

ACCESS VIETNAM



A Guide to Doing Business in VIETNAM

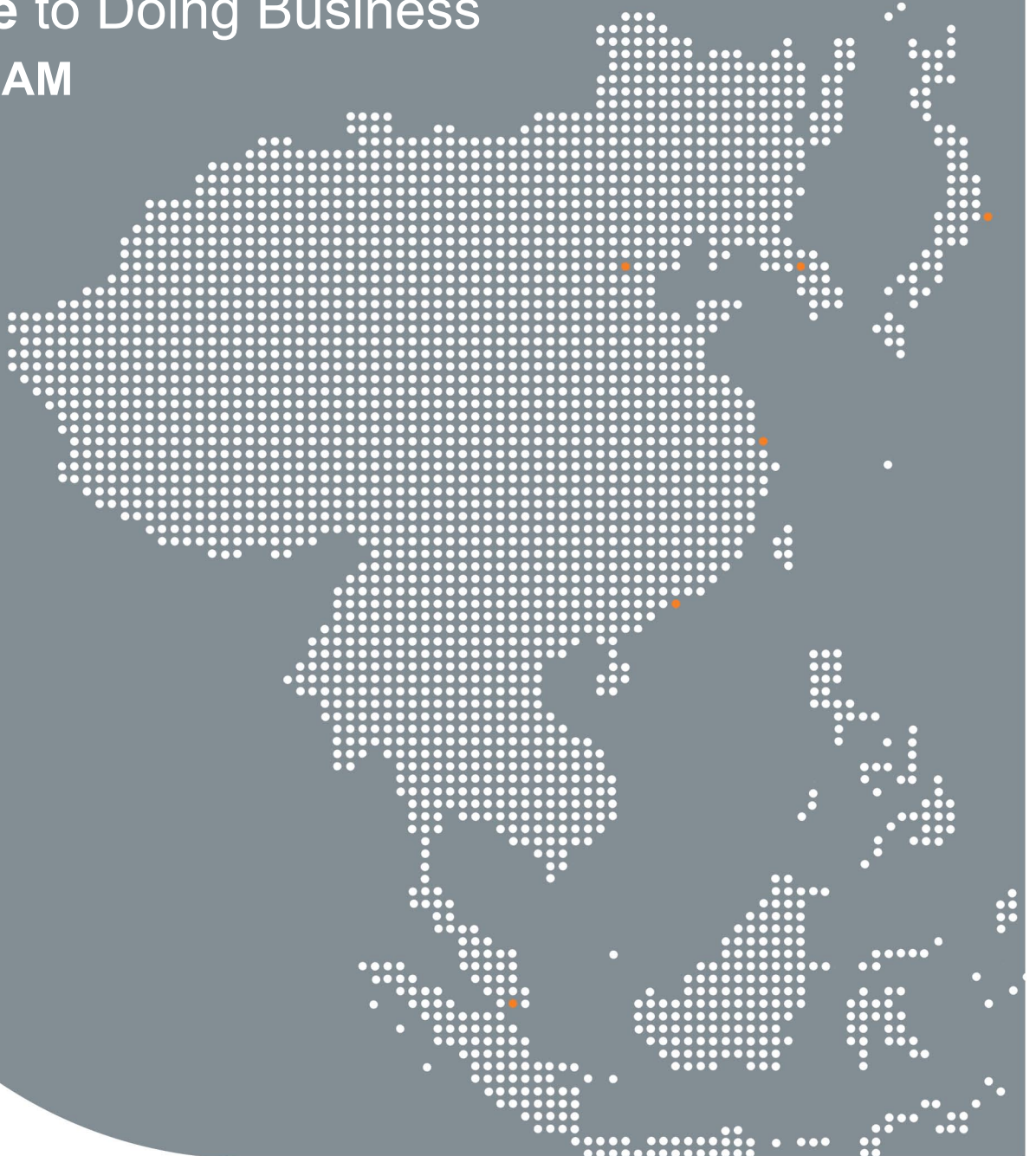


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1. Introduction

“Vietnam is an exciting, rapidly developing nation of 90 million people. There are real opportunities here for Irish companies who want to tap into one of the most important and dynamic emerging markets in the Southeast Asia region.”

Damien Cole, Irish Ambassador to Vietnam

Since opening its economy in 1986, Vietnam has made dramatic strides in integrating into the global economy, joining the World Trade Organization in 2007 and joining many economic partnerships and trade agreements, including the Association of Southeast Asian Nations (ASEAN).

Today, Vietnam has become an increasingly important destination for foreign investment. Many foreign investors are looking to the country for its competitive manufacturing sector and relatively inexpensive labour costs.

Why this market is important

Vietnam has maintained a high rate of GDP growth, averaging 7 percent over the last decade; however, in the first half year of 2012, the country's economy slowed to 4.4% due to decelerated production, business and consumption activities. HSBC interprets the slowdown as a sign of the government's commitment to long-term economic stability but inflation needs to be managed.

The country is trying to modify its GDP structure in the coming years to increase the currently disproportionately low GDP contribution from services. Vietnam's current Five Year Plan (2011-2015) aims to achieve a GDP of €153 billion by 2015.

The substantial population of 87.8 million is a growing market of young consumers whose living standards are rapidly improving.

Purpose of the report

The objective of *Access: Vietnam* is to give practical and up-to-date information on the market for Irish companies. Here you will find useful advice on the critical aspects of doing business in Vietnam for companies at all levels in their business development within the country. This guide covers:

- How to get started
- The business culture and how it differs from Ireland
- Routes to market, including selling directly, partnering with local providers, and setting up
- Key legal issues, tax and visa considerations
- How to sell to the Government

How this report was compiled

This report is based on the practical experience and knowledge of highly successful people in the market, as well as the lessons learned by Irish business people who have succeeded in Vietnam. The report also includes commentary from a number of these people.

Access: *Vietnam* is intended to be of use to a wide audience; from companies thinking of exporting to Vietnam for the first time, to those already selling in the market and wishing to examine strategic options for further growth.

The report was compiled between late 2012 and early 2013.

2. Critical success factors

“Networking is very, very important in Vietnam. [Potential partners] need to know who you are and why they should be doing business with you. This is particularly true with Vietnamese companies, but company credibility is also important to foreign companies because Vietnam’s legal system is such that you have to manage risk by getting to know people or receiving recommendations from people you trust.”

Brian O’Reilly, Managing Director, SEA Management Consulting Company.

Introduction

Conducting business in Vietnam requires an understanding of the country’s history, politics and society, as these have shaped the thinking of Vietnamese people and the nature of business opportunities in the country.

Business culture

- In Vietnam, as in most Asian countries, high importance is given to public behaviour and the manner of addressing people. Relationships in business tend to be formal.
- Due to a Confucian influence, Vietnamese society incorporates a strong social hierarchy based on age and status, in which respect for elders is crucial. This hierarchy also impacts on business relationships. Vietnamese prefer to deal with people in a corresponding position in their company, especially for business discussions and contract negotiation.
- When conducting business in Vietnam, it is important to keep in mind the concept of face. “Face” is basically one’s good reputation and prestige and the public perception of the individual’s position. Being embarrassed in front of other people, being disregarded by other people, or another person breaking a promise they made to you are all examples of loss of face.
- In Vietnam, the agreement of the group is valued more highly than individual perspectives. For this reason, group consensus is generally sought in decision-making.

Business communication

- When addressing Vietnamese people, use the title (Mr./Mrs./Dr.) followed by the first name. Important to note, however, is the order of Vietnamese names: family name first, then middle name and finally given name. So Mr Nguyen Nhat Tuan is addressed as Mr Nguyen.
- Exchanging business cards should be done with both hands and upon receiving a business card you should carefully read it as a way of showing interest and respect.
- The exchanging of gifts for business is fairly common during meetings: small presents or flowers are encouraged.

- The negotiation process in Vietnam is slower and more formal than in western countries. This is particularly true for initial meetings, which are used to introduce parties and create a friendly business atmosphere, sometimes without any business discussion. Moreover, during the negotiation process, most Vietnamese prefer silence rather than conflict, which may risk losing face. Time-consuming procedures can frustrate western business people, but patience is necessary.



NEED TO KNOW

The Two Faces of Vietnam

The division between north and south in Vietnam is deep and, for many observers, Vietnam has two faces, moulded by history. Northern people have experienced a strict communist system and have thus developed a more conservative and serious attitude in public behaviour. In contrast, the south people are generally more outgoing, laid-back, fun-oriented and more open to foreigners and globalisation trends. Even in terms of dress code, southern people are more casual.

The way in which people conceive money and consumption also differs. In the wealthier south, rice, fish and meat have always been available and American culture has left its mark on consumption habits; people spend more on entertainment and prefer cheap and functional items. In the north, a savings-oriented attitude and status recognition prevail, so spending money is perceived as an investment instead of an activity, resulting in the relatively higher success of branded products in the northern part of the country.

Advice from successful Irish businesses

We asked a selection of successful Irish businesses conducting business in/with Vietnam a few questions, including:

- How did they become established in the market?
- What did they learn?
- What do they know now that they wish they had known before entering the Vietnamese market?

Here are their responses (by company name):

SEA Management Consulting Company (SEA), Brian O'Reilly, Managing Director

SEA is a higher education-focused consulting and training firm in its second year of operation in Vietnam.

<http://www.seamcc.com>

“I've been working in higher education and business management consulting and training in Vietnam for over eleven years. When I first came to Vietnam, I was looking at pure management consulting, but after a while, I realized that Vietnam was still not developed enough for the type of consulting work I was offering. But Vietnam has moved ahead significantly over the last eleven years and a lot of the things that are happening here now were only really in their embryonic stages back then.

One of my first opportunities came when RMIT University Vietnam, which is Australian, launched their MBA program in Vietnam and where I worked for many years. My company, SEA Management Consulting, is basically a follow-on from what I've been doing for RMIT and other higher education institutions.

We do consulting and training for private foreign companies, and we've also done educational consulting for the Irish government and training for foreign enterprises, people's committees and Vietnamese state-owned enterprises. Outside of Vietnam, we've done work in the UK, Ireland, and Australia, as well as a little bit in India.

SEA is a 100% foreign-owned enterprise. Setting up the company was relatively simple. I needed someone to do the administration and a lawyer to do the legal work. Everything has to be translated into Vietnamese and there is so much paperwork. Set-up time was five or six months. Things are slow, but there was nothing really too difficult about it, it's just paperwork. A lot of people said that I would not be able to obtain a license as a 100% foreign-owned enterprise, but maybe the fact that I had been in Vietnam for such a long time and built up a good reputation helped.

The cost of running a business in Vietnam is reasonably low, but taxation can be pretty high. Until recently, property prices and rental costs were quite high. Prices in Hanoi and Ho Chi Minh City were sometimes as high as prices in Hong Kong, but that has changed quite a lot now. I chose to set up my company in district seven of Ho Chi Minh City because it is a new area, well laid out and quite convenient.

As a relatively new company, we currently employ just four consultants and two local administration people. I am the sole owner and the employees are all people I have known for at least a couple of years. Getting the right staff is very important. In Vietnam, teaching is mostly by rote learning and students do not come out of school with critical thinking skills or problem solving skills. However, if you find staff and treat them fairly, they are usually pretty loyal. Working for a foreign company is an attractive option for many Vietnamese.

Networking is very, very important in Vietnam. People need to know who you are and why they should be doing business with you. This is particularly true with Vietnamese companies, but company credibility is also important to foreign companies because Vietnam's legal system is such that you have to manage risk by getting to know people or get recommendations and introductions from people you trust.

The main areas of networking are the various chambers of commerce and the events they host, usually these have a good attendance. The expat community is relatively small, so networking is very much face-to-face at luncheons, breakfasts or other informal functions. Vietnamese government forums are another good venue for networking. The Vietnamese Business Forum is a biannual forum that provides a good opportunity to connect not only with other business people, but also with government officials (the Deputy Prime Minister was at the previous one). Also, LinkedIn has really taken off in Vietnam.

I think Vietnam presents opportunities for Irish companies in IT, pharmaceuticals, education, maybe even agriculture. In terms of advice to Irish investors looking to invest in Vietnam for the first time, the first thing I would say is that you have to visit regularly, or at least have someone on the ground representing the company, in order to build up relationships.

Some Irish investors come over on a fly-in visit and think everything else can be done by e-mail, but it does not work like that in Vietnam.”

Glandore Systems, James Galvin, Managing Director

Glandore Systems, based in Cork, is engaged in software development and business process outsourcing. It set up a representative office in Vietnam in 2007 and subsequently formed a 100% foreign-owned enterprise in early 2012.

<http://www.glandoresystems.com>

“Glandore Systems engages in software development and business process outsourcing (BPO), mainly recruitment process outsourcing (e.g., candidate search) as well as other services relating to data-entry, market research, etc. Our main product is vSource, a candidate sourcing software platform that enables a recruiting team to scale and to take on bigger projects. The majority of our clients are from the U.S. the U.K. Singapore and Japan. Some of our former clients include Skype, Hays, Facebook and Yammer. We currently work with a number of very well-known technology companies, as well as tech start-ups, digital agencies, and other software companies.

The company was founded in early 2007 as a tech start-up in Ireland and we began by developing software products in our office in Cork. Our initial connection with Vietnam was made when we came across a project that required a high volume of work that could be done offshore. A Vietnamese-American acquaintance living in the U.S. recommended Vietnam as a potential destination. We did some research and found Vietnam to be both an exciting place and a good fit for our needs.

At first, the Vietnam team consisted only of recruitment process outsourcing staff supplying the manual element for our vSource platform. In 2009, we began to gradually increase the capabilities of our Vietnam team by hiring software developers and technical project managers in Vietnam. This allowed us to tap into the huge IT workforce that Vietnam has to offer. Currently, the majority of our production is done in Vietnam. Employees in Ireland are mostly engaged in high-level tasks that require closer communication with customers (e.g., account management, business analysis, graphic design).

In the beginning, there were some difficulties navigating the bureaucracy involved in setting up a company and doing business in Vietnam. There are often ways to negotiate and keep costs down that are not immediately apparent. The law changes a lot and is also open to different interpretations, so it can be difficult to get a straight answer sometimes. You need someone experienced and resourceful to guide you. Many foreign companies spend a lot of money with a “big name firm” just to ensure that the job (e.g., limited company formation) gets done, but the exact same job can be done by a smaller agency for a fraction of the price (assuming that company is trustworthy).

For example, if you are a foreign company setting up a limited company in Vietnam, your company must also have a Vietnamese name, which must be an exact translation of the English name (word for word, in the dictionary). This can lead to some ridiculous results that would undermine your image in the local market. Having an experienced and trusted agent to set up the company would identify issues like this and hopefully be able to overcome them or find a suitable work-around.

Some things are still very strict here, such as the laws around import/export. As an example, we were sent a one-off shipment of VOIP equipment for a project. However, there are very tight controls on importing this kind of equipment, and we were required to produce specific technical documentation and apply for an import license. The timeframe and cost of doing this was prohibitive, and we had to spend several thousand dollars to send the equipment back. We should have foreseen the difficulty in advance and worked with a local company to import this equipment.

On the other hand, it is very cheap to operate here. Salaries are low, but living costs are also low. Decent office space close to the city centre can be obtained for US\$10 per square meter. Our office is located in District 12 of Ho Chi Minh City in a technology park called “Quang

Trung Software City" (QTSC). This is the largest technology park in Vietnam and gives us access to better communications infrastructure and a more peaceful environment outside of the chaotic city centre. We are adjacent to some well-known companies with high demands on infrastructure and energy stability, such as IBM and HP. QTSC was built specifically to encourage investment in software development in Vietnam and is very supportive to companies that move here. The park has many facilities such as exhibition centres, high quality accommodation, gym & entertainment facilities, football pitch, etc. Plenty of high quality office space is available here at a low price which makes it easy to expand.

We currently employ over 150 staff in Vietnam. In terms of recruitment, it is easy to find good software developers, testers, and outsourcing staff because of the very young population and high number of graduates. However, it is difficult to find senior management with fluent spoken English - it took us a number of years to build up our management team.

There are many Vietnamese labour laws to comply with and these change frequently. A good HR person is needed to stay on top of this. For example, social insurance, health insurance and unemployment insurance must be paid for every employee with a contract of over 3 months, and the employer is responsible for the lion's share of this. A limited company in Vietnam is also required to offer to pay for an annual health check-up for employees. In addition, the mandatory maternity leave will increase from 4 months to 6 months in 2013.

Vietnamese people have many cultural similarities to Irish people and are very easy to get along with. They do not expect foreigners to be fully aware of cultural protocol and are forgiving in this respect, although they greatly appreciate any effort at learning the culture. My experience is from Ho Chi Minh City in the south of Vietnam, where the culture is not as formal as in the north. People tend to be quite relaxed and cultural issues rarely affect the way we do business here. The main cultural difference to be aware of is the respect that Vietnamese people give to their elders and to foreigners. It can be necessary to frame questions in a certain way to ensure that a straight answer is given.

Economists frequently raise warning flags in relation to the Vietnam economy, but I still see huge opportunity here. There is an emerging middle class of married couples soon coming into their 30's, getting bigger salaries, moving out of the family home. As a result, there is a real growing demand for iPhones, imported high quality baby formula, certain types of luxury cars, international schools for children, etc. People see Vietnam as a country with low income, but due to the size of the population, there is still a big market here for higher priced goods. To put it into perspective, the fees for 1 year in an international high school can be as high as US\$18,000 and there is still a significant demand.”

red brand builders, Chris Elkin, Managing Director

red brand builders is a branding consultancy and marketing agency that partners with clients in the Asia Pacific region to build brands in Vietnam. It has studios in Ho Chi Minh and Hanoi, as well as Melbourne, Australia.

<http://www.red.tm>

“We began our partnership with Vietnam in 2003 with the aim of creating or bringing brands into the Vietnam market with impact. We focus on helping companies already in Vietnam, or those looking to enter the Vietnam market, to create new brands or reposition/adapt their international brand so that it is attractive to a local audience.

A lot of the most successful brands in Asia, excluding Korean or Japanese brands, are still Western. Asian consumers as a whole have a real desire to use brands that express themselves. We look at the needs, wants and desires of the Vietnamese audience, their values, their problems, etc. and try to find a role for a brand in their lives. We usually have to change what aspect of the brand we focus on; for example, when we worked with Budweiser in Vietnam. In the U.K., it's more of an everyday, guy-next-door kind of a beer, but in Vietnam, we focus on making it very premium - the king of beers.

The biggest challenge of doing business in Vietnam initially is building the team. The legal aspects are challenging, but the biggest difficulty is finding people who buy into the mission of your business - and then retaining them in the long term. This comes down to creating an environment which is fun, collaborative, engaging and creative, where people feel like they are progressing. We've created a team with people from all over the world, including the best people we could find in Vietnam. Step by step, this business grows stronger because of them.

We spend a lot of time building our own credibility and authority by doing events and talks with the European Chamber of Commerce in Vietnam. We have quite a broad range of clients, but we tend to work with a lot of consumer goods, such as beer, body and hair-care products, as well as retail, financial services and real estate property development from all over Asia, including Korea, Japan and Singapore. One of our key clients over the past eight years is Unilever.

Business in Vietnam is all about building relationships and connections. You cannot meet someone once or twice and then expect them to sign a contract. It requires long-term partnerships and getting people to commit to and to trust you with their brand; often these partnerships can take two to three years to develop. Customers will ask a lot of personal questions and fully check you out. Only then they will begin to talk about the scope of work and how you might enter into a contractual relationship.

In Vietnam, decisions are made in a very top-down, hierarchical manner, so you have to build relationships at the very senior level. You need to build this relationship at as senior a level as possible to really have a good understanding of what the company's brand is all about and how you can help them shape it. Unless you know the chairman or chairwoman, you are going to have a bit of a challenge building a very strong, strategic partnership and relationship.”

STARTING IN THE VIETNAMESE MARKET



3. Starting in the Vietnamese market

“I think Vietnam presents opportunities for Irish companies in IT, pharmaceuticals, education, maybe even agriculture. In terms of advice to Irish investors looking to invest in Vietnam for the first time, the first thing I would say is that you have to visit regularly, or at least have someone on the ground, in order to build up relationships.”

Brian O'Reilly, Managing Director, SEA Management Consulting Company.

Introduction

In this section, we provide an overview of:

- Vietnam's geography
- How to research the market
- Process of market entry strategy
- Where to go for advice
- Trade promotion and advertising



Vietnam's geography

Vietnam can be broken into eight regions: Northwest, Northeast, Red River Delta, North Central Coast, South Central Coast, Central Highlands, Southeast and the Mekong River Delta. Southeast Vietnam (with Ho Chi Minh City at its centre) dominates in terms of GDP and FDI, followed by the Red River Delta (with Hanoi at its centre) in the North.

Heavy and medium industry - for instance, coal, tin, chrome, and other mining industries together with power generation, tobacco, tea processing, and canning factories - are concentrated in the North.

Light industry and consumer goods producers, including pharmaceuticals, textiles, and food processing are mainly located in the South, although there are some large utilities and cement works as well.

How to research the market

Prior to deciding to enter the market, thorough market research should be done. Some essential points to examine are:

- How big is the market for your products/services?
- What is the regulatory environment for your products/services?
- How profitable and how competitive is the market?
- How might your company need to acclimatise, i.e. how does your company, product or service have to adapt? For example, consider smaller packaging and cheaper pack formats for Vietnamese customers.

It is very important to visit Vietnam to confirm the results of your research after doing as much research as possible in Ireland.



NEED TO KNOW

Knowledge of the competitive markets in which Irish companies operate is the key to successful growth. The Enterprise Ireland Market Research Centre offers client companies access to market intelligence in the form of company, sector, market and country information to explore opportunities and compete in international markets. Please visit the Enterprise Ireland website <http://www.enterprise-ireland.com/mrc> for further information on the market research facilities available.

Process of market entry

To successfully establish a business in Vietnam can sometimes take years of investigation, market research and study. It takes time to build personal relationships, so you must be patient when dealing with potential partners. Conducting rigorous industry-specific research before making any decisions or commitments is the key to market success. Thorough research must include assessing the performance and credentials of your Vietnamese business partner.

Regardless of whether a company has had experience in other foreign markets, it is important to realize the uniqueness of the Vietnamese market and to be prepared to offer products or solutions that are completely tailored to the market.

Where to go for advice

To find a reliable accounting firm, legal firm or other service providers in Vietnam, talk to Enterprise Ireland Singapore, which covers Vietnam and also other foreign firms already in the country when you visit the market by attending various networking events.

Aside from the “Big Four”, there are many other experienced accounting and consulting firms that are specialized in all stages of Vietnamese business setup and can provide a wide range of financial services. It may also be helpful to refer to law firm listings in Vietnam, such as that compiled by Legal 500.

Trade promotion and advertising

In addition to television advertising campaigns, the print media is growing in popularity as an effective channel for advertising. English newspapers and publications include the [Saigon Times Daily](#), [Vietnam News](#), Vietnam Economic Times and [Vietnam Investment Review](#). Some popular print publications are “[Thanh Nien](#)” (Young Adult), “[Nhan Dan](#)” (The People), “[Tuoi Tre](#)” (Youth), ‘Lao Dong’ (Labour), and “[Nha Dep](#)” (Beautiful Home) and “[The Gioi Phu Nu](#)” (Woman's World).

There are numerous trade fairs in Vietnam covering a broad range of sectors, which are effective methods for promoting products and for industry networking. Government ministries, SOEs, and industry associations co-sponsor various exhibitions. Visit <http://www.vietrade.gov.vn/en> for a calendar of Vietnam trade events.

ROUTES TO MARKET



4. Routes to market

“While exporting direct to Vietnam is possible, in our experience a company should have its own operations on the ground or find a trusted local partner to succeed in Vietnam. It can take some time in-market to find a good local partner, so Irish companies need to make a commitment to the Vietnam market.”

Smruti Inamdar, ASEAN Region, Enterprise Ireland.

Introduction

In this section, we look at some of the options for serving the market in Vietnam. These options include:

- Direct export from Ireland
- Third-party distribution
- Working with partners
- Establishing a local presence

Direct export from Ireland

Direct export from Ireland is a feasible option for the early-stage exporter who is not yet prepared to set up a permanent base. All local companies can engage in import. Wholly foreign-owned companies in Vietnam are also permitted to engage in import, trading and distribution services (i.e. wholesaling and retailing). Foreign trading companies operating in Vietnam can offer distinct advantages such as communication, experience and expertise in marketing and product and packaging modification. As customs in Vietnam can be difficult to navigate and different duty classifications and rates may be applied for the same product, it is important to find an importer who is able to clear goods through customs quickly and efficiently. Even company documentation and product brochures can be problematic to import into Vietnam, if not cleared in advance by the local importing company.

Many Irish companies that have substantial exports to Vietnam have established a local presence there, either with partners (e.g. joint ventures) or on their own. Those companies that initially choose not to establish a local presence generally plan to enter the market when their exports to Vietnam reach a certain level. Companies that commit to the Asian region for the medium to long-term through a local presence or a JV have a much higher chance of succeeding than those that see the region simply as an opportunistic market.

Third-party distribution

As flying in and out of Vietnam can be quite costly and time-consuming, you may find it more cost-effective to work with a local agent or distributor, as they already have solid relationships with potential buyers.

An agent or distributor can be engaged to distribute products in Vietnam. An agent sells a foreign supplier's goods in exchange for commission. The services offered by an agent typically include market intelligence, identification and pursuit of sales leads, sales promotions and after-sales services. Other responsibilities can be stipulated in the agency agreement. In a distributorship arrangement, the distributor generally purchases the goods from the foreign supplier for resale in Vietnam.

Due to Vietnam's developing infrastructure, as well as the cultural and economic differences among various regions, separate networks need to be established in the north, the south and the central regions in order to achieve nationwide distribution.

Due diligence should be conducted on potential agents or distributors to ensure that they have the necessary permits, facilities, manpower, capital, and other requirements to carry out their responsibilities. It is advisable to find local companies that are already working with reputable foreign partners and to refer to them for references. The rights and obligations of each party as well as dispute resolution procedures should be clearly specified in the agreement. Going to court is generally not an effective strategy for enforcing agreements or seeking redress for commercial problems in Vietnam.

Working with partners

Under Vietnamese law, most businesses can be wholly foreign-owned, but investment in certain sectors can only take the form of a joint venture since there are limitations of foreign ownership. These sectors, stated in Vietnam's WTO accession documents, include advertising services; services incidental to agriculture, hunting and forestry and telecommunication services.

For the telecommunication sector, Vietnam generally allows foreign partners to set up joint ventures in which they hold majority shares to provide telecom services related to network infrastructure, including telephone services, packet-switched data transmission services, circuit-switched data transmission services, telex services, telegraph services, facsimile services, and private leased circuit services.

For non-facilities-based services, joint ventures will be allowed without limitation on the choice of partner, but foreign capital contribution cannot exceed 65% of the legal capital. For facilities-based services, only joint ventures with telecommunications service suppliers duly licensed in Vietnam are permitted and foreign capital contribution cannot exceed 49% of the legal capital.

A joint venture has both advantages and disadvantages. On the one hand, a Vietnamese partner can make valuable contributions such as relationships with government officials and clients, local market know-how and access to qualified staff. On the other hand, potential challenges include differences in management styles and organizational cultures as well as fundamental differences in expectations and goals among the partners.

Adopt the usual precautions in selecting joint venture partners, such as conducting thorough due diligence.



NEED TO KNOW

Conducting adequate due diligence on prospective partners is crucial prior to entering into contracts or other business arrangements in Vietnam.

One way of checking the credentials of a business is to simply request a list of references of suppliers or customers. Local and international law firms, accounting firms and professional due diligence companies can be engaged to investigate prospective local partners. The [Credit Information Center](#), operating under the State Bank of Vietnam (SBV) and the [Vietnam WorldVest Base \(WVB\) Financial Intelligence Services Co. Ltd](#) both provide credit ratings and other information for Vietnamese companies.

Establishing a local presence

The advantage of setting up a local presence in Vietnam is that it gives you more control from both an operational and a financial standpoint than doing business directly from Ireland or using third-party distribution.

There are two main types of vehicles for foreign investment in Vietnam: 100 percent foreign-owned enterprises (FOEs) and joint venture enterprises (JVEs). 100 percent FOEs and JVEs can be established as limited liability companies (LLC) or joint-stock companies (JSCs). Other options for doing business in Vietnam include representative offices (RO) and branch offices (BO), in addition to a number of business contract forms.

Don't decide on your structure until you have considered the tax implications, and seek the advice of a professional services firm before making your decision. For more on this subject, please refer to Chapter 5: Legal Issues in Vietnam.

- An LLC can consist of a single member or multiple members, but the total number of members cannot exceed 50. Investors can be corporations or individuals. An LLC cannot issue shares. In an LLC, members are only liable for debts to the extent of the capital contribution they have poured into the company.
- There is usually no minimum capital requirement for foreign investors that intend to establish an LLC in Vietnam, although authorities will expect the investor to commit a reasonable amount of charter capital according to the scale and business scope of the project.
- A JSC can issue securities and bonds, so investors will often choose this form if they plan to go public in the future. There is no minimum requirement for the capital contributions of the foreign investors. A JSC is required to have at least three shareholders. There is no limitation on the maximum number of shareholders, nor on their nature – they can be individuals or institutions, Vietnamese or foreigners.
- A Representative Office (RO) is not a legal entity and is forbidden from conducting any revenue-generating activities. ROs are permitted to conduct market research, serve as a liaison for an overseas parent company and/or serve other supporting roles such as ensuring quality control, acting as a product showroom and helping to facilitate the execution of the contracts of the parent company. ROs are not subject to tax in Vietnam and are permitted to hire staff directly.
- A BO is the subsidiary of a parent company and does not constitute a separate legal entity according to Vietnamese law. Unlike the representative office, a branch office is entitled to conduct business activities in Vietnam within the parent company's business scope. To set up a branch, a parent company must have conducted business in its home country for at least five years.

- Foreign Direct Investment projects and related government regulations and policies are handled by the [Ministry of Planning and Investment](#), controlled and implemented through the [Foreign Investment Agency \(FIA\)](#). The FIA provides general information about regulation and business climate in Vietnam, as well as a list of projects calling for investment.

In deciding on a business form, potential investors should first consider whether an RO is suitable, i.e. whether they are interested in only non-revenue-generating activities. ROs are easy to establish and not subject to tax in Vietnam. If a well-established foreign company (i.e. having conducted business in its home country for at least five years) is interested in conducting business activities in Vietnam within its existing business scope, a BO may be an option, but this business form is not that common due to tax and regulatory ambiguities. A more common investment form is an LLC, which allows for greater freedom in business activities. Finally, in certain sectors, setting up an LLC is not an option and foreign companies are required to enter joint ventures with Vietnamese companies.



NEED TO KNOW

Other investment options include a number of business contract forms such as BCCs, BOTs, BTOs, and BTs. A business cooperation contract (BCC) is typically signed between a foreign investor and a local company (or the Vietnam government) with the objective of jointly conducting business operations in Vietnam. BCCs are based on sharing allocation of responsibilities, as well as sharing profits or losses without creating or forming a legal entity in Vietnam.

Build-operate-transfer contracts (BOT), build-transfer-operate contracts (BTO) and build-transfer contracts (BT) are specific projects carried out by foreign investors and an authorized government agency. These additional investment vehicles have been introduced in Vietnam to entice international capital into the infrastructure sector. Business scopes can range from traffic, electricity, production and business, water supply or drainage, waste treatment and other conditional or restricted sectors as stipulated by the Government.

LEGAL ISSUES IN VIETNAM



5. Legal issues in Vietnam

“The law changes a lot and is also open to different interpretations, so it can be difficult to get a straight answer sometimes. You need someone experienced and resourceful to guide you.”

James Galvin, Managing Director, Glandore Systems

Introduction

Vietnam's legal system, based on communist legal theory and French civil law, is quickly changing. Since early 2003, legal texts have been published in the Official Gazette, thus significantly improving the transparency of the legal system. Vietnam also launched a national database of administrative procedures in 2010 to improve clarity on how to establish and conduct business in Vietnam.

A large number of disputes are resolved outside of court in Vietnam, with mediation playing a key role. Vietnamese courts are legally required to render their judgements independently, although there is an unwritten practice of local courts requesting an opinion from the superior court in complex cases. It is difficult to get access to past judgements in Vietnam as they are not publicly available.

This section includes:

- Setting up a company
- Regulations for importers
- Taxes
- Exchange controls
- Immigration/visa

Setting up a company

According to the World Bank, setting up a business in Vietnam involves nine procedures and takes on average 44 days from the date of submission of the application dossier to the issuance of the investment certificate.

Different entity structures encounter different legal requirements. In general, you should consider the following key areas:

- The first step in setting up a business in Vietnam is acquiring an Investment Certificate (IC), also known as a Business Registration Certificate. The time period required to obtain an IC varies by industry and entity type, and can range from 15 to 37 working days. In the IC application process, all documents issued by foreign governments and organisations need to be notarized, legalised by the Embassy of Consulate and translated into Vietnamese by competent authorities.

- Charter capital is the amount of capital that all shareholders or members of a company are willing to contribute within a prescribed time limit and as stated in the company charter (i.e., Memorandum and Articles of Association). Charter capital is generally equal to the total par value of issued shares the case of a JSC, or the equity investment contributed by members into a LLC.
- Charter capital can be used as working capital to operate the company. It can constitute 100 percent of the total investment capital of the company, or be combined with loan capital to form the total investment capital of the company. Both charter capital and total investment capital, along with the company charter, must be registered with the license-issuing authority of Vietnam. Investors cannot increase the charter capital amount without prior approval from the local licensing authority.
- All foreign-invested entities are required to have their annual financial statements audited by an independent auditing firm. Statutory audits in Vietnam are performed in accordance with the Vietnam Standards on Auditing.
- Audited financial statements and tax finalisation filing must be done within 90 days from the end of each financial year. After fulfilling all financial obligations and giving notice to local managing tax offices at least seven working days in advance, foreign investors can remit profits abroad. However, companies that have accumulated losses are not permitted to remit profits.



NEED TO KNOW

Members and owners of LLCs must contribute charter capital within 36 months of the date of IC issuance. To transfer capital into Vietnam, after setting up the FIE, foreign investors must open a capital bank account in a legally licensed bank. A capital bank account is a special purpose foreign currency account designed to enable tracking of the movement of capital flows in and out of the country. The account also allows money to be transferred to current accounts in order to make in-country payments and other current transactions.

Regulations for importers

- Consumer goods, especially luxury goods, are subject to high import duties in Vietnam. Meanwhile machinery, equipment, materials and supplies needed for production, especially those items which are not produced domestically, enjoy import duty rates that can be as low as 0 percent. Duty rates for imported goods are categorized into preferential rates, special preferential rates and standard rates depending on the origin of the goods.
- Import duties must be paid prior to customs clearance of consumer goods. Specifically, for importing supplies and raw materials for the production of exported goods, there will be a grace period of 275 days for the payment of import duties. For temporary import for of goods for re-export, it is 15 days. Import duties will be refunded once they are exported, and export duties are exempted for these goods.
- The customs procedures for importing various types of goods are listed on Vietnam's [Customs website](#).
- The [Ministry of Agriculture and Rural Development \(MARD\)](#) administers test permits and import licences for goods such as veterinary drugs, animal feeds, fertilizers new to Vietnam, genetic material, and aquaculture feeds, materials, drugs and chemicals.

- The import of sperm and embryos of animal breeds for the first time must be licensed for testing by the Department of Livestock Husbandry.
- Veterinary drugs can be imported without licensing where the drugs possess certificates of circulation in Vietnam or where they are temporarily imported for re-export under contracts signed with foreign parties. However, the import of vaccines, biological preparations and microorganisms must be licensed by the Department of Animal Health.
- The import of veterinary drugs and materials for veterinary drug production without a certificate of circulation in Vietnam must be licensed by the Department of Animal Health. The documents required include an application for veterinary drug import registration, Certificates of Good Manufacture Practice or ISO, certified copy of the certificate of free sale (CFS) in the country of exportation, product quality analysis notices, summary of product properties, etc. The permit is valid for one year from the date of granting.
- With certain exceptions, import of animal feed must be licensed by the Directorate of Fisheries or the Department of Livestock Husbandry. The application documents include a written registration for the import of a new animal feed for testing, a testing scheme on the new animal feed, a testing contract between the testing registrant and testing unit, a certified copy of the business registration certificate or investment license, the imported goods' CFS, the product's composition, quality, utilities and use instructions, and the result slip of testing or product quality analysis.
- Aside from fertilizers listed by the MARD as permitted for production, trading and use in Vietnam, import of fertilizers in certain cases must be licensed by the Department of Crop Production. The application documents include a written registration for import of fertilizers, a technical declaration, the CFS, and a foreign-language document introducing the ingredients, compositions and contents of nutrients, utilities and use instructions of fertilizers and fertilizer transportation, preservation and use precautions along with its Vietnamese translation. The permit is valid for one year from the date of its grant.
- Aside from certain exceptions, the import of aquaculture environment treatment and improvement products must be licensed by the Directorate of Fisheries in certain cases. The application documents vary depending on the purpose of the import.
- The [Ministry of Information and Communication](#) issues import permits for radio transmitters and radar equipment, as well as standard compatibility certificates for most other telecommunications equipment.
- Before importing or distributing pharmaceuticals, approval and authorisation must be obtained from the [Ministry of Health](#), which is also in charge of the registration and approval of all pharmaceutical products.
- Health certificates are required for plant and animal products.
- All foods, food materials, food additives, food-processing supporting substances, tools, materials for packaging and food containers imported into Vietnam must be inspected by the competent state inspection agency, with a few specific exceptions.
- Imported food, food additives, processing aids and imported food-packaging tools, food packages and containers must have their technical regulation-conformity announcements (i.e. written publication) registered at a competent state agency before import and obtain a notice of satisfaction of import requirements issued by a designated inspection agency. If no relevant technical regulation has been promulgated for the imported food, food additives and processing aids and imported

food-packaging tools, food packages and containers, international agreements or treaties to which Vietnam is a contracting party will apply.



NEED TO KNOW

All consumer goods imported or produced for sale in the domestic market must bear labels, which should include the name of the good, the name and address of the traders responsible for the good, any relevant quality standard, production and expiry dates, ingredients, quantitative analyses, directions for use and maintenance instructions. Information on labels of consumer products must be in Vietnamese.

Tax

Foreign investors in Vietnam can increase tax efficiency with Double Taxation Avoidance Agreement (DTAs) between Vietnam and other countries. As of February 2012, Vietnam has signed DTAs with over 60 countries and territories. The DTA between Ireland and Vietnam was signed in 2008 (see *Need to Know* below).

- All taxes in Vietnam are imposed at the national level, i.e. there are no local, state or provincial taxes. Enterprises should pay tax in the localities where they are headquartered.
- Business license tax (BLT) is an indirect tax imposed on entities conducting business activities in Vietnam, paid by enterprises annually for each calendar year that they do business in Vietnam. All companies, organizations or individuals (including branches, shops and factories) and foreign investors operating businesses in Vietnam are subject to BLT. The amount of BLT due is based on the amount of charter capital.
- The standard corporate income tax (CIT) rate is 25 percent for both domestic and foreign-invested enterprises (FIEs) in most industries. All income arising inside Vietnam is subject to CIT, regardless of whether a foreign enterprise has a Vietnam-based subsidiary or whether that subsidiary is considered a Permanent Establishment (PE).
- CIT incentives apply to investment projects in specific sectors and areas with difficult socioeconomic conditions, as well as those in high-tech zones and economic zones. In addition to tax incentives, tax reductions may be available for enterprises engaging in manufacturing, construction and transportation activities which employ numerous female staff or ethnic minorities.
- When calculating CIT, FIEs can deduct any expense for production and business activities if supported by adequate legal invoices and documents. The portion of interest payments on loans for production and/or business to an entity which is neither a credit institution nor an economic institution which exceeds 150 percent of the basic interest rate as published by the State Bank of Vietnam at the time of the loan is not deductible.
- Value-added tax (VAT) is imposed on the supply of goods and services at three different rates: 0 percent, 5 percent and 10 percent (the standard rate). The 0% rate is applicable to goods and services for export or sold to non-tariff zones. The 5% rate is applicable to 15 categories of goods and services such as fertilizers; medical equipment and instruments; and scientific and technological services. Everything else is subject to 10% rate. All organizations and individuals producing and trading goods and services in Vietnam are liable to pay VAT, regardless of whether the organization has a Vietnam-based establishment. Goods and services encouraged by the government are exempt from VAT. These include agricultural products, healthcare

services and scientific activities, derivative financial and credit services, securities trading, insurance services, education and vocational training, printing and publishing newspapers.

- Capital gains are taxed at 25 percent.
- Interest and royalties are subjected to withholding taxes of 5 percent and 10 percent, respectively, unless the rates are reduced under a tax treaty.
- Dividends remitted overseas are not subject to withholding tax except when paid to an individual, where a 5 percent withholding tax applies.



NEED TO KNOW

The DTA between Ireland and Vietnam reduces withholding taxes on dividends, interest and royalty payments, and provides that each country will relieve any double taxation by allowing a credit for the tax paid in the other country.

Exchange controls

Foreign investors can transfer both capital and profit out of Vietnam as follows:

- Capital that can be transferred includes legal capital, reinvestment capital, and capital for the performance of business cooperation contracts (upon operation, termination or dissolution of enterprises or reduction in the legal capital amount of enterprises).
- Profits that can be distributed to foreign investors at the end of the fiscal year after fulfilling financial obligations to the State of Vietnam are calculated as follows:

[Profits described in audited financial reports and corporate income tax declarations] + [other profits earned in the year] - [the amounts used or committed to be used for in-country reinvestment and expenses for their production and business activities or personal needs in Vietnam].

- At the end of a fiscal year, after giving notice to local managing tax offices at least seven working days in advance, foreign investors can remit profits abroad after fulfilling financial obligations to the State of Vietnam and submitting audited financial statements and CIT finalization declarations to managing tax offices.
- Transferring capital and profit out of Vietnam must be done in foreign currency capital accounts in a freely convertible currency, most likely US\$ or Euro. Lawful revenue in VND can be converted into foreign currency for remittance abroad via authorized credit institutions.

Immigration/visa

Irish citizens must apply for a Vietnam visa to enter the country. Application for an entry visa to Vietnam can be made in person or by post to the [Embassy of Vietnam](#), and visas on arrival are also available.

To work in Vietnam and remain for an extended period, foreigners need to apply for a longer term visa and, upon arriving in Vietnam, a work permit. Currently, work permits for foreigners are valid for a maximum of three years. Certain foreigners are exempt from work permits,

including those in the role of Chief Representative, Head of Project Office, and internal transferees working for companies operating in sectors listed in the WTO commitments.

Foreigners who reside one or more years can be granted a Temporary Residential Card (TRC), issued by the immigration agency under the Ministry of Public Security and valid from 1 to 5 years. Those granted a TRC can enter and exit Vietnam without a visa within the valid terms of their TRC.

In an effort to support the hiring of Vietnamese nationals, 30 days prior to recruiting a foreign employee, a company must publicly announce recruitment for this position to Vietnamese job-seekers in a Vietnamese newspaper or online. Alternatively, foreigners may be hired through an employment service centre owned by the State (such as FOSCO in HCMC). Evidence of having done so must be presented in the application for a work permit for a foreign employee.

Prior to July 5 and January 5 each year, employers are required to report their use of foreign labour to the Department of Labor, Invalids and Social Affairs (DoLISA) office and the relevant authorities of industrial zones, economic zones, export processing zones and hi-tech parks (if located therein) in prescribed form. In addition, before December 15 each year, employers are required to register their demand for foreign labour for the next year with the DoLISA.

6. Growth Sectors

Introduction

In this section, we provide a quick look at five sectors of opportunity in which Irish companies are well placed to deliver products and services to the Vietnamese market. These include:

- Education Services
- Telecoms and Information Communications Technology
- Financial Services Software
- Life Sciences
- Engineering

Education Services

With economic growth, Vietnam is witnessing an expansion in its middle class, thereby increasing demand for quality education. With domestic education programs somewhat outdated, many of these middle class families, as well as expats, are choosing to send their children to international schools and training centres and/or send them overseas to study. This presents great opportunities for Irish educational institutions.

- Approximately 100,000 Vietnamese students study overseas every year, and the number is continuing to grow, according to the Department of Foreign Affairs and Trade (2011). The vast majority – 90 percent - of Vietnamese students studying overseas use their own funding, a ten-fold increase compared to a decade ago according to the Ministry of Education and Training (2012). Popular majors include finance, banking, information technology and biochemistry.
- Only around 45 Vietnamese are enrolled in Ireland's universities as of November 2012, with around 13 of them funded by Irish government scholarships. Ireland and Vietnam launched a cooperation agreement in 2011 aimed at increasing the number of Vietnamese students taking third-level courses in Ireland.
- This small number is partly due to the low awareness among Vietnamese of Ireland as a possible study destination. One way that Irish institutes could promote awareness among Vietnamese of the advantages of studying in Ireland is through organizing study abroad exhibitions and conferences in Vietnam. Enterprise Ireland organised the first Education mission to Vietnam in late 2012 and, depending on demand from Irish Institutions, will organise such events on an annual basis.
- Factors that influence Vietnamese students' decisions in choosing study abroad destinations include the ease of applying for visas, the ability to stay and work in the country of study after graduation, the cost of daily expenses and tuition, the reputation and safety of the campus and its surrounding environment, the quality of education, ease of obtaining information about the school via education consulting centres in Vietnam and via the internet, as well as the location of the school (e.g. proximity to big cities and to Vietnamese populations).

- In Vietnam, most formal education is provided by the government in the form of state-operated schools and universities, with some private local and foreign institutions also in operation. The [Ministry of Education and Training \(MOET\)](#) is the authority overseeing the education sector.
- Foreign investors are allowed to set up 100% foreign-invested education entities to provide education services in Vietnam. Some foreign-invested education projects include the [Singapore International School](#), the [United Nations International School](#), and [Royal Melbourne Institute of Technology \(RMIT\) Vietnam](#).

Foreign investors have also been active in cooperating with the domestic education sector. For example, [Kaplan, Inc.](#) acquired an interest in BrightStar, a Vietnamese company headquartered in Can Tho, a port on the Mekong River Delta. A large industrial area, where rice and fish are traded, it is the seat of an agricultural and teachers college.

- Various foreign-invested vocational training centres delivering IT, business and accounting programs have been established in cities such as Hanoi and Ho Chi Minh City. In particular, the [MOET](#) encourages foreign educational entities to develop new disciplines and scientific fields that are not yet widely available in Vietnam, e.g. information technology.
- The government program, "Teaching and Learning Foreign Languages in the National Education System, Period 2008-2020," sets the goal that by 2020, most students graduating from secondary, vocational schools, colleges and universities in Vietnam will be able to use a foreign language confidently. To achieve this goal, the government will send teachers for training overseas, encourage the establishment of qualified foreign language training centres and institutions, mobilize more foreign investment into the teaching and learning of foreign languages, and encourage education institutions to establish international partnership with foreign institutions.
- The Vietnamese Government sponsors a project named Vietnam International Education Development (VIED) program which grants scholarships to eligible students for Ph.D. or Master programs who will study in Vietnam or abroad. Institutes in countries such as France, Germany, USA, Canada, Australia and Japan have signed agreements with VIED to accept students under this program, with some agreeing to provide joint or full funding for the students. Ireland has an active relationship with VIED and some scholarship students are now being sent to Ireland

Telecoms and Information and Communications Technology

Vietnam's IT industry is still underdeveloped, accounting for less than 2 percent of gross domestic product (GDP) in Vietnam. The country aims to become a strong IT nation by 2020, targeting a total investment of €6.5 billion. Opportunities abound in the development of database and management systems for sectors like finance, distribution and healthcare, as well as in e-commerce.

- According to WTO obligations, Vietnam will completely open its telecom market up to foreign investors from 2012 and liberalize the related services industry allowing for larger stakes in JV and different forms of Public Private Partnership (PPP) investments.
- To promote the growth of the IT sector, the government of Vietnam has set up seven information technology parks throughout the country to attract investors. These parks promote the manufacturing and trading of IT products and services, research and development, training of workers, and development of IT and technology firms.

Opportunities exist in providing IT technical training and consulting, data centre and storage, as well as development of enterprise applications.

- Both the government and enterprises in Vietnam are taking steps to boost the development of cloud computing. IBM developed a major cloud computing centre to study and develop the use of cloud computing in Vietnam in 2008.
- Currently, there are several telecom operators in Vietnam, most of which are government-owned, including VNPT (which owns Vinaphone and Mobifone) and Viettel, which account for 90 percent of the market share, as well as G-mobile. Sfone and Vietnamobile are the only two private operators.
- Vietnam aims to increase the number of people using mobile phone services to 90 percent of its population by 2015 and 95 percent by 2020, according to Vietnam Telecom. The increase in the number of smartphone users has led to the increase in the use of mobile Internet, especially social networking and search tool apps, and smartphone sales are expected to grow exponentially with the introduction of less expensive versions. Niche opportunities exist for mobile content, solutions and applications.
- Wireless internet is expected to see a year-on-year increase of approximately 50 percent in 2012, and it is estimated that there will be approximately 26 million internet users in Vietnam by the end of 2012, constituting approximately 30 percent of the population. As a result of competition among service providers, prices are dropping for 3G services, making them more accessible to residents in both rural and urban areas. Opportunities exist for developing alternative broadband technologies as well as partnering with established network operators to provide 3G services.
- Vietnam is developing its e-government mechanisms by applying IT to public administrative activities and building a national information network. To date, 97 percent of ministries and sectors have established their own websites, all 63 provinces and cities have e-portals, and 84 percent of information and guidance related to government and central agency policies is posted on the internet, according to the U.S. based research firm, IDC.
- Vietnam Telecomp is the largest ICT, mobile and electronics show in Vietnam. Sponsored by the [Ministry of Information and Communications \(MIC\)](#), local and overseas operators and many globally renowned corporations in the industry participate.
- The [Vietnam National Conference on ICT](#) is an annual event of the [MIC](#) that provides the latest information on the government's policies on ICT.
- The annually published Vietnam ICT White Book provides an overall view and development status of the ICT landscape in Vietnam.
- In the e-health sector, Vietnam aims to develop standardized electronic exchange of health information, build databases for training, human resources and traditional medicine as well as develop electronic patient management systems, etc. by 2015.
- Opportunities exist in the offering of telecom software solutions such as billing and customer care systems and multi-service centralized marketing and sales management systems.
- FDI in telecom services is allowed through BCC and joint ventures (JV) (for non-facility based investments, foreign investors can own up to 65 percent of the legal capital of the JV; for facility based, the ratio is up to 49 percent).

- Vietnam is seen as an effective destination for software outsourcing. Nonetheless, software piracy remains widespread due to lack of effective intellectual property protection.

Financial Services Software

Vietnam's banking reform started in the late 1980s. The State Bank of Vietnam (SBV, the central bank) and several other banks have adopted a modern interbank payment system. Some banks also offer eBanking services. Since only 20 percent of the entire population in Vietnam has bank accounts, there is much room for the expansion and upgrading of banking services.

- Vietnam's banking sector consists of 5 state-owned credit institutions, 35 joint stock commercial banks, 50 foreign banks' branches, five foreign banks (100% foreign owned), four joint venture banks, and several other types of financial institutions.
- Most Vietnamese banks have online centralized accounting systems and other online services. However, investment in bank ICT infrastructure has been limited to date, with most banks focusing on core banking. Opportunities exist in the provision of expert systems for various bank functions.
- In mid-2003, the SBV developed a "Plan for the International Economic Integration of the Banking Sector" to address the sector's core development needs through 2010. One of the key areas of reform was the development of banking infrastructure, with the development of a national payments system for inter-bank clearing and settlement (Inter-Bank Payment System-IBPS) as a primary focus. The program also aimed to introduce modern, automated operating systems (e.g. core banking, centralized accounting and management information) in the largest banks.
- The first PSBM project, financed by the World Bank, introduced on a pilot basis a modern IBPS in the SBV and two modern Core Banking Solutions (CBS) in six commercial banks by 2004.
- The Second Payment System and Bank Modernization Project (PSBM2), built directly upon the first PSBM project, significantly improved the speed and reliability of interbank payments in Vietnam. It has also made timely information available for the SBV to monitor market liquidity and offer services such as eBanking, one-stop customer service, and 24/7 call center support.
- [Banking Vietnam](#) is the most prestigious annual banking conference and exposition in Vietnam with participation and strong support from SBV's top senior government leaders. The May 2012 conference featured the theme "Technology transformation towards effective banking governance & high quality services," including:
 - Obtaining effectiveness in leveraging banking technology infrastructure
 - Banking governance and risk management
 - Non-cash payment
 - Enhancing multi-channel services and technology applications to build higher quality for banking services
- Vietnam Finance is a forum that discusses comprehensive fiscal policies and ICT solutions for building sustainable and modern public finance.
- In August 2012, banking software solutions vendor [Temenos](#) announced the launch of Vietnam's first fingerprint-enabled debit card at Mekong Development Bank to provide more convenient banking services for both the rural and urban populations of Vietnam. Customer fingerprints are captured by Mekong Development Bank when opening an account and then used at any one of 33 NCR ATMs across Vietnam.

Since the launch of this program, Mekong Development Bank's current account base has tripled.

- [VietinBank](#) and VNPAY have developed mobile banking software applicable for all smartphones and new generation tablets. This software supports SMS Banking services to help customers to transfer money, pay bills, recharge electronic wallets, as well as check account information via text messages. The software is available in Vietnamese and English.

Life Sciences

Vietnam has identified its public health care sector as one of its national development priorities, with developing the domestic pharmaceutical industry at the top of the agenda. In 2011, the Vietnamese market for medical equipment and supplies was estimated at €459 million. An estimated 90.7 percent of Vietnam's medical device market is supplied by imports.

- The [Ministry of Health \(MOH\)](#) is the regulatory authority for the administration of drugs, biologicals, and medical devices in Vietnam. The [Drug Administration Department of Vietnam \(DAV\)](#) is responsible for authorising the registration, circulation and advertisement of drugs.
- Medical equipment is subject to low import duties and faces no quota restrictions in Vietnam. Medical devices are subject to regulation and licensing requirements set by the [MOH](#). Only companies with a registered legal business entity in Vietnam and an import license can distribute medical equipment in Vietnam.
- Buyers of medical equipment in Vietnam include government-funded, wholly foreign-owned as well as joint-venture hospitals, clinics, and healthcare centres, local private hospitals and medical education and research institutions.
- Some medical equipment required by the Vietnamese healthcare system includes diagnostic imaging equipment (e.g., CT Scanners, X-ray machines, Magnetic Resonance Imaging machines), laboratory equipment, operating theatres, sterilizing equipment and patient monitoring equipment.
- Foreign companies seeking to export medical equipment to Vietnam should develop price sensitivity and flexible marketing and distribution strategies that encompass training and after-sales services. In addition, they need to ensure that they have local representatives who can provide after-sales service and supply spare parts to buyers and end-users of medical equipment.
- Three multinational distributors, [Zuellig Pharma](#), [Mega Lifesciences](#) and [DKSH](#), dominate the Vietnamese pharmaceutical market.
- The administration of drugs and biologicals in Vietnam is governed by the 2005 Law on Pharmacy and its 2006 implementing regulations, which provide guidelines on manufacturing, registration, circulation and use, clinical trials, as well as advertisement. There are specific regulations on the registration for circulation of medical devices made in Vietnam and on the import of medical devices.
- Vietnam's requirements on drug registration are consistent with the Association of Southeast Asian Nations (ASEAN) Common Technical Dossier and ASEAN Common Technical Requirements.
- To manufacture drugs in Vietnam, applications for certificates to manufacture drugs must be made to the MOH or the DAV. The manufacturer must also obtain a Conditions Certificate as manufacturing medicinal products is a restricted business line in Vietnam. The DAV is responsible for examining and approving the application

for such a certificate. Manufacturers operating in Vietnam must also meet the principles and standards of good manufacturing practice (GMP) issued by the World Health Organization (WHO) and apply for a GMP Certificate with the DAV accordingly.

- The import duty for pharmaceuticals was reduced from 5 percent to 2.5 percent for the period 2011-2012, which was expected to lead to a 10-20 percent increase in types of new foreign drugs that are registered in Vietnam.
- The government hopes to achieve total health insurance coverage by 2014. There are three levels of benefits under Vietnam's health insurance schemes. The first level covers 100 percent of expenses at nominated medical facilities, while the other two levels will cover 95 percent and 80 percent of the expenses respectively, with the patient making up the rest. Certain essential drugs are funded through the health insurance fund.
- Due to the low quality of state healthcare provisions, people who can afford to will often choose to use private facilities. An estimated 61.3 percent of healthcare expenditure is private.

Engineering

Vietnam aims to become an industrial nation by 2020 and has prioritized the growth of the mechanical engineering sector to serve its development goals. Vietnam's engineering sector is dominated by SMEs and new establishments. These firms seek to acquire experience and transfer technology via international cooperation. This presents great opportunities for Irish exporters of engineering products and services.

- Vietnam aims to develop key mechanical product groups in eight industries: manufacturing, construction, agriculture, aquaculture, forestry, auto, shipbuilding, electricity and electronics industries in the upcoming years.
- Machinery and equipment constitute approximately 15 percent (approx. €12 billion) of yearly imports in Vietnam. To reduce dependence on foreign imports, the Ministry of Industry and Trade regularly issues a list of mechanical engineering equipment produced by Vietnamese enterprises.
- In the upcoming years, Vietnam plans to invest heavily in the construction of coal-fuelled and hydropower plants as well as alumina production plants.
- Foreign companies can provide integrated engineering services in Vietnam (e.g. advisory services, M&E, design or EPC works or turnkey projects) or undertake general building and civil engineering works without establishing a commercial or corporate presence in Vietnam if a Foreign Contractor's License ('FCL') is issued. To obtain an FCL, the foreign company must have won a tender, or have been shortlisted in a tender process and establish a partnership with a Vietnamese contractor, or employ a Vietnamese sub-contractor. Applications for an FCL are processed by the [Ministry of Construction](#) within 15 days of application.
- Branch offices cannot undertake integrated engineering services.
- Vietnam requires projects funded by the state be left to capable Vietnamese enterprises in order for them to increase profit and technology. When carrying out these packages, Vietnamese enterprises can hire foreign consultants in the first phase, and then acquire technology in the next stage.
- Engineering-related exhibitions in Vietnam include [MTA Vietnam](#), [MTA Hanoi](#), [International Industrial Machinery Exhibition \(IIME Vietnam\)](#), [Elenex Vietnam](#) and [Vietnam International Construction & Building Exhibition \(VICB\)](#).

- The standard form building contract is used in Vietnam by organisations and individuals procuring construction services where 30 percent or more of State capital is used to fund the project.
- In late August 2012, it was announced that the Higher Engineering Education Alliance Program (HEEAP) will be extended to five years with an additional investment of US\$40 million to modernize engineering education in Vietnam. There will be upgrades of data systems used by the engineering education programs and a distance-learning network will enable students across the country to take online courses.

7. Selling to the Government in Vietnam

“When bidding for Government contracts in Vietnam it is essential to have a local presence, either directly through your company or through a strong local partnership/JV with a respected and experienced local company. Over the next decade, we will see massive Government funding for the modernisation of many sectors of the Vietnamese economy.”

Smruti Inamdar ASEAN region, Enterprise Ireland

Introduction

The total value of Government contracts implemented in accordance with Vietnam's Law on Procurement amounts to about 20 percent of Vietnam's gross domestic product (GDP), or over €15.6 billion a year.

Procurement in Vietnam is divided into domestic and international tenders. Under the Law on Procurement, an international tender can only be organized where:

- No local bidders meet the requirements of the project
- The tender is for procuring goods not manufactured domestically
- Domestic tendering has been held but no winner is selected
- Where the project is financed by an international financial institution or donor agency, and the funding agreement stipulates that the project is open to international bidding

International bidders can participate in domestic tenders only when they use/commit to use Vietnamese subcontractors or participate as a subcontractor. The same applies to Irish companies selling to the Vietnamese government.

Framework

Vietnam has adopted a number of laws and decrees governing public procurement, including the 2005 Law on Procurement, amended in 2009 and its implementing regulations, as well as the 2003 Law on Construction.

The Law on Procurement provides for greater transparency in procurement procedures and applies to all governmental entities. However, overlapping laws complicate procurement in Vietnam. For example, the Petroleum Law governs procurement by SOEs in the energy sector.

Vietnam is not a party to the 1994 Agreement on Government Procurement under the World Trade Organization, which includes provisions on topics like national treatment and non-discrimination with respect to procurement.

Vietnam's procurement system

- Procurement opportunities are announced officially in Vietnamese language newspapers such as Nhan Dan, [Lao Dong](#) and [Saigon Giai Phong](#). A consolidated listing of government or private tenders in can also be obtained at <http://www.intellasia.com> or <http://www.dau-thau.com> and the public procurement website of the Ministry of Planning and Investment (MPI) at <http://muasamcong.mpi.gov.vn/>.
- The timing for tender opening, bid closing and award notification varies depending on the project. Government budgets are generally prepared between June and October, while purchases are often made in December and January.
- Competition for government procurements can take different forms depending on the threshold values of the goods and services involved and the specific circumstances: sole source direct negotiation, limited tender, open tender, appointed tender or special purchase.
- In all international tenders, preference is given to bidders established in Vietnam. Both domestic and foreign bidders must show that they are independent entities with a healthy financial status. Domestic bidders must demonstrate proof of being locally established (such as certificate of business registration), whereas foreign bidder must possess a certificate of business registration issued by its home country.
- In the procurement of goods, preference is given to a bidder whose domestically manufactured goods constitute at least 30 percent of the bid.
- In procurement of consulting services, construction and installation contracts, and contracts involving engineering, purchasing, and construction, preference in international tenders is given to partnerships with Vietnamese companies where the latter's work constitute at least 50 percent of the tender package.
- Vietnam expects to disburse about €2.3 billion in untied ODA funding annually from 2011-2015. ODA funded government procurement is generally governed by tendering regulations of the relevant donors and loan agreements between the donors and the Vietnamese government. Infrastructure is the main development priority for ODA. Other key sectors include telecommunications, transportation, civil aviation, energy, environmental/water, education and financial services.

HOW ENTERPRISE IRELAND CAN HELP YOU SUCCEED IN VIETNAM



8. How Enterprise Ireland can help you succeed in Vietnam

Enterprise Ireland is committed to assisting clients with entering new markets and expanding business in current markets. A team of experienced marketing professionals in Enterprise Ireland's overseas network is ready to help.

Pre-visit support

We can provide:

- A sector overview
- A validation of the opportunity for your product/service
- An evaluation of your market entry strategy
- Suggested channels to market
- Competitor analysis
- Relevant contacts/suggested itinerary
- Summary of relevant market information resources

In-market support

Services available include:

- Scheduled appointments with market contacts, including the government
- Office facilities/sales incubator units in selected countries/market
- Facilitation of buyer visits to Ireland
- Product launches/workshops at Enterprise Ireland offices/Irish Embassies/consulates
- Networking opportunities at events held at EI offices, or the Irish Embassy in Vietnam
- Public relations support and press release service
- Trade fairs/trade missions
- Market development support to access new regions/sectors in Vietnam
- Introductions to local development agencies for setting up in Vietnam and third-party professional service providers including legal, marketing/PR and recruitment services.

Access to external expertise and advice

Enterprise Ireland has built up an excellent network of international mentors in Vietnam who are available to work on a one-to-one basis with Irish client companies on developing their business. The role of the mentor is to listen and advise, to suggest options, and help you to prioritize opportunities. The mentor gives you a fresh and objective perspective that is backed by significant in-market experience – while you remain in the driving seat.

Depending on your individual requirements, mentors can advise you on all key areas of company development, including:

- Targeted sales and marketing
- Staff development and team building
- Expansion into new export markets
- Better management and financial systems
- Improved production and logistics
- Attracting outside investment
- Strategic business planning
- Management succession

Events

Throughout the year, Enterprise Ireland organizes a number of initiatives, often led by Government ministers, including trade missions, trade shows, buyer lunches, press conferences, etc. These events are excellent opportunities for your company to be profiled for customers and the wider media.

Financial assistance

Enterprise Ireland client companies may be eligible to receive financial assistance with the cost of researching or travelling to the target market. For more information, speak with your Development Adviser.

Contacts in Vietnam

Enterprise Ireland

Contact: Smruti Inamdar, Enterprise Ireland, Singapore
E-mail: Smruti.Inamdar@enterprise-ireland.com

Diplomatic and Consular information for the Vietnam

Embassy of Ireland

Embassy of Ireland
2nd floor, Sentinel Place
41A Ly Thai To, Hoan Kiem District, Hanoi
Vietnam
Phone: +84-4-3974-3291
Fax: +84-4-3974-3295
Web: <http://www.embassyofireland.vn/home/index.aspx?id=71969>

DISCLAIMER

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This report was compiled between late 2012 and early 2013.

While every effort has been made to ensure the accuracy of the information contained in this publication, Enterprise Ireland accepts no responsibility for errors or omissions.

Enterprise Ireland
The Plaza
East Point Business Park
Dublin 3

Tel: +353 1 727 2000
Fax: +353 1 727 2020

www.enterprise-ireland.com



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