision mechanical engineering, electro-mechanical, electro-optical and automation technologies;
- New materials and nanotechnologies; and
- Environmental and new energy technologies.

Each hi-tech park will offer different incentives to attract investors. Investors can generally expect to receive corporate income tax incentives, import duty exemptions, and free land rental, among other specific incentives. For specific incentives in each hi-tech park, please contact each individual hi-tech park.

Source:

[1] *Law on Investment (2014), The National Assembly of Vietnam*

[2] *Doing Business in Vietnam 2018, Ministry of Planning and Investment*

[3] *Decree No.82/2018/ND-CP, Management of Industrial Parks and Economic Zones, The Minister of Planning and Investment*

[4] *Draft law on administrative-economic units, Ministry of Planning and Investment*

[5] *Decree No.99/2003/ND-CP, Promulgating the Regulation on High-tech Parks, The Government of Vietnam*

10. Environmental Requirements

Executive Summary

The Ministry of Natural Resources and Environment (MONRE) is the primary regulatory body responsible for environmental protection in Vietnam. The Law on Environmental Protection is the primary environmental law in Vietnam. Any foreign businesses wishing to invest or do business in Vietnam must abide by the Law.

Factories in Vietnam may encounter environmental hurdles or problems, such as historical pollution and license requirements.

There are environmental organisations and agencies in Vietnam providing relevant environmental supporting services to those companies in need.

10. Environmental Requirements

I. Environmental Laws and Regulations in Vietnam[1]

In Vietnam, Ministry of Natural Resources and Environment (MONRE) is the primary regulatory body responsible for environmental protection. The Law on Environmental Protection is the primary environmental law in Vietnam, which specifies that environmental protection should be in harmony with economic development, social protection, biodiversity protection and adapting to climate change. It also states that organisations and individuals benefit from the environment are responsible for providing financial support for environmental protection activities. At the same time, it adopts a polluter-pays principle.

A. The Main Environmental Protection Administrations in Vietnam

Ministry of Natural Resources and Environment (MONRE)[2]

In 2003, the government established the MONRE, tasked with the following responsibilities:

- Support the government by implementing laws and regulations to protect the environment;
- Support the government with national policies, strategies, and plans on environmental protection;
- Establish and regulate a system of environmental standards;
- Create plans to combat environmental degradation;
- Perform uniform management of the registration of environmental protection undertakings nationwide;
- Organise the evaluation and approval of environmental impact assessment (EIA) reports;
- Provide guidance on the registration of environmental-friendly establishments and products; and
- Grant environmental standard conformity certificates.

Vietnam Environment Administration (VEA)[3]

The Vietnam Environment Administration (VEA) was established under the MONRE in 2008. The responsibility of VEA is to assist the MONRE in execution of state environmental management tasks, including the functions and tasks listed below:

- Assist the development of policies, legislation, strategies, planning of national programs on environmental protection;
- Develop action plans for the implementation of national strategies on environmental protection, and submit them to the Minister of Natural Resources and Environment for consideration and approval; and
- Implement environmental examinations and inspections, and enforce relevant environmental laws.

The table below lists out the main environmental protection organisations under the VEA.

Category	Organisation Name
Departments	• Department of Policy and Legal Affairs • Department for International Cooperation, Science and Technology • Pollution Control Department • EIA & Appraisal Department • Waste Management and Environmental Promotion Department • Department for Supervision of Environmental Activities • Institute for Environmental Sciences
Centres	• Centre for Environmental Monitoring • Centre for Environmental Consultation and Technology • Centre for Environmental Information • Centre for Environmental Training and Propaganda • Environmental Protection Magazine
Regional Agencies	• Regional Agency in Ho Chi Minh City • Regional Agency in Da Nang City

B. The Main Environmental Legislation in Vietnam

The Law on Environmental Protection is the primary environmental law in Vietnam. In addition, any pollutants generated must comply with various environmental standards, such as technical regulations on the wastewater, noise, air emission, etc.

The Law on Environmental Protection

Environmental Impact Assessment (EIA)[4,5]

Before construction begins, an EIA is required for all projects that may have a significant environmental impact. The contents of an EIA is precisely defined by law, and must include any potential environmental impact during construction and operation of the project, as well as any specific mitigation measures and contingency plans taken. For projects not subject to EIAs, an environmental protection undertaking must be registered with the local authorities.

An EIA report must be revised if there is any change in the project location, scale or capacity, or any technological change in the project that may cause greater adverse environmental impact. Revision of the EIA is required if the project has not been implemented within 24 months from the original date of approval.

Inspection and approval (if applicable) of the EIA will be given within 20 days after the EIA report is received. If the report is rejected, detailed reasons for the rejection will be provided to the project owner in writing.

Pollution Control

The Law on Environmental Protection provides regulation on pollution control, and environmental remediation of air, water, and solid waste. Under this Law, all manufacturers and businesses are responsible for applying measures to control environmental pollution.

Businesses causing serious environmental pollution will be penalised for administrative violations and placed on the list of establishments causing serious environmental pollution. Also, these businesses must then take measures of pollution removal or else they will face further punishments.

Penalties

The Law establishes strict penalties and fines for breaching environmental protection rules. Offenders are required to clean up, rehabilitate, and pay compensation for losses incurred by third parties. In addition, management of offenders may be liable for criminal charges in cases of serious environmental damage. Similar rules apply to public servants who abuse their position to cover up relevant offences.

The Law on Environmental Protection Tax (EPT)[6,7,8]

The EPT was passed by the National Assembly on 15 November 2010, and has been in effect since 1 Jan 2012. The EPT is built on the principle of "polluters must pay ", forcing polluters and related entities to bear responsibility for the costs incurred from their polluting activities by factoring external cost into the price.

Compositions

The EPT will be imposed on any polluters, where the production progress involves the consumption or utilisation of goods that are considered to negatively impact the environment, including:

- Petrol, oil or grease;
- Coal;
- Hydrochlorofluorocarbons (HCFCs);
- Nylon bags; and
- Some limited usage chemicals (e.g. pesticides).

EPT Rate

Goods	Taxable Unit	Tax (VND)
Petroleum, Oil, Grease	L	900 - 3,000
Coal	tonne	10,000 - 20,000
HCFCs	kg	4,000
Nylon Bags	kg	40,000
Limited Use Chemicals	kg	500 - 1,000

Other Environmental Regulations (air, water, wastes, etc.)

Vietnam has issued supplementary environmental laws and regulations such as the Decree on Solid Waste Management (2007), and Circular on Environmental Protection in the Industry and Trade Sector (2015), etc. Emissions, industrial wastewater, other wastes, and hazardous materials are clearly regulated by the relevant laws, orders, and decrees, with corresponding penalties for violation of such laws and regulations.

A detailed list of environmental laws and regulations in Vietnam can be found in Appendix 4.

C. Main Environmental Related Joint Announcements and Statements which HK and Mainland China Have Issued with Vietnam

The Chinese Ministry of Foreign Affairs has issued a joint statement between the People‘s Republic of China and the Socialist Republic of Vietnam, to further strengthen Mainland China and Vietnam’s comprehensive strategic partnership. The statement encourages cooperation in the environment-related fields.

In addition, there are also a series of statements and plans to further enhance the environmental cooperation between Mainland China and the ASEAN that will affect Vietnam.

Main Environmental-Related Joint Announcements and Statements[9,10,11]

Statements	Impact	Clause
Joint Statement of the People's Republic of China and the Socialist Republic of Vietnam	Encourage cooperation in environmental protection, water resources management, and sustainability.	Clause 5 (5)
Joint Statement of China and ASEAN Leaders on Sustainable Development	Encourage cooperation in conservation of biodiversity and the environment, in clean production, and in awareness of environmental.	Clauses 6 & 8
China-ASEAN Environmental Protection Cooperation Strategy 2016-2020	Establish the China-ASEAN Environmental Protection Cooperation Centre to enhance environmental cooperation. It also improves the sharing of knowledge and experiences, and encourages factories to comply with the environmental laws and regulations.	Clauses 45, 47, 53, 54

D. The Main Environmental Permits in Vietnam[12,13,14]

Vietnam has enacted laws and announced numerous environmental regulations, specifying what environmental permits are required.

Environment Impact Assessment (EIA)

An EIA is required for certain activities or projects in Vietnam, and is critical for the establishment of a factory.

Hazardous Waste Generator Registration

Businesses engaged in activities generating hazardous waste must register with the local provincial-level Department of Natural Resources and Environment.

Wastewater Discharge Permit

All individuals and enterprises producing wastewater and discharging waste with a flow of 5m^3 or more per day must apply for the wastewater discharge permit.

II. *Environmental Situations in Vietnam*

A. Hurdles or Problems Encountered and Resolutions

Before Land Acquisition	Pre-construction Period			Operation Period
Historical Pollution Issues	**License Requirements**			**Environmental Pollution Issues**
Environmental Due Diligence (EDD) checks for existing soil and groundwater pollution, which can help investors avoid liability for historical pollution	EIA	Wastewater Discharge Permit *(subject to project characteristic)*	Hazardous Waste Generator Registration *(subject to project characteristic)*	Each industry has different characteristics of pollutants, and will require appropriate monitoring and environmental protection equipment

Before Land Acquisition: Historical Pollution Issues

Soil and groundwater of the targeted land may have been polluted by previous land users. Companies may be liable for historical pollution, or be negatively impacted in the future, if such issues are not identified.

Resolutions

Environmental Due Diligence (EDD)

EDD can help by systematically identifying the environmental risks and responsibilities before investment or expansion of the site. An EDD will typically take around two months to complete, but may not be required for every project. The processes are as follows:

- Supporting agency selection: There are no license requirements from local environmental departments on third party agencies providing EDD services. Companies may hire a capable third party service to conduct an EDD where necessary;
- Phase I Environmental Site Assessment: The EDD provider will conduct a limited environmental, health and safety compliance assessment supporting the due diligence for the industrial transaction;
- Phase II Environmental Site Assessment: Based on the results from Phase I, the EDD provider will conduct the actual sampling, monitoring or testing of the soil, air, groundwater, and building materials, in order to evaluate the potential presence of contaminants in the scope;
- Results: The EDD provider will identify potential significant environmental risks in a report.

EDD Case

An international company planned to purchase a manufacturing facility located in Bin Duong, Vietnam. They appointed a local supporting agency to conduct EDD for the client's pre-acquisition transaction.

The primary objectives of the study was: 1) to determine the procedures and practices pertaining to general environmental management, hazardous materials, wastewater, air emissions, nuisance controls; 2) to conduct a detailed review of the physical and biological site setting; and 3) to include a checklist detailing the environmental regulatory requirements applicable to the operations and activities at the target facility and the current compliance status of the facility with respect to each regulatory obligation.

For a list of organisations/agencies providing EDD services in Vietnam, please refer to Section 10.III.A.

Pre-construction Period: Environmental Impact Assessment (EIA)

Decree 21-2008-ND-CP has stipulated the projects of industries which are required to conduct an EIA, and that they are not allowed to operate without an EIA.

Resolutions

EIA

According to the Law on Environmental Protection, the EIA must be performed in the preparatory stage of the project.

EIA Processes:

- Supporting agency selection: The owners of the project must carry out EIA themselves or hire a qualified advisory organisation to conduct EIA;
- EIA report compilation: Typically requires one to two months depending on the size and scope of the project;
- Submission: Submitting EIA report to the appropriate appraisal authority (the appraisal authority can be MONRE, Provincial People's Committee or other ministries. For most private enterprises, the EIA report will be submitted to the Provincial People's Committee);
- Review and approval: The EIA & Appraisal Department (under VEA and MONRE) will examine the EIA report and issue a decision in 45 days, while the Provincial People's Committee normally takes 30 days.

Types of projects/activities with EIA requirements for the key industries can be found in Appendix 5.

EIA Case

According to the list of projects for which an EIA report must be prepared (issued with Decree 21-2008-ND-CP), a fish cultivating tourist project was required to obtain EIA approval in Mekong river, Vinh Long province. The project proponent appointed a qualified Vietnamese company to prepare EIA report for them and subsequently received the approval. As a result, the project met the compliance requirements and started successfully.

For a list of organisations/agencies providing EIA Supporting Services in Vietnam, please refer to Section 10.III.B.

Pre-construction period: Wastewater Discharge Permit

The factories producing wastewater and discharge into receiving water source with a flow of 5m^3 per day must apply the wastewater discharge permit, or else they will not be allowed to operate.

Resolutions

Wastewater Discharge Permit

- If the factory discharge more than 3000 m^3/day, the Wastewater Discharge Permit application shall be submitted to the MONRE. If the discharge is less than 3000 m^3/day/night (30,000 m^3/day/night for aquaculture facilities), the application shall be submitted to the local provincial Department of Natural Resources and Environment (DONRE);
- After receiving the application, the MONRE or DONRE will proceed a check and evaluation, normally the permit will be granted within 45 days. The license will be valid for a maximum of 10 years with a possible extension for another five years provided that the extension is filed three months prior to the expiration date.

Pre-construction Period: Hazardous Waste Generator Registration

The factories engaged in activities generating hazardous wastes shall register hazardous wastes source with the local provincial-level DONRE, or else they will not be allowed to operate.

Resolutions

Hazardous Wastes Generator Registration

- The owner of hazardous waste source shall submit a registration dossier or send it by post to the provincial-level DONRE where the hazardous waste-generating establishments are based;
- The DONRE will consider and grant a hazardous waste source owner registration book typically within 15 working days after the submission.

For a list of organisations/agencies supporting the hazardous waste generator registration in Vietnam, please refer to Section 10.III.C.

Operation Period: Environmental Pollution Problems

During the operation period, companies may face environmental pollution problems resulting from non-compliant environmental management or equipment failure:

- Wastewater: Excessive pollutants in wastewater causing soil or groundwater pollution;
- Air emissions: Industrial exhaust emissions that are not in compliance, causing air pollution;
- Hazardous waste disposal: Non-compliant disposal of hazardous wastes leads to soil or groundwater contamination, resulting in subsequent penalties; and
- Noise pollution: Noise pollution caused by the operation of machinery and equipment.

Resolutions

Environmental Monitoring

The Pollution Control Department is mainly responsible for the control of environmental pollution problems. In the case of such problems, the following measures can be taken:

- Hiring third party service providers to conduct regular monitoring or to help with disposal of hazardous waste;
- Enhancing environmental awareness of related workers;
- Improving relevant equipment in use; and
- Optimising the manufacturing process.

For a list of organisations/agencies providing environmental monitoring and related services in Vietnam, please refer to Section 10.III.C, D, and E.

Environmental Pollution Case

A monosodium glutamate producer in Vietnam who were caught red-handed polluting the Thi Vai River in Ba Ria Vung Tau Province, 67km south of Ho Chi Minh City. They have been discharging thousands of cubic meters of untreated wastewater into the river every day for the last 14 years and as a result a 15km stretch of the river is now grossly polluted.

The Vietnamese government suspended the factory operations and fined the company a USD 7.5 million retrospective environmental protection fine. In addition to this, nearly 1,000 local residents whose health have suffered as a consequence are in the process of preparing a class action against the company.

B. Study on the Key Manufacturing Industries in which HK/Mainland China Companies Have Invested in Vietnam

Potential Environmental Issues[a]	Electronics	Garment & Clothing	Watches & Jewellery	Toys & Games	Hi-tech[b]
Historical Soil Pollution or Groundwater Pollution	✓	✓	✓	✓	✓
Lack of Relevant Environmental Related Licenses	✓	✓	✓	✓	✓
Wastewater Causing Soil or Groundwater Pollution	✓	✓	✓	✓	✓
Industrial Exhaust Emissions Causing Air Pollution	✓	✓	✓	—	—
Disposal of Hazardous Wastes Leading to Soil or Groundwater Contamination	✓	✓	—	✓	—
Noise Pollution Caused by the Operation of Machinery and Equipment	✓	✓	✓	✓	—

✓ indicates that the factory may face the environmental issues in the industry.

"—" indicates that the factory is less likely to face the environmental issues in the industry.

Note:

a. *"Environmental issue" indicates any environment related problems factories may have faced during the pre-approval period, construction period and operation period.*

b. *Hi-tech in this table mainly includes industries producing electronic components, and components and accessories used for new power generators and renewable generators, etc.*

C. Comparison of Industrial Effluent/Emission Standards Between Vietnam and Mainland China

Please refer to below legend for the understanding of all the comparison tables in this section.

Values in brackets indicate the parameters of industrial wastewater when it is discharged into the water sources serving tap water, and the values outside the brackets indicate the parameters of industrial wastewater when it is discharged into the water sources not serving tap water supply (except for electronic industry and textile industry).

For the Mainland China standards in the electronic and textile industry, values are the limitation of effluent discharged into environment directly.

"↓" indicates the requirement of Mainland China is stricter than Vietnam.

"↑" indicates the requirement of Vietnam is stricter than Mainland China.

"= " indicates the requirement of Mainland China is the same as Vietnam.

"-" indicates there is no requirement in the standards.

"N/A" indicates that there is no comparison available due to the lack of a standard from one country.

The following tables list out the common pollutants in various industries. For a complete list, please refer to the Notes section below each table for relevant standards.

All standards listed below are applicable to factories in industrial areas. There are no official specialised requirements/standards for non industrial areas in Vietnam at the moment, i.e. residential areas. If there are plans to build or operate factories in such areas, it is recommended to confirm with the local environmental department for specific regional requirements.

Electronics (Part 1/5)

Water and air pollutants are the main pollutants in the electronics industry. The following table compares the effluent and emission standards of Vietnam and Mainland China:

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Vietnam[a]	Mainland China[b]	
Electronics	Water pollutants mg/L (Except pH, on a scale of 0-14)	pH		5.5-9.0 (6.0-9.0)	6.0-9.0	↓ (=)
		Suspended solids		100 (50)	50	↓ (=)
		COD		150 (75)	80	↓ (↑)
		Ammonia nitrogen	Special electronic materials	10 (5)	10/20[c]	=(↑)/↑[c](↑[c])
			Electrical units		5	↓ (=)
			Printed circuit boards		20	↑ (↑)
			Semiconductor devices		10	= (↑)
			Display device and photoelectron components		5	↓ (=)
			Electron terminals products		5	↓ (=)
		Total nitrogen	Special electronic materials	40 (20)	20/30[c]	↓(=)/↓[c](↑[c])
			Electrical units		15	↓ (↓)
			Printed circuit boards		30	↓ (↑)
			Semiconductor devices		15	↓ (↓)

Electronics (Part 2/5)

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Vietnam[a]	Mainland China[b]	
Electronics	Water pollutants mg/L (Except pH, on a scale of 0-14)	Total nitrogen	Display device and photoelectron components	40 (20)	15	↓ (↓)
			Electron terminals products		15	↓ (↓)
		Total phosphorus	Special electronic materials	6 (4)	0.5/1.0[c]	↓ (↓)/↓[c] (↓[c])
			Electrical units		0.5	↓ (↓)
			Printed circuit boards		1.0	↓ (↓)
			Semiconductor devices		1.0	↓ (↓)
			Display device and photoelectron components		0.5	↓ (↓)
			Electron terminals products		0.5	↓ (↓)
		Sulfide	Special electronic materials	0.5 (0.2)	-	N/A
			Electrical units		-	N/A
			Printed circuit boards		1.0	↑ (↑)
			Semiconductor devices		1.0	↑ (↑)
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A
		Copper	Special electronic materials	2.0 (2.0)	0.5	↓ (↓)
			Electrical units		0.5	↓ (↓)
			Printed circuit boards		0.5	↓ (↓)
			Semiconductor devices		0.5	↓ (↓)
			Display device and photoelectron components		0.5	↓ (↓)
			Electron terminals products		-	N/A

Electronics (Part 3/5)

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Vietnam[a]	Mainland China[b]	
Electronics	Water pollutants mg/L (Except pH, on a scale of 0-14)	Zinc	Special electronic materials	3.0 (3.0)	1.5	↓ (↓)
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		1.5	↓ (↓)
			Display device and photoelectron component		1.5	↓ (↓)
			Electron terminals products		-	N/A
		Cadmium	Special electronic materials	0.1 (0.05)	0.05	↓ (=)
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		0.05	↓ (=)
			Display device and photoelectron component		-	N/A
			Electron terminals products		-	N/A
		Total chromium	Special electronic materials	-	1.0	N/A
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		0.5	N/A
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A
		Hexavalent chromium	Special electronic materials	0.1 (0.05)	0.2	↑ (↑)
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		0.1	= (↑)
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A

Electronics (Part 4/5)

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Vietnam[a]	Mainland China[b]	
Electronics	Water pollutants mg/L (Except pH, on a scale of 0-14)	Arsenic	Special electronic materials	0.1 (0.05)	0.3	↑ (↑)
			Electrical units		0.3	↑ (↑)
			Printed circuit boards		-	N/A
			Semiconductor devices		0.2	↑ (↑)
			Display device and photoelectron component		0.2	↑ (↑)
			Electron terminals products		-	N/A
		Lead	Special electronic materials	0.5 (0.1)	0.2	↓ (↑)
			Electrical units		0.1	↓ (=)
			Printed circuit boards		-	N/A
			Semiconductor devices		0.2	↓ (↑)
			Display device and photoelectron component		0.2	↓ (↑)
			Electron terminals products		-	N/A
		Nickel	Special electronic materials	0.5 (0.2)	0.5	= (↑)
			Electrical units		0.5	= (↑)
			Printed circuit boards		0.5	= (↑)
			Semiconductor devices		0.5	= (↑)
			Display device and photoelectron components		0.5	= (↑)
			Electron terminals products		-	N/A
		Total Cyanide	Special electronic materials	0.1 (0.07)	0.2	↑ (↑)
			Electrical units		0.2	↑ (↑)
			Printed circuit boards		0.2	↑ (↑)
			Semiconductor devices		0.2	↑ (↑)
			Display device and photoelectron components		0.2	↑ (↑)
			Electron terminals products		-	N/A

Electronics (Part 5/5)

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Vietnam[a]	Mainland China[b]	
Electronics	Air pollutants mg/m^3	TVOC	-	150	N/A
		NMHC	-	100	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	-	Daytime 65 Night 55	N/A
		Noise emission limits from production, construction, trading, service provision and life	Daytime 70 Night 55	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Note:

a. *Vietnam Standards: National Technical Regulation on Industrial Wastewater [15], National Technical Regulation on Industrial Emission of Organic Substances[16], and National Technical Regulation on Noise[17].*

b. *Mainland China Standards: Emission Standard of Pollutants For Electrical Industry[18], and Emission Standard for Industrial Enterprises Noise at Boundary[20].*

c. *The value suitable for enterprises producing electrode foil of aluminum electrolytic capacitor.*

Garment & Clothing

Water and air pollutants were the main pollutants from wool scouring, printing and dyeing, degumming and washing processes in the garment & clothing industry. The following table compares the effluent and emission standards between Vietnam and Mainland China:

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Vietnam[a]	Mainland China[b]	
Garment & Clothing	Water pollutants mg/L (Except pH, on a scale of 0-14)	pH	5.5-9.0 (6.0-9.0)	6.0-9.0	↓ (=)
		Suspended solids	100 (50)	50	↓ (=)
		COD	150 (75)	80	↓ (↑)
		BOD_5	50 (30)	20	↓ (↓)
		Colour[c]	150 (50)	50	↓ (=)
		Ammonia nitrogen	-	10	N/A
		Total nitrogen	-	15	N/A
		Total phosphorus	-	0.5	N/A
		Chlorine dioxide	-	0.5	N/A
		Excess chlorine	2 (1)	-	N/A
		AOX	-	12	N/A
		Sulfide	-	0.5	N/A
		Aniline	-	Not be detected	N/A
		Hexavalent chromium	0.10 (0.05)	Not be detected	↓ (↓)
		Cyanide	0.10 (0.07)	-	N/A
		Total surfactant	10 (5)	-	N/A
	Air Pollutants mg/m^3	NMHC	-	120	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	-	Daytime 65 Night 55	N/A
		Noise emission limits from production, construction, trading, service provision and life	Daytime 70 Night 55	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Note:

a. Vietnam Standards: National Technical Regulation on the Effluent of Textile[21], National Technical Regulation on Industrial Emission of Organic Substances[16], and National Technical Regulation on Noise[17] .

b. Mainland China Standards: Discharge Standard for Water Pollutants in Textile Dyeing and Finishing Industry[22], Integrated Emission Standard of Air Pollutants[19] , and Emission Standard for Industrial Enterprises Noise at Boundary[20].

c. "Colour" is the indicator in Vietnam Standard, while it refers to "Chroma" in Mainland China Standard.

Watches & Jewellery

Water and air pollutants from washing process and air pollutants from polishing process were the main pollutants in the watches & jewellery industry. The following table compares the effluent and emission standards between Vietnam and Mainland China:

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Vietnam[a]	Mainland China[b]	
Watches & Jewellery	Water pollutants mg/L (Except pH, on a scale of 0-14)	pH	5.5-9.0 (6.0-9.0)	6.0-9.0 (6.0-9.0)	↓ (=)
		Suspended solids	100 (50)	150 (70)	↑ (↑)
		COD	150 (75)	150 (100)	= (↑)
		BOD_5	50 (30)	30 (20)	↓ (↓)
		Ammonia nitrogen	10 (5)	25 (15)	↑ (↑)
		Total cyanide	0.1 (0.07)	0.5 (0.5)	↑ (↑)
		Hexavalent chromium	0.1 (0.05)	0.5 (0.5)	↑ (↑)
		Petroleum	-	10 (5)	N/A
	Air Pollutants mg/m^3	NMHC	-	120	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	-	Daytime 65 Night 55	N/A
		Noise emission limits from production, construction, trading, service provision and life	Daytime 70 Night 55	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Note:

a. *Vietnam Standards: National Technical Regulation on Industrial Wastewater [15], National Technical Regulation on Industrial Emission of Organic Substances[16], and National Technical Regulation on Noise[17].*

b. *Mainland China Standards: Integrated wastewater discharge standard[23], Integrated emission standard of air pollutants[19], and Emission Standard for Industrial Enterprises Noise at Boundary[20].*

Toys & Games

Water pollutants from washing process and air pollutants resulting from the production and storage of polymers and the precursors process are the major types of pollution in the toys and gaming Industry. The following table compares the effluent and emission standards between Vietnam and Mainland China:

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Vietnam[a]	Mainland China[b]	
Toys & Games	Water pollutants mg/L (Except pH, on a scale of 0-14)	pH	5.5-9.0 (6.0-9.0)	6.0-9.0 (6.0-9.0)	↓ (=)
		Suspended solids	100 (50)	150 (70)	↑ (↑)
		COD	150 (75)	150 (100)	= (↑)
		BOD_5	50 (30)	30 (20)	↓ (↓)
		Ammonia nitrogen	10 (5)	25 (15)	↑ (↑)
		Sulfide	0.5 (0.2)	1.0 (1.0)	↑ (↑)
		Total cyanide	0.1 (0.07)	0.5 (0.5)	↑ (↑)
		Hexavalent chromium	0.1 (0.05)	0.5 (0.5)	↑ (↑)
		Petroleum	-	10 (5)	N/A
		Total Phenols	0.5 (0.1)	-	N/A
		Volatile Phenols	-	0.5 (0.5)	N/A
	Air Pollutants mg/m^3	NMHC	-	120	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	-	Daytime 65 Night 55	N/A
		Noise emission limits from production, construction, trading, service provision and life	Daytime 70 Night 55	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Note:

a. Vietnam Standards: National Technical Regulation on Industrial Wastewater [15], National Technical Regulation on Industrial Emission of Organic Substances[16], and National Technical Regulation on Noise[17].

b. Mainland China Standards: Integrated wastewater discharge standard[23], Integrated emission standard of air pollutants[19], and Emission Standard for Industrial Enterprises Noise at Boundary[20].

Hi-tech

Water and air pollutants from the chemical cleaning process are the major type of pollution in the hi-tech industry. The following table compares the effluent and emission standards of Vietnam and Mainland China:

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Vietnam[a]	Mainland China[b]	
Hi-tech	Water Pollutants mg/L (Except pH, on a scale of 0-14)	pH	5.5-9.0 (6.0-9.0)	6.0-9.0 (6.0-9.0)	↓ (=)
		Suspended solids	100 (50)	150 (70)	↑ (↑)
		COD	150 (75)	150 (100)	= (↑)
		BOD_5	50 (30)	30 (20)	↓ (↓)
		Ammonia nitrogen	10 (5)	25 (15)	↑ (↑)
		Sulfide	0.5 (0.2)	1.0 (1.0)	↑ (↑)
		Total copper	2 (2)	1.0 (0.5)	↓ (↓)
		Total zinc	3 (3)	5.0 (2.0)	↑ (↓)
		Formaldehyde	-	2.0 (1.0)	N/A
		Total Phenols	0.5 (0.1)	-	N/A
		Volatile Phenols		0.5 (0.5)	N/A
		Total cyanide	0.1 (0.07)	0.5 (0.5)	↑ (↑)
	Air Pollutants mg/m^3	NMHC	-	120	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	-	Daytime 65 Night 55	N/A
		Noise emission limits from production, construction, trading, service provision and life	Daytime 70 Night 55	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Note:

a. *Vietnam Standards: National Technical Regulation on Industrial Wastewater [15], National Technical Regulation on Industrial Emission of Organic Substances[16], and National Technical Regulation on Noise[17].*

b. *Mainland China Standards: Integrated Wastewater Discharge Standard[23], Integrated Emission Standard of Air Pollutants[19], and Emission Standard for Industrial Enterprises Noise at Boundary[20].*

Food & Beverage, Chemicals & Plastics

Food & beverage industry is one with some obvious characteristic pollutants, such as COD, TSS, and other organic substances in the wastewater. Vietnam has introduced the National Technical Regulations on effluent discharged from the cassava starch processing factories[24] and on effluent discharged from the seafood processing factories[25]. In general, limits for effluent discharged into water sources in Vietnam in the industry are stricter than those in Mainland China in terms of total cyanide and COD concentration.

Compared with other industries, chemicals & plastics industry involves more significant potential environmental risk. Mainland China has established special standards focusing on industries such as the Emission Standards of Pollutants for Inorganic Chemical Industry, the Emission Standard of Pollutants for Nitric Acid Industry, the Emission Standard of Pollutants for Sulfuric Acid Industry, etc. Vietnam has established special standards on the emission of chemical fertiliser manufacturing industry and on the effluent of bioethanol processing, of which limits on COD, TSS and BOD_5 discharged into the water sources not serving tap water supply are more stringent in Vietnam than in Mainland China.

General Industries

General industries refer to those industries which do not produce massive or characteristic pollutants (such as logistics & transportation industry, furniture industry, etc.). Such industries should be in compliance with the general environmental standards available in both countries.

The following table compares the general effluent/emission standards of Vietnam and Mainland China:

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Vietnam[a]	Mainland China[b]	
General Industries	Water Pollutants mg/L (Except pH, on a scale of 0-14)	pH	5.5-9.0 (6.0-9.0)	6.0-9.0 (6.0-9.0)	↓ (=)
		Suspended solids	100 (50)	150 (70)	↑ (↑)
		COD	150 (75)	150 (100)	= (↑)
		BOD_5	50 (30)	30 (20)	↓ (↓)
		Ammonia nitrogen	10 (5)	25 (15)	↑ (↑)
		Sulfide	0.5 (0.2)	1.0 (1.0)	↑ (↑)
		Formaldehyde	-	2.0 (1.0)	N/A
	Air Pollutants mg/m^3	NMHC	-	120	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	-	Daytime 65 Night 55	N/A
		Noise emission limits from production, construction, trading, service provision and life	Daytime 70 Night 55	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Notes:

a. *Vietnam Standards: National Technical Regulation on Industrial Wastewater [15], National Technical Regulation on Industrial Emission of Organic Substances[16], and National Technical Regulation on Noise[17].*

b. *Mainland China Standards: Integrated Wastewater Discharge Standard[23], Integrated Emission Standard of Air Pollutants[19], and Emission Standard for Industrial Enterprises Noise at Boundary[20].*

III. The Main Local Supporting Organisations/Agencies in Vietnam

Vietnam's environmental laws and regulations system are currently undergoing a refining process. The overall trend will be more stringent to the industries.

To ensure environmental compliance and to maintain a good relationship with the public, the investor should pay attention to the environment survey, license application and meet the local discharge standards in the design-build and operation periods.

The following tables list out the main local organisations and agencies providing relevant environment-related supporting services.

A. Environmental Due Diligence Services in Vietnam

Agency/Organisation	Service Coverage	Contact
PwC	• Environmental Due Diligence; • Environmental and Social Risk Management; • Supply Chain Risk Management; • Environmental and Health & Safety (EHS) Regulatory Compliance Assessments; and • Independent Assurance, etc.	+84 (28) 3823 0796
SLP Environmental	• Due Diligence, Transaction and Funder Services; • Soil and Groundwater Contamination Surveys; and • Environmental and Health & Safety (EHS) Regulatory Compliance Assessment, etc.	+ 66 (0) 2168 7016 (ASEAN Headquarters)
Royal Haskoning DHV	• Environmental Due Diligence; • Sustainable Solutions for Site Infrastructure and Building Design; and • Environmental and Social Impact Assessments, etc.	+84 (28) 6281 4556

B. EIA Supporting Services in Vietnam

Agency/Organisation	Service Coverage	Contact
Minh Phuong Construction Design & Investment Joint-Stock Company	• EIA Report; • Consulting for Environment Protection; • Design of Construction Works; and • Design of Wastewater Treatment System, etc.	+84 (28) 3514 6426
EUC	• EIA Report; • Installation, Repair, Maintenance of Wastewater Treatment, Air and VOCs Pollution Control; • Wastewater Discharge Permit; and • Environmental Monitoring Report, etc.	+84 (274) 3 667 006
Green Eye Environment	• EIA Report; • Environmental Standard Registration; and • Designing, Construction and Installation of the Clean Water Treatment, Wastewater Treatment, and Air Pollution Treatment, etc.	+84 (28) 3827 9706

C. Environmental Monitoring/Permit Application Services in Vietnam

Agency/Organisation	Service Coverage	Contact
CRS VINA	• Environmental Monitoring Report; • Wastewater Discharge Permit and Hazardous Waste Generator Registration; • Design and Construction of Treatment System; and • EIA Report, etc.	+84 0903 980 538
Cao Nguyen Green Environment Consulting	• Environmental Monitoring Report; • Wastewater Discharge Permit and Hazardous Waste Generator Registration; and • EIA Report, etc.	+84 0938 395 254
QCVN	• Environmental Monitoring Report; • Water Analysis (Drinking Water, Ice Water, Wastewater, Surface Water); and • Food Testing, etc.	+84 (28) 7308 6678

D. Hazardous Wastes Disposal Services in Vietnam

Agency/ Organisation	Service Coverage	Contact
Hoa Binh Xanh Environmental Technology	• Collecting Hazardous Wastes and Transporting Hazardous Wastes; • Wastewater Treatment & Waste Gas Treatment; • EIA Report; and • Wastewater Discharge Permit and Hazardous Waste Generator Registration, etc.	+84 0906 840 903
KBEC VINA	• Industrial Solid Wastes Landfill; • Hazardous Wastes Burial Sites; • Transportation Collection Service; • Waste Identification Service; and • Temporary or Emergency Waste Disposal Service, etc.	+84 (254) 389 7209 /7210
Vietnam Green Environment Company	• Hazardous Wastes Collection and Disposal; • Recycle of Hazardous Wastes; • Business In Pre-classified Materials and Scrap Materials; and • Hazardous Waste Generator Registration, etc.	+84 (28) 3770 1202
Vietnam Australia Environment S.J.	• Waste Transportation and Treatment; • Recycle of Wastes and Scraps; • Business In Scraps and Recycled Products; and • EIA Report, etc.	+84 (28) 3766 1530

E. Pollutants Treatment Services in Vietnam

Agency/Organisation	Service Coverage	Contact
EUC	• EIA Report; • Wastewater Treatment; • Hazardous Wastes Management; • Wastewater Discharge Permit; • Water Underground Exploiting Permit; and • Environmental Monitoring Report, etc.	+84 0933 425 239
Tran-Dong A Environmental Technology	• Consulting, Designing, Installing, Maintaining and Repairing of Waste Treatment Equipment/Facilities; and • Client-tailored Environmental Treatment Solutions and Associated Services, etc.	+84 0983 588 592

Source:

[1] *Law on Environmental Protection No: 55/2014/QH13, LSE 2015*

[2] *Setting Up and Operating in Vietnam, Russin & Vecchi 2016*

[3] *Management Authorities, Vietnam Environment Administration 2019*

[4] *Investment Policy Review of Viet Nam, UNCTD 2008*

[5] *Legal Guide to Investment in Vietnam, Allens 2019*

[6] *The Law on Environmental Protection Tax No. 57/2010/QH12, 2010*

[7] *Workshop on Tax Policy for Domestic Resource Mobilization and Seminar on Property Tax Reform, MOF 2018*

[8] *Investment Guide Vietnam, DFDL 2018*

[9] *Joint Statement of the People's Republic of China and the Socialist Republic of Vietnam, 2008*

[10] *Joint Statement of China and ASEAN Leaders on Sustainable Development, 2010*

[11] *China-ASEAN Environmental Protection Cooperation Strategy 2016-2020, 2017*

[12] *Environmental License and permit for Industrial Parks in Vietnam, Vietnam Business Law, 2019*

[13] *Circular on Management of Hazardous Wastes, 2015*

[14] *Discharge Permit, CRS VINA 2019*

[15] *National Technical Regulation on Industrial Wastewater No. QCVN 40: 2011/BTNMT, 2011*

[16] *National Technical Regulation on Industrial Emission of Organic Substances No. QCVN 20: 2009/BTNMT, 2009*

[17] *National Technical Regulation on Noise No. QCVN 26:2010/BTNMT, 2010*

[18] *Emission Standard of Pollutants for Electrical Industry, 2nd edition for suggestion*

[19] *Integrated Emission Standard Of Air Pollutants, GB 16297-1996*

[20] *Emission Standard for Industrial Enterprises Noise at Boundary, 2008*

[21] *National Technical Regulation on the Effluent of Textile QCVN 13-MT:2015/BTNMT, 2015*

[22] *Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry, GB 4287-2012*

[23] *Integrated Wastewater Discharge Standard, GB 8978-1996*

[24] *National Technical Regulations on Effluent Discharged from the Cassava Starch Processing Factories QCVN 63:2017/BTNMT, 2017*

[25] *National Technical Regulations about Seafood Processing Waste Water QCVN 11:2015/BTNMT, 2015*

[26] *Law on Biodiversity No. 20/2008/QH12 , 2008*

[27] *Law on Marine and Island Resources No. 82/2015/QH13, 2015*

[28] *Law on Economical and Efficient Use of Energy No. 50/2010/QH12, 2010*

[29] *Law on Thrift Practice and Waste Combat No. 44/2013/QH13, 2013*

[30] *Law on Occupational Safety and Health No. 84/2015/QH13, 2015*

[31] *National Technical Regulation on Surface Water Quality No. QCVN 08-MT:2015/BTNMT, 2015*

[32] *National Technical Regulation on Groundwater Quality No. QCVN 09-MT:2015/BTNMT, 2015*

[33] *National Technical Regulation on Coastal Water Quality No. QCVN 10-MT:2015/BTNMT, 2015*

[34] *National Technical Regulation on Ambient Air Quality No. QCVN 05 : 2013BTNMT , 2013*

Source:

[35] *National Technical Regulation on Hazardous Substances in Ambient Air No. QCVN 06:2009/BTNMT, 2009*

[36] *National Technical Regulation on Vibration No. QCVN 27:2010/BTNMT, 2010*

[37] *National Technical Regulation on The Allowable Limits of Heavy Metals in The Soils No. QCVN 03:2008/BTNMT, 2008*

[38] *National Technical Regulation on Hazardous Waste Thresholds No. QCVN 07:2009/BTNMT, 2009*

[39] *National Technical Regulation on Industrial Emission of Inorganic Substances and Dusts No. QCVN 19: 2009/BTNMT, 2009*

[40] *National Technical Regulation on Effluent of Aquatic Products Processing Industry No. QCVN 11-MT: 2015/BTNMT, 2015*

[41] *National Technical Regulation on Noise - Permissible Exposure Levels of Noise in the Workplace No. QCVN 24:2016/BYT, 2016*

[42] *National Technical Regulation on Control of Noise Levels on Board Ships No. QCVN 80: 2014/BGTVT, 2014*

[43] *National Technical Regulation on Emission of Chemical Fertilizer Manufacturing Industry No. QCVN 21:2009/BTNMT, 2009*

[44] *National Technical Regulation on the Effluent of Bioethanol Processing No. QCVN 60-MT:2015/BTNMT, 2015*

[45] *National Technical Regulation on Emission of Gaseous Pollutants from Assembly-manufactured Automobiles and New Imported Automobiles No. QCVN 05:2009/BGTVT , 2009*

[46] *National Technical on The Fourth Level of Gaseous Pollutants Emission for New Assembled, Manufactured and Imported Automobile No. QCVN 86 : 2015/BGTVT, 2015*

[47] *Decree No. 21-2008-ND-CP on Amendment of and Addition to a Number of Articles of Decree 80-2006-Nd-Cp of the Government Dated 9 August 2006 Providing Detailed Regulations for Implementation of the Law on Protection of the Environment, 2008*

Appendix

Appendix 1	*List of Banks from Foreign Investment*
Appendix 2	*List of Industrial Estates by Zones*
Appendix 3	*Vietnam's Selected Infrastructural Development Pipeline*
Appendix 4	*Lists of the Main Environmental Laws/Regulations and Standards in Vietnam*
Appendix 5	*List of Projects for which an EIA Report Must be Prepared (Issued with Decree 21-2008-ND-CP of the Government Dated 28 February 2008)*

Appendix 1

List of Banks from Foreign Investment (Part 1/4)

Type	Institution
Foreign Bank Branches	1. Bank of China HCMC
	2. Bank of India HCMC
	3. Bank of Communications HCMC
	4. Bangkok Bank Ha Noi Branch
	5. BIDC Hanoi
	6. BIDC HCMC
	7. BNP Paribas Hanoi
	8. BNP Paribas HCMC
	9. BPCE IOM HCMC
	10. MUFG Bank, Ltd. – Hanoi Branch
	11. MUFG Bank, Ltd. – HCMC Branch
	12. Cathay Chu Lai
	13. China Construction Bank HCMC
	14. Citibank Hanoi
	15. Citibank HCMC
	16. CTBC HCMC
	17. DBS HCMC
	18. Deutsche Bank AG HCMC
	19. E. Sun Bank – Dong Nai Branch
	20. SinoPac – HCMC
	21. First Commercial Bank Hanoi
	22. First Commercial Bank HCMC
	23. KEB – Hana HCMC Branch
	24. Hua Nan HCMC

Appendix 1

List of Banks from Foreign Investment (Part 2/4)

Type	Institution
Foreign Bank Branches	25. ICBC Hanoi
	26. Industrial Bank of Korea Hanoi
	27. Industrial Bank of Korea HCMC
	28. JP Morgan HCMC
	29. Kookmin HCMC
	30. KEB – Hana Hanoi Branch
	31. Malayan Banking Berhad Hanoi Branch
	32. Malayan Banking Berhad HCMC Branch
	33. Mega ICBC HCMC
	34. Mizuho Hanoi
	35. Mizuho HCMC
	36. OCBC HCMC
	37. The Shanghai Commercial & Saving Bank, Ltd – Dong Nai
	38. SMBC Hanoi
	39. SMBC HCMC
	40. Taipei Fubon Bank – Binh Duong Branch
	41. Taipei Fubon Bank – Hanoi Branch
	42. Taipei Fubon Bank – HCMC Branch
	43. United Overseas Bank HCMC
	44. Siam HCMC
	45. Busan Bank HCMC
	46. NongHyup Bank Hanoi Branch
	47. Agricultural Bank of China Hanoi Representative Office

Appendix 1

List of Banks from Foreign Investment (Part 3/4)

Type	Institution
Representative Offices	1. Acom Co., Ltd (Japan)
	2. Bank Sinopac (Taiwan)
	3. ODDOBHF – Bank Aktiengesellschaft
	4. BPCE IOM
	5. Busan
	6. Cathay United Bank – Hanoi
	7. Cathay United Bank – HCMC
	8. CTBC
	9. Commerzbank AG
	10. Commonwealth Bank of Australia
	11. Daegu HCMC
	12. DBS
	13. E.Sun Commercial Bank
	14. Fukuoka – HCMC
	15. Hua Nan Commercial Bank, Ltd.
	16. ING Bank N.V.
	17. Intesa Sanpaolo
	18. JCB International (Thailand) Company Ltd.
	19. JB Woori Capital
	20. JCBI
	21. JP Morgan Chase Bank
	22. Kasikorn Hanoi
	23. Kasikorn HCMC
	24. Kookmin Bank
	25. Landesbank Baden-Wuerttemberg

Appendix 1

List of Banks from Foreign Investment (Part 4/4)

Type	Institution
Representative Offices	26. Lotte Card Co., Ltd.
	27. MasterCard Asia-Pacific Pte Ltd.
	28. Mitsubishi UFJ Lease & Finance Company Limited
	29. National Australia Bank Ltd
	30. NongHyup Bank
	31. Agriculture Bank of China
	32. Korean Development Bank
	33. Japan Bank for International Cooperation
	34. Ogaki Kyoritsu
	35. Qatar National Bank
	36. RBI
	37. Resona
	38. RHB
	39. Societe Generale Bank – Hanoi
	40. Taishin International Bank
	41. Taiwan Shin Kong Commercial Bank
	42. The Export-Import Bank of Korea
	43. Unicredit Bank AG
	44. Union Bank of Taiwan
	45. Visa International (Asia Pacific), LLC
	46. Wells Fargo – Hanoi
	47. Wells Fargo – HCMC
	48. Juroku, Ltd
	49. JoyoBank, Ltd

Appendix 2

List of Industrial Estates by Zones (Part 1/2)

Zone's District/Province	Number of Industrial Estate (#)
Southern Key Economic Zone and Mekong Delta (20 provinces)	**197**
Binh Thuan Province	*6*
Ho Chi Minh City	*22*
Dong Nai Province	*31*
Binh Duong Province	*28*
Long An	*36*
Ba Ria-Vung Tau Province	*11*
Tay Ninh Province	*4*
Ten Giang Province	*5*
Binh Phuoc Province	*7*
An Giang	*5*
Bac Lieu	*5*
Ben Tre	*2*
Vinh Long	*4*
Dong Thap	*3*
Ca Mau	*4*
Tra Vinh	*1*
Can Tho	*10*
Soc Trang	*4*
Hau Giang	*3*
Ken Giang	*6*
Northern Key Economic Zone (10 provinces)	**64**
Ha Noi Capital	*14*
Vinh Phuc Province	*5*
Quang Ning Province	*4*
Bac Ninh Province	*15*
Hai Phong Province	*5*
Hung Yen Province	*5*
Hai Duong Province	*11*
Ha Nam	*2*
Bac Giang	*1*
Nam Dinh	*2*

Appendix 2

List of Industrial Estates by Zones (Part 2/2)

Zone's District/Province	Number of Industrial Estate (#)
Central Key Economic Zone (11 provinces)	**45**
Da Nang City	6
Tha Thien Hue Province	4
Khanh Hoa Province	5
Quang Ngai Province	6
Quang Nam Province	9
Binh Dinh Province	7
Phu Yen Province	4
Gia Lai	1
Dak Nong	1
Dak Lak	1
Thanh Hoa	1

Appendix 3

Vietnam's Selected Infrastructural Development Pipelines (Part 1/3)

Project	Value (USD m)	Specifications
Transport - Airport		
Long Thanh International Airport	5,620	International airport of 4F standard, Capacity of 100 million passengers/year
Quang Ninh Airport	320	International airport of 4E standard, Capacity of 5 million passengers/year; receive B777, one runway and the system of rolling and landing
Cam Ranh International Airport	212	International airport of 4F standard, Capacity of 1 million passengers/year
Transport - Port		
Van Phong International Port	500	Capacity of 17 million TEU/year; total area 405 ha; berth length between 4,450 to 5,710 metres
Lien Chieu Port – Da Nang	65	Receiving ships of 50,000-80,000 DWT, Capacity of 2.5-3.5 million tonnes/year
Transport – Rail		
Bien Hoa – Vung Tau Railway	5,000	Length of 120 km, double-tracks
Hanoi – Ho Chi Minh City Railway Route	2,300	Upgrading railroad infrastructure, including Khe net and Hai Van Mountain passes; open new stations. Upgrading average speed to 90 km/h.
Railway into Hai Phong International Port	1,600	Length 57km, double-tracks
Hanoi Urban Railway Route 6	1,356	Length: 47km, double-tracks from the centre of Hanoi to Noi Bai Airport

Appendix 3

Vietnam's Selected Infrastructural Development Pipelines (Part 2/3)

Project	Value (USD m)	Specifications
Transport - Road		
Ninh Bình-Thanh Hoa-Nghi Sơn Route of the North-South Highway	1,867	Length: 121km; Highway category A, 6 lanes with average speed of 100 -120km/h.
Hanoi City; Bac Ninh, Bac Giang, Hai Duong and Quang Ninh Provinces	1,762	Length: 148km; Highway category A, 4 lanes with average speed 100-120km/h.
Trung Luong - My Thuan Highway	1,381	Length: 54km, Highway category A, average speed 120km/h, 6 lanes; 4 lanes in the Phase 1
Bien Hoa - Vung Tau Highway	1,175	Length: 78km, Highway category A, average speed 120km/h, 6 lanes; 4 lanes in the Phase 1
Dau Giay-Phan Thiet Highway	757	Length: 99km, Highway category A, average speed 100-120km/h, 6 lanes, 4 lanes in the Phase 1
Ring road No.3 in Ho Chi Minh City from Tan Van to Nhon Trach	400	Length: 17km, Highway category A, average speed 100km/h, 8 lanes, 4 lanes completed at the end of Phase 1
National Road No.19 from Ba Gi Junction to Plei Ku City	100	Upgrade the ramp of 153km flat plain and mountain plain level III, average speed 60-80km/h
Urban Transportation		
Fly-over line 2 – Districts 10, 11 and Binh Tan in Ho Chi Minh City	1,023	Length: 12km, width: 17.5m, 4 lanes
Fly-over line 1 - District 3 in Ho Chi Minh City	736	Length: 10km, width: 17.5m, four lanes
Monorail No.2	715	Length: 27km, from National road 50 (dist. 8)-Nguyen Van Linh-Tran Nao-Xuan Thuy (Dist.2), Binh Quoi residential area, connecting to urban railway no 3a
Fly-over line 3-5, 7, 8, 10 and Binh Chanh Districts in Ho Chi Minh City	702	Length: 8km, width: 17.5m, four lanes
Urban Water Supply		
Song Hau II water supply facility, Chau Thanh	1,000	Capacity of 1 million m^3 for stage 1 and 2 million m^3 for stage 2
Song Hau 1 water supply facility	500	Capacity of 500,000 m^3 for stage 1 and 1 million m^3 for stage 2
Song Duong water supply facility	300	Capacity of 300,000 m^3 for stage 1 and 600,000 m^3 for stage 2
Song Da water supply facility (phase II)	100	Capacity of 300,000 m^3 for phase II

Appendix 3

Vietnam's Selected Infrastructural Development Pipelines (Part 3/3)

Project	Value (USD m)	Specifications
Urban Solid Waste Treatment		
Nam Son solid waste treatment area - Hanoi	210	Total area 148 ha
High tech Waste Treatment Factory in Bac Son, Soc Son - Ha Noi City	150	Daily Capacity of 5,525 tonnes
Binh Nguyen solid waste treatment area	85	Quang Ngai, Total area 70 ha
Cat Nhon solid waste treatment area	75	Binh Đinh Province, Total area 70 ha
Northwestern CuChi hazardous solid waste treatment area	45	Total area 100 ha
Huong Van solid waste treatment area	40	Thua Thien Hue Province, Total area 40ha
Wastewater treatment facility in the Chan May-Lang Co economic zone	39	Capacity of 35,000 m^3/day, construction until 2020
Infrastructure of Industrial Parks		
Hi-tech Industrial Zone – Ha Noi	200	Modern hi-tech industrial zone to develop hi-tech intensive sectors, meet the high standards of developed countries for electronics, precision mechanics, medical tools, pharmaceuticals and chemical industries. Total area 300 hectares.
Special industrial zone for Japanese companies in the southern provinces	n/a	Special industrial area for Japanese companies in the southern provinces under the policy from Prime Minister. From 500 – 1000 hectares, tentative location at Phú Mỹ III Idustrial Park, Tan Thanh, Ba Ria -Vung Tau Province.
Special industrial zone for Japanese companies in the northern provinces	n/a	Special industrial area for Japanese companies in the northern provinces under the policy from Prime Minister. From 300-400 hectares in the Dinh Vu-Cat Hai Industrial Park.

Appendix 4

List of the Main Environmental Laws/Regulations in Vietnam

Ministry of Natural Resource and Environment	Ministry of Finance	Ministry of Labour
Law on Environmental Protection No. 55/2014/QH13	Law on Thrift Practice and Waste Combat No. 44/2013/QH13	Law on Occupational Safety and Health No. 84/2015/QH13
Law on Biodiversity No. 20/2008/QH12		
Law on Environmental Protection Tax No. 57/2010/QH12		
Law on Marine and Island Resources No. 82/2015/QH13		
Law on Economical and Efficient Use of Energy No. 50/2010/QH12		

List of the Main Environmental Ambient Standards in Vietnam

Ambient Standards	1	National Technical Regulation on Surface Water Quality QCVN 08-MT:2015/BTNMT
	2	National Technical Regulation on Groundwater Quality QCVN 09-MT:2015/BTNMT
	3	National Technical Regulation on Coastal Water Quality QCVN 10-MT:2015/BTNMT
	4	National Technical Regulation on Ambient Air Quality QCVN 05 : 2013BTNMT
	5	National Technical Regulation on Hazardous Substances in Ambient Air QCVN 06:20009/BTNMT
	6	National Technical Regulation on Noise QCVN 26:2010/BTNMT
	7	National Technical Regulation on Vibration QCVN 27:2010/BTNMT
	8	National Technical Regulation on the Allowable Limits of Heavy Metals in the Soils QCVN 03:2008/BTNMT
	9	National Technical Regulation on Hazardous Waste Thresholds QCVN 07:2009/BTNMT

Appendix 4

List of the Main Environmental Effluent Standards in Vietnam

Effluent Standards	1	National Technical Regulation on Industrial Wastewater[a] QCVN 40: 2011/BTNMT
	2	National Technical Regulation on Industrial Emission of Inorganic Substances and Dusts QCVN 19: 2009/BTNMT
	3	National Technical Regulation on Industrial Emission of Organic Substances[a] QCVN 20: 2009/BTNMT
	4	National Technical Regulation on the Effluent of Textile[a] QCVN 13-MT: 2015/BTNMT
	5	National Technical Regulation on Effluent of Aquatic Products Processing Industry QCVN 11-MT: 2015/BTNMT
	6	National Technical Regulation on Noise - Permissible Exposure Levels of Noise in the Workplace QCVN 24:2016/BYT
	7	National Technical Regulations on Effluent Discharged from the Cassava Starch Processing Factories[a] QCVN 63:2017/BTNMT
	8	Technical Regulations on Effluent Discharged from the Seafood Processing Factories [a] QCVN10:2015/BTNMT
	9	National Technical Regulation on Control of Noise Levels on Board Ships QCVN 80: 2014/BGTVT
	10	National Technical Regulation on Emission of Chemical Fertilizer Manufacturing Industry QCVN 21:2009/BTNMT
	11	National Technical Regulation on the Effluent of Bioethanol Processing QCVN 60-MT:2015/BTNMT
	12	National Technical Regulation on Emission of Gaseous Pollutants from Assembly-manufactured Automobiles and New Imported Automobiles QCVN 05:2009/BGTVT
	13	National technical on the Fourth Level of Gaseous Pollutants Emission for New Assembled, Manufactured and Imported Automobile QCVN 86 : 2015/BGTVT

Note:
a. Corresponding effluent/emission standards are the main standards utilised in Section 10.II.C.

Appendix 5

List of Projects for which an EIA Report Must be Prepared (issued with Decree 21-2008-ND-CP of the government dated 28 February 2008) (Part 1/3)

Industries	Projects	Scale
All	Projects using part or all of the land of a natural conservation zone, national park, historical and cultural site, world heritage site, ecosphere reserve zone or scenic site which is classified, or which is not yet classified but is the object of a protection decision made by a people's committee of a province or city under central authority	All
	Projects with a potential direct adverse impact on a river watercourse, coastal area or area containing a protected ecosystem	
	Infrastructure construction projects for an industrial zone, high-tech zone, industrial group, export processing zone or handicraft village group	
Electronics	Projects for manufacturing electrical and/or electronic components	Design output capacity of from 500 tons or more of product per year.
Food & Beverage	Projects for processing foodstuffs	Design output capacity of from 5,000 tons or more of product per year
	Projects for slaughtering livestock and/or poultry (abattoir projects)	Design output capacity of from 1,000 head of livestock per day; design output capacity of from 10,000 head of poultry per day
	Projects for processing seafood	Design output capacity of from 1,000 tons or more of product per year
	Projects for manufacturing sugar	Design output capacity of from 20,000 tons or more of sugar per year

Appendix 5

List of Projects for which an EIA Report Must be Prepared (issued with Decree 21-2008-ND-CP of the government dated 28 February 2008)[47] (Part 2/3)

Industries	Projects	Scale
Food & Beverage	Projects for producing alcohol and/or wine	Design output capacity of from 100,000 liters of product per year
	Projects for producing beer and/or soft drinks	Design output capacity of from 500,000 liters of product per year
	Projects for manufacturing MSG (monosodium glutamate)	Design output capacity of from 5,000 tons or more of product per year
	Projects for processing milk	Design output capacity of from 10,000 tons or more of product per year
	Projects for processing cooking oil	
	Projects for producing cakes and confectionery	Design output capacity of from 5,000 tons or more of product per year
	Projects for manufacturing ice	Design output capacity of from 3,000 or more blocks (50 kg per block), or 150,000 kilograms or more of ice per 24 hours
Chemicals & Plastics	Projects for manufacturing cosmetics chemicals	Design output capacity of from 50 tons or more of product per year
	Projects for manufacturing plastics and plastic products	Design output capacity of from 500 tons or more of product per year
	Projects for manufacturing plastic bags	Design output capacity of from 2 million products or more per year
	Projects for manufacturing paint and/or basic chemicals	Design output capacity of from 500 tons or more of product per year
	Projects for manufacturing washing detergents or additives	Design output capacity of from 1,000 tons or more of product per year

Appendix 5

List of Projects for which an EIA Report Must be Prepared (issued with Decree 21-2008-ND-CP of the government dated 28 February 2008) (Part 3/3)

Industries	Projects	Scale
Garment & Clothing	Textile and dyeing projects	All
	Textile (without dyeing) projects	Output capacity of from 100 million meters or more of cloth per year
	Projects for manufacturing and processing clothing products with a stage of washing by hand	Design output capacity of from 50,000 products or more per year
	Projects for manufacturing and processing clothing products without a stage of washing by hand	Design output capacity of from 2 million products or more per year
	Projects for industrial washing and ironing	Design output capacity of from 50,000 products or more per year
	Projects for producing silk thread and artificial thread	Design output capacity of from 1,000 tons or more of product per year
	Projects for manufacturing footwear	Design output capacity of from 1 million products or more per year
	Projects for tanning [leather]	All

Glossary – Section 1 to 9 Operational Requirements

AFTA	ASEAN Free Trade Area
APA	Advance Pricing Agreement
ASEAN	Association of Southeast Asian Nations
BO	Branch Office
CbCR	Country-by-Country Report
CIT	Corporate Income Tax
CKEZ	Central Key Economic Zone
CLA	Collaborative Labour Agreement
DOLISA	Departments of Labour, War Invalids and Social Affairs
DPI	Department of Planning and Investment
DTA	Double Taxation Agreement
EBITDA	Earnings Before Interest, Tax, Depreciation, and Amortisation
EPZ	Export Processing Zones
ERC	Enterprise Registration Certificate
EZ	Economic Zone
FCT	Foreign Contractor Tax
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GDVET	General Directorate of Vocational Education and Training

GW	Gigawatt
HI	Health Insurance
HR	Human Resources
HTZ	Hi-Tech Zone
IAS	International Accounting Standards
ILR	Internal labour Rules
IPR	Intellectual Property Rights
IRC	Investment Registration Certification
IT/ICT	Information Technology/Information & Communications Technologies
IZ	Industrial Zone
JSC	Joint-Stock Company
JV	Joint Venture
LLC	Limited Liability Company
LOC	Law on Competition
LOI/LOE	Law on Investment/Law of Enterprises
LPI	Logistic Performance Index
MNC	Multinational Companies
MOLISA	Ministry of labour, War Invalids and Social Affairs
MOST	Ministry of Science and Technology
NCC	National Competition Committee
NKEZ	Northern Key Economic Zone
NOIP	The National Office of Intellectual Property of Vietnam
NRT	Natural Resources Tax
PPP	Public Private Partnership

R&D	Research and Development
RO	Representative Office
S&T	Science & Technology
SBV	State Bank of Vietnam
SEDP	Socio-Economic Development Plan
SEZ	Special Economic Zone
SI	Social Insurance
SKEZ	Southern Key Economic Zone
SMEs	Small and Medium-sized Enterprises
SST	Special Sales Tax
UI	Unemployment Insurance
USD	United States Dollar
VAS	Vietnam Accounting Standards
VAT	Value Added Tax
VET	Vocational Education and Training
VND	Vietnamese Dong

Glossary – Section 10 Environmental Requirements

AOX	Absorbable Organic Halogen
BOD	Biochemical Oxygen Demand
COD	Chemical Oxygen Demand
DONRE	Departments of Natural Resources and Environment
EIA	Environmental Impact Assessment
EPT	Environmental Protection Tax
HCFCs	Hydro chlorofluorocarbons
MONRE	Ministry of Environment and Natural Resources
NMHC	Non-methane Hydrocarbons
NSEP	National Strategy for Environmental Protection
TVOC	Total Volatile Organic Compounds
VEA	Vietnam Environment Administration

Acknowledgement of Support and Disclaimer

This project is organised by the Hong Kong Productivity Council and funded by the Trade and Industrial Organisation Support Fund of the Trade and Industry Department, the Government of the Hong Kong Special Administrative Region.

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