

UK
TRADE &
INVESTMENT



HELPING YOUR BUSINESS GROW INTERNATIONALLY

Vietnam Business Guide

UK
Fast track to the world



This guide was produced by the UK Trade & Investment Vietnam Markets Unit in collaboration with the British Posts in Vietnam, international trade teams and the British Business Group Vietnam.

Disclaimer

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INTRODUCTION

WHY VIETNAM?

Vietnam has one of the fastest-growing, most vibrant economies in Asia. Over the past ten years, economic growth has been second only to China and GDP has been doubling every ten years since 1986. In the second quarter of 2010, Vietnam recorded GDP growth of 6.4 per cent¹, almost back to the levels achieved before the global economic downturn.

Vietnam borders China to the north, Laos and Cambodia to the west and South China to the east. It has the third-largest population in South-East Asia, over half of which is below the age of 30. Over the last three decades Vietnam has had to recover from the ravages of war, the loss of financial support from the old Soviet Bloc and the constraints of a centrally planned economy. It has emerged as an economically robust, politically stable and rapidly growing market.

In January 2007, after 12 years of negotiations, Vietnam became a member of the World Trade Organization. This has helped to cement domestic reforms and precipitate Vietnam's progress towards becoming a full market-orientated economy.

¹ Source: State Bank of Vietnam

| THE COUNTRY AT A GLANCE | |
|----------------------------------|---|
| Full name | Socialist Republic of Vietnam |
| Located in | South-East Asia |
| Capital | Hanoi |
| Area | 329,560 sq kilometres |
| Land borders | China, Laos, Cambodia |
| Language | Vietnamese |
| Population | 87 million |
| Median age | 27.4 (57 per cent of the population are under 30 years) |
| Urban population | 28 per cent (2008) |
| Literacy | 90.30 per cent |
| Politics | Country led by the Communist Party |
| GDP per capita | In 2009, GDP per capita was estimated at US\$1,200 |
| GDP Growth | 2009 GDP growth was 5.32 per cent, but by the second quarter of 2010 it was back up to 6.4 per cent. Average growth over the previous seven years was 6.8 per cent. |
| Labour force | 43.87 million (2009 est.) |
| Unemployment | 2.9 per cent (2009 est.) |
| Monetary unit | (VND) Dong |
| Stock markets | Ho Chi Minh Stock Exchange and Hanoi Stock |
| Export value | US\$56.55 billion (2009 est.) |
| Export commodities | Textiles, crude oil, seafood, footwear, electronics and computers, wooden products, coffee |
| Import value | US\$68.8 billion (2009 est.) |
| Import commodities | Machinery and spare parts, petroleum, steel, fabric, electronics and computers, plastic in primary forms |
| Foreign direct investment | Registered FDI in 2009 was US\$21.48 billion. Disbursed FDI in 2009 was US\$10 billion (est.) |
| Political situation | Vietnam is a single-party socialist republic. All Vietnamese political organisations are under Vietnamese Communist Party control. |

INTRODUCTION

WHY VIETNAM? (CONTINUED)

A leading choice for investors

Popular emerging market: With investors becoming increasingly reliant on emerging market growth to compensate for stagnation in the developed world, Vietnam is now a leading investment destination. A survey of over 500 companies active in emerging markets² asked respondents to name their top three countries for investment over the next two years. Vietnam was named by 19 per cent, second only to China (20 per cent) and ahead of India (18 per cent). It is the third consecutive year that Vietnam has been selected by executives as their number one investment target outside the BRIC countries (Brazil, Russia, India and China).

Positive growth and strong FDI: Despite the global economic downturn, Vietnam achieved positive growth of 5.32 per cent in 2009, with average annual GDP growth of 6.8 per cent over the preceding seven years. A PricewaterhouseCoopers report (Asia's Emerging Gems, 2009) ranked Vietnam as the world's sixth most attractive location for foreign direct investment (FDI). Although registered FDI fell from US\$63.94 billion in 2008 to US\$21.48 billion in 2009, disbursed FDI in 2009 was around US\$10 billion – virtually unchanged from the previous year.

Growing population: Overseas investors remain committed to the country and it's easy to see why. Vietnam has the third-largest population in South-East Asia (after Indonesia and the Philippines). Fifty-seven per cent of the population are under the age of 30, creating a culture of entrepreneurship, technological awareness and openness to new ideas. The labour force is plentiful and well educated, with literacy rates of over 90 per cent. Employment costs are lower than in neighbouring countries and living standards are rising. Vietnam is politically stable, with a large market for capital goods and a growing domestic market for consumer goods. Hanoi, Vietnam's capital city, has a registered population of around 6.5 million (est. 2009), with the main economic hub, Ho Chi Minh City, having 7.2 million inhabitants (est. 2009).

Middle-income economy: Since the country began its transition from central state control to market-orientated economy in 1986, Vietnam has experienced sustained economic growth and is now classed as a middle-income country. GDP per capita increased from US\$190 in 1993 to over US\$1,200 in 2009. Obtaining full membership of the World Trade Organization on 1 January 2007 has had a positive impact in Vietnam on foreign direct investment (FDI), manufactured exports and property. These benefits are expected to continue as the country opens up more sectors to FDI and competition.

²Source: UKTI Economics Intelligence Unit Survey, July – August 2010, *Survive & Prosper - emerging markets in the global recession (2009), Tomorrow's Markets (2008)*

Strong bilateral trade

Bilateral trade between Vietnam and the UK has grown strongly in recent years. For the period January to October 2010, UK exports of goods to Vietnam amounted to £235.9 million, an increase of 38 per cent year-on-year, while imports of goods from Vietnam totalled £1.02 billion, up 13 per cent year-on-year.

The UK is the third-largest EU investor in Vietnam. Leading multinationals such as BP, Shell, HSBC, Prudential and Standard Chartered Bank have a significant presence in the country: HSBC has a US\$350 million stake in insurance company Bao Viet – the UK’s largest single investment in Vietnam; Prudential is the largest single overseas employer of Vietnamese nationals, with around 2,000 employees and over 40,000 agents. Clarks manufactures in Vietnam 55 per cent of all footwear sold in the UK.

| UK exports of goods to Vietnam (£ million) | UK exports of services to Vietnam (£ million) | UK import of goods from Vietnam (£ million) | Vietnam exports of services to UK (£ million) |
|---|--|---|--|
| Jan-Oct 2010: 235.9 2009: 209.7 2008: 167.6 2007: 133.7 2006: 95.7 2005: 81.7 2004: 105.2 2003: 100.6 2002: 80 | 2006: 38 2005: 32 | Jan-Oct 2010: 1.02bn 2009: 1059 2008: 1026 2007: 860 2006: 809.5 2005: 721 2004: 714.5 2003: 606.8 2002: 487.9 | 2008: 84 2007: 38 2006: 42 2005: 49 |

Source: BIS analysis of HM Revenue & Customs data

INTRODUCTION

WHY VIETNAM? (CONTINUED)

The UK's top five exports to Vietnam are:

1. Power-generating machinery and equipment
2. General industrial machinery and equipment
3. Medical and pharmaceutical products
4. Professional and scientific instruments
5. Miscellaneous manufacturing articles

The UK's top imports from Vietnam are:

1. Footwear
2. Clothing accessories
3. Furniture, bedding and mattresses
4. Miscellaneous manufactured goods
5. Coffee, tea and cocoa



The Joint Economic Trade Committee

The UK is committed to strengthening and promoting its trade links with Vietnam. Consequently, a Joint Economic and Trade Committee (JETCO) has been established to address ongoing market issues and overcome trade barriers between the two countries. Vietnam JETCO is one of only five economic trade committees worldwide. The inaugural meeting of JETCO took place in September 2007. The Committee met in November 2010 and its achievements to date include successfully lobbying on the issue of local incorporation banking licences for HSBC and Standard Chartered Bank, and agreeing more favourable taxation levels for Scotch whisky.

Strategic Partnership

In 2010 a Strategic Partnership agreement was signed between Vietnam and the UK to elevate the bilateral relationship to the highest level. The Strategic Partnership commits both countries to intensify co-operation in seven areas – and trade and investment feature prominently. Both sides recognise that a commitment to free trade and open markets plays an increasingly important part in ensuring continued global development and further intensification of the UK/Vietnam relationship for mutual benefit.

Vietnam Trade Promotion Agency

On 19 January 2009 the Vietnam Trade Promotion Agency (Viettrade) and UKTI signed a co-operation agreement on trade promotion between the two countries. Its aim is to enhance trade and investment relations, to encourage and support effective business between the two countries and to facilitate markets for products from both sides.

Opportunities in Vietnam

UKTI has designated Vietnam as a High Growth Market. There are significant opportunities in oil and gas, retail, ports and logistics, education and training, financial services, power and ICT.

Oil and gas

Vietnam ranks third in South-East Asia (after Malaysia and Indonesia) and thirty-first in the world for crude oil and gas production. Vietnam has 16 overseas oil and gas projects, six in Asia, four in Africa and others in America. To date, state-owned Petrovietnam has signed more than 76 petroleum contracts, with more than 50 international oil and gas companies. Most of the crude oil produced has been for export.

Retail

There are around 20 million people in Vietnam with a purchasing power equivalent to the average Australian citizen.

Consequently, the retail sector in Vietnam is expanding rapidly. It increased by 31 per cent in 2008 alone and it is forecast to grow to US\$85 billion by 2012. The growing number of urban middle-class consumers will drive up domestic demand and support economic prosperity.

Ports and logistics

Economic expansion is placing the country's infrastructure under severe pressure, and this is creating opportunities for UK companies in power, transport and telecoms. Among the many new infrastructure projects under development in Vietnam are: a new airport and underground system for Ho Chi Minh City, a high-speed rail link between Hanoi and Ho Chi Minh City and the development of a deep-sea port in Vung Tau, in southern Vietnam.

Public-private partnerships

As Vietnam approaches middle-income status, donor aid will cease and public-private partnerships (PPP) will be an important way for the country to fund vital infrastructure development. A legal framework and PPP model have been developed and the first PPP project will be a toll highway near Ho Chi Minh City. The City of London has world-leading experience of PPP and UK companies will be important strategic partners going forward.

INTRODUCTION

WHY VIETNAM? (CONTINUED)

Education and training

The education and training sector received approximately 20 per cent (over US\$5.2 billion) of all state budget expenditure in Vietnam and accounted for 5.5 per cent of GDP in 2009. There are attractive opportunities for UK companies in language training, project consultancy and equipment supplies. Vietnam is also an ideal location for UK universities and campuses wishing to site international campuses or attract overseas students.

Financial services

The financial services sector has a multi-million pound market value and, since Vietnam's accession to the WTO in 2007, there are many lucrative opportunities for foreign firms. For example, fewer than 20 per cent of the 87 million population of Vietnam have a bank account. UK multinationals such as HSBC, Standard Chartered Bank and Prudential already have a strong presence in the country and more are expected to follow.

Power

Vietnam's rapid development has been accompanied by a steadily growing demand for energy, both for private consumption and industrial development. This strong demand has made the supply of power unstable in most parts of the country. However, Vietnam is endowed with considerable energy resources, including all primary energy types (coal, oil and gas, hydropower, and uranium). In addition, the country has some potential for renewable energy resources in the form of biomass, wind and solar. This is creating many business opportunities for UK energy companies.

ICT

By the end of August 2010 the number of telephone subscribers (both mobile and landline) in Vietnam reached 158.8 million, up by 44.4 per cent year-on-year. Mobile phone subscribers account for 142.4 million of all subscriptions, up by 50.2 per cent, and there are 16.4 million landline phone subscribers, up by 8 per cent year-on-year. The number of internet users is growing by 18.3 per cent year-on-year, and currently stands at 25.8 million. There are 3.4 million people subscribing to broadband, an increase of 27.1 per cent year-on-year.



MARKET STRENGTHS

These are the essential facts for UK companies doing business with Vietnam:

- Vietnam is a strategic location from which to penetrate China, South-East Asia and beyond.
- The country has achieved annual GDP growth of around 5-6 per cent in recent years, despite the global economic downturn. GDP growth is second only to China.
- Vietnam has a young, well-educated and relatively cheap workforce compared with neighbouring countries.
- It is a politically stable and safe environment.
- The UK is currently one of the largest EU investors in Vietnam.
- UK/Vietnam bilateral trade is worth around US\$ 1.9 billion.
- There is considerable scope for infrastructure development, particularly in PPP projects, and the Vietnamese Government has made this a priority investment area.
- The transition from central state control to market-orientated economy creates numerous opportunities for overseas businesses. Vietnam joined the World Trade Organization in 2007 and is in the process of integrating itself into the global economic system.
- Vietnam is now ahead of China (79) and Italy (80) in the World Bank's Ease of Doing Business Index in 2011. It rose ten places in the latest Index to 78 (out of 183 economies).



INTRODUCTION

ABOUT THIS BUSINESS GUIDE

Much of the information presented in this booklet has been contributed by experts at UK Trade & Investment, British Diplomatic Posts and the British Chambers of Commerce.

The Vietnam Business Guide, which can also be downloaded from www.ukti.gov.uk/export/vietnam, is intended to provide general business advice. It should not be used as a substitute for market research, due diligence or legal and professional services.

About UK Trade & Investment

UK Trade & Investment (UKTI) is the Government Department that can help you achieve your international business potential. It combines the national resources of the Department for Business, Innovation and Skills (BIS) and the Foreign and Commonwealth Office's (FCO) global network of Trade Development Staff, to help you successfully win business overseas.

UKTI treats every business as an individual – that's why it provides a tailored service with specialist support covering a wide range of industries.

Our capacity-building services can make a real difference to your business at a very reasonable price. To use our services your firm may need to meet certain eligibility criteria. Your International Trade Adviser (or equivalent person in Scotland, Wales and Northern Ireland) will be able to explain in more depth what these criteria are and advise you on costs.

For more information visit www.ukti.gov.uk

RESEARCHING THE MARKET

WHERE TO BEGIN

Doing business with Vietnam may seem rather daunting for those new to the market, but taking a strategic approach is the key.

Companies should conduct reliable research before venturing into business in any new territory and Vietnam is no exception. Good research saves money and improves efficiency and performance right from the start.

Desk research

General introductory business information about Vietnam is readily available and companies can obtain a reasonable amount of preliminary insights through desk research.

Economic research and sector analysis can be obtained from a large number of leading consultancies, research agencies and public sector trade promotion organisations.

Furthermore, the increasing use of e-commerce and B2B websites in Vietnam has made it possible to identify, and gain access to, potential partners across the globe. A good place to start is the UKTI website, www.ukti.gov.uk, which provides detailed country and sector information. Registration is free and offers additional benefits, such as access to business opportunity alerts and information updates.

You should not rely solely on desk research. Websites and online materials can be out of date and the quality and reliability of content varies widely. Sometimes, you may simply be unable to find the information you're looking for. This is why it is essential to verify initial research findings and conduct further investigations.

Often, you will need to map out a bespoke research brief with the help of specialists, exploring what additional information you might need to make an effective entry into the market and how you can make the contacts vital to success.

UKTI offers a range of support services to UK businesses interested in researching the Vietnam market.

Speaking to an expert

UKTI provides support for UK companies through a network of international trade teams (ITTs) based in the English regions. UKTI services are also available to companies in Scotland, Wales and Northern Ireland.

To arrange a consultation with your local International Trade Adviser (ITA), call +44 (0)20 7215 8000 or use the database at www.ukti.gov.uk.

Questions to ask yourself before you begin:

- What are our business's unique selling points? Is there likely to be a market in Vietnam for our product or service?
- Are there any legal barriers to our business model?
- Whereabouts in Vietnam should we start?
- Do we have sufficient resources (management time, project finance and expenses) to fund our Vietnam project?
- Who will be leading the project within our company?
- Do we need to work with a partner in Vietnam to succeed? If so, can we communicate effectively with them?
- Have we evaluated business risks (such as protecting our IP) and conducted research and due diligence?
- Do we know how to secure payments and get the right quality products?

It is unlikely that you will have the answers to all these questions at the outset and this "knowledge gap" should form the basis of further research and investigation.

RESEARCHING THE MARKET

WHERE TO BEGIN (CONTINUED)

Overseas Market Introduction Service

The Overseas Market Introduction Service (OMIS) is a UKTI service available to companies interested in finding out more about an overseas market. It can assist you by undertaking tailored research using UKTI's extensive network of dedicated researchers across Vietnam.

An OMIS can provide:

- **Market research and analysis**
 - Sector reports
 - Market initiatives
 - Regulatory environment
 - Market opportunities
- **Identification of local contacts**
 - Agents
 - Distributors
 - Suppliers
 - Potential partners
- **In-market activities**
 - Meeting arrangements
 - Event organisation, such as workshops, seminars, promotional activities and product launches.

For more information about how OMIS could help you in Vietnam, please contact your International Trade Adviser.

Events and seminars

UKTI organises business events, seminars and workshops in the UK and Vietnam, covering a wide range of business interests and issues. Not only do these events inform companies about business opportunities and offer the latest market information, they also provide a valuable platform for networking and sharing experiences with like-minded peers, not to mention regular access to visiting Vietnamese delegations.

Sign up to a forthcoming event by visiting www.ukti.gov.uk

Market visits and trade missions

Visiting Vietnam is an invaluable part of the process of market entry. You will experience the marketplace first-hand, and make the contacts necessary to do business. This is essential, but it will be much more effective with careful planning.

UKTI organises regular trade missions to Vietnam where you can benefit from group activities, in addition to your own programme.

UKTI's OMIS service can be used to support visits, providing bespoke meeting arrangements with appropriate potential partners, agents and distributors, or with relevant government officials.

RESEARCHING THE MARKET

HOW WE CAN HELP YOU

UKTI provides a wide range of trade development services designed to help UK companies succeed in a global marketplace. Some of these services are provided at zero or heavily subsidised cost. All are delivered by experts with extensive experience of overseas trade and detailed knowledge of the global marketplace. If you are considering doing business in Vietnam, talk to UKTI about how it can help you to achieve your goals.

Overseas Market Introduction Service (OMIS) is a chargeable UKTI-led, tailored service to access market and industry information, identify potential contacts or assist in planning an event.

Passport to Export provides new and inexperienced exporters with the training, planning advice and ongoing support they need to succeed overseas.

Gateway to Global Growth – Where Next? is a free service for experienced exporters. It offers a strategic review, planning advice and support to help companies build on their previous success and develop new overseas markets.

Events and seminars are held across the UK and Vietnam. They include specific sector-based activities.

Trade missions are organised to help UK companies visit the marketplace they're interested in and talk face to face with prospective business partners. UKTI also organises missions in the UK to allow overseas delegates to meet with potential partners or investors.

Business opportunities can be emailed directly into your in-box, highlighting hot leads in your chosen overseas market. Companies can sign up for this free service by visiting www.ukti.gov.uk.

Fiscal Stimulus Initiative. UKTI can help UK companies of all sizes to identify the opportunities created by fiscal stimulus packages and major spending programmes around the world.

Export Communication Review assesses the way companies communicate with overseas customers and makes practical recommendations for improvement. The service is managed for UKTI by the British Chambers of Commerce.

Export Marketing Research Scheme offers support, advice and grant funding to eligible companies wishing to research a potential export market. The service is managed for UKTI by the British Chambers of Commerce.

RESEARCHING THE MARKET

HOW UKTI CAN HELP YOU (CONTINUED)

FCO Country Updates provide authoritative analyses of emerging markets and identify key issues relevant to UK businesses. The updates are compiled by UK embassies with access to high level government and business contacts. www.ukti.gov.uk

For more information on any of these services please contact your local UK International Trade Team.

Further useful links:
British Diplomatic Posts in Vietnam
www.ukinvietnam.fco.gov.uk/en
British Business Group Vietnam
www.bbgv.org





MARKET ENTRY



MARKET ENTRY

CHOOSING THE RIGHT LOCATION

Geography

Shaped like an elongated S, Vietnam borders China, Laos and Cambodia. The country comprises three distinct regions (north, central and south), each with different and unique characteristics:

- North: home to the capital, Hanoi. The north is known for its alpine peaks, the Red River Delta and enchanting Ha Long Bay. It has a diversity of ethno-linguistic minorities
- Central: includes the Central Highlands and the provinces of Dak Lak, Dak Nong, Gia Lai, Kon Tum and Lam Dong. Da Nang is the commercial centre of this part of Vietnam. The region has a large population of ethnic minorities.
- South: divided into coastal lowlands, the mountainous Central highlands (Cao nguyen Trung phan), and the Mekong River Delta. The nation's commercial hub, Ho Chi Minh City, is located here, as well as the growing delta city of Can Tho and the major port of Vung Tau.

Climate

North Vietnam has two basic seasons – a cold and humid winter from November to April and a warm, wet summer for the remainder of the year. Central Vietnam's northern provinces share a similar climate to the north, with temperatures ranging from 22-30°C. Its southern provinces share the tropical climate of South Vietnam, which is generally warm. The hottest months are from March to May, with temperatures of 38-40°C.

Centres of business

Ho Chi Minh City – formerly known as Saigon, Ho Chi Minh City (often abbreviated to HCMC) is the largest city in Vietnam (covering an area of 2,056.5 square km). It is situated in the south of the country, on the banks of the Saigon River. Ho Chi Minh City is the most important economic centre of Vietnam and home to the country's first stock exchange. The city's metropolitan area has a population of around nine million people. Business sectors include: mining, seafood processing, agriculture, construction, tourism, finance, high-tech, electronic, processing, agro-products and crude oil. There are 15 industrial parks and export-processing zones, in addition to the Quang Trung Software Park and the Saigon Hi-Tech Park. Intel invested around one billion dollars in a factory in the city.

MARKET ENTRY

CHOOSING THE RIGHT LOCATION (CONTINUED)

Hanoi – on the right bank of the Red River to the north of the country, the capital city Hanoi has an estimated population of 6.5 million (2009) and is the second largest city in Vietnam. October 2010 marked 1,000 years since the city was established. Tourism, finance and banking play an important role in Hanoi's economy. Its primary business districts are Hoan Kiem and surrounding areas, and the newly developed Trung Hoa Nhan Chinh in the south-west. Hanoi is largely unspoiled by modern architecture and is now going through a major industrialisation and modernisation process.

In addition to eight existing industrial parks, Hanoi is building five new large-scale industrial parks and 16 small- and medium-sized industrial clusters. The non-state economic sectors are expanding fast, with more than 48,000 businesses currently operating under the Enterprise Law.

Bac Ninh province – the smallest of all Vietnamese provinces, but with the highest population density, Bac Ninh is Vietnam's new industrial heartland, located in the Red River delta to the east of Hanoi. Canon chose the new Que Vo Industrial Complex in Bac Ninh as the location for its new laser printer plant in 2008, the biggest such facility in the world.

Da Nang – is a major port city on the south central coast of Vietnam. Strategically located on the route of the North-South Railway, it is an important transportation hub and the commercial and educational centre of Central Vietnam. There is a huge real-estate development along its famous coastal strip.

See the Contacts section of this guide for useful contacts in Hanoi and Ho Chi Minh City.



MARKET ENTRY

ESTABLISHING A PRESENCE

Direct sales into the Vietnamese market can be difficult and for most UK companies it is more effective to approach the market through local business partners (agents and distributors) who have the ability to distribute goods and provide locally-based technical support. Licensing and franchising are also increasingly popular options.

It is possible to set up a representative office, a branch office, a joint venture or a wholly foreign-owned enterprise in Vietnam. If you are planning to do business there consult a lawyer about the possible options and how you plan to conduct the business. UKTI can help you to identify local and international law and consultancy firms that will be able to help. It can also: provide validated lists of agents/potential partners, key market players and potential customers; approach contacts on your behalf to establish if they are interested in working with you; as well as arranging appointments and organising events.

Agents and distributors

An agent is a company's direct representative in a market and is paid commission, whereas a distributor buys products from the manufacturer and sells them on to customers. The difference between the cost of purchasing products and selling them on (the profit) forms the distributor's income.

Entering a market by working with an agent or distributor can have several advantages. It reduces time and costs, and companies benefit from the local knowledge and networks of the agent. However, there are some drawbacks, too. Employing a third party results in an additional cost to your products and you may lose some control and visibility over sales/marketing. It also has implications for intellectual property rights protection, increasing the risk of your product being copied or counterfeited.



Given these considerations, you need to select agents and distributors carefully. Your local UKTI office will advise you on how to commission a tailored report for your specific needs and can also provide a list of the best potential partners. A visit to Vietnam will enable you to meet some of these partners and appoint a local contact.

Suggested questions to ask agents/distributors are listed below. You should also conduct due diligence to verify this information.

- **Background**
 - Company size, history and ownership (private or state-owned)
 - Quality and quantity of the sales force
 - Customer feedback and trade/bank references
- **Distribution channels**
 - Regional coverage
 - Types of outlets covered and frequency of visits
 - Transportation and warehousing facilities

- **Are they right for you?**

- Does the agent/distributor have a genuine interest in representing your product?
- Can they benefit from actively promoting your interests (is it a win-win)?
- Do they also represent any competing companies/products?
- Can you communicate effectively with your counterpart?

Once a working relationship has been established, the agent/distributor needs to be managed actively. This may be achieved by the following:

- Visiting as regularly as is practicable at a senior management level. This shows interest in, and commitment to, the agent and the market. It will also provide you with an opportunity to learn about conditions in the market and see how your products are doing.
- Working closely with the agent to show them how they can profit from your products.
- Helping to prepare marketing and sales plans for the agent.
- Providing regular training for sales staff and after-sales training for technical staff in the UK.
- Linking performance to incentives and agreeing milestone targets.

There is additional guidance on working with Vietnamese partners in later sections of this Vietnam Business Guide.



MARKET ENTRY

ESTABLISHING A PRESENCE (CONTINUED)

Licensing and franchising

For information, contact UKTI in Vietnam.

Establishing a permanent presence

Having a permanent in-market presence can have several benefits, including:

- demonstrating commitment,
- cutting out the “middleman”, providing direct access to the end customer/supplier,
- giving direct control over corporate strategy and activities,
- enabling trading in the local currency and easing the conduct of business transactions, and
- fulfilling a legal requirement to have a permanent presence (relevant in certain business activities and sectors).

Potential legal structures

Companies that want a permanent presence in Vietnam have to set themselves up as an appropriate legal entity, depending on their intended business scope. They must also be compliant with Vietnamese legal and tax requirements. There are a number of legal structures that allow foreign-invested enterprises (FIEs)³ to do business in Vietnam, including representative offices, joint ventures (JVs), foreign-invested partnerships (FIPs), wholly foreign-owned enterprises (WFOEs) and foreign-invested commercial enterprises

(FICES). Each has its own advantages, restrictions and drawbacks, so it is essential to choose the option best suited to your business aims. See below for a detailed description of each legal structure.

Laws and guarantees

Since 1 July 2006 foreign and domestic investments in Vietnam have been regulated by the Law on Investment and the Law on Enterprises. This has created a more level playing field, as there is a single law covering both domestic and foreign investment, from both direct and indirect sources. The Vietnamese Government offers Investment Guarantees to safeguard investors. These guarantees ensure that capital and other legal assets will not be expropriated or confiscated by administrative authorities and that businesses with foreign-invested capital will not be nationalised. According to the Law on Investment, foreign investors are protected from adverse impacts relating to changes in government policy but are entitled to retain any benefits that arise as a result of such changes.

Challenges

Despite safeguards such as this, there are still difficulties facing UK investors in Vietnam. For example, the retail and distribution sectors were opened to foreign

³Setting up an FIE is a common method of creating an operation in Asian countries. An FIE can have a number of legal structures.

service providers in 2009, allowing for WFOEs to be established. Despite this, there are still many administrative obstacles, such as the requirement for foreign investors to satisfy an Economic Needs Test before they can set up additional sales outlets. The banking sector, too, presents significant challenges for foreign investors and only a limited number of licences have been issued to date. Please see under Vietnamese Culture Challenges section (page 67) for more details. The advice to any potential investors in Vietnam is to talk to UKTI for the latest information.

Professional advice

It is usually more difficult to alter a business structure once a legal entity has been incorporated or established, so it is essential to seek professional advice on your investment structure during the early stages of planning. UKTI can offer dedicated one-to-one consulting and incorporation services to assist UK companies establishing various kinds of permanent presence in Vietnam. Please contact us for more details.

Representative offices and branches

Representative offices are often the first step taken by foreign companies when establishing a permanent presence in Vietnam. They provide a vehicle through which the foreign investor can undertake activities such as market research, customer

liaison and support. Representative offices can organise business visits from company headquarters, which can make the process of obtaining business visas for visitors much easier. Public relations work and local administration are also permitted. However, a representative office cannot conduct sales activities; this can only be done by branches. Representative offices cannot sign contracts, receive income or issue invoices and tax receipts.

Any foreign business that has been in operation for more than a year is permitted to open a representative office in Vietnam. You can only establish a branch in Vietnam if the business has been in operation for at least five years. Licences for both representative offices and branches are valid for five years and can be extended upon expiry. Branches must follow the accounting regime set out in Vietnamese law, with a financial year running from 1 January to 31 December. Other year ends must be approved by the Ministry of Finance. Branches must report once a year to the Ministry of Trade on the operational and financial position of the business. Representative offices report annually to the Provincial Office of Service and Trade.

Joint ventures

A joint venture (JV) is an organisation jointly owned by one or several Vietnamese and foreign partners. A JV can be formed



by way of equity contribution, whereby ownership, risk and profit are shared based on each party's monetary contribution. Alternatively, a JV can be incorporated, with liabilities and profit distribution being decided by contractual agreement.

JVs can be beneficial in a number of ways. A good local partner may contribute market knowledge and strong marketing and distribution channels, and they may help reduce the costs and risk of market entry.

The challenge of establishing and running a successful JV is to find and nurture the right partnership. Partners may have to overcome issues such as mismatched expectations and differences in business culture and practices. The ability to maintain effective communication, and control where necessary, is also crucial. It is essential that you carry out corporate and financial due diligence before you sign up to any partnership. Companies should also plan an exit strategy. Like a marriage, it is better to have a prenuptial agreement than a messy divorce.

Foreign-invested partnerships (FIP)

On 1 March 2010, rules came into effect allowing foreign individuals or organisations to participate in partnership enterprises (foreign-invested partnerships), offering a further option to representative offices, joint ventures, WFOEs or FICEs.

FIPs allow for partnerships between two or more foreign parties (with all organisations or individuals being from outside Vietnam), or a combination of foreign and Vietnamese organisations or individuals. FIPs also allow for foreign partners to join an existing partnership set up wholly by Vietnamese partners (including the transfer of a partnership stake to a foreign entrant). Investment capital can be in a foreign currency or in VND (the currency of Vietnam). It is essential that the liabilities of all partners are carefully addressed before entering into the partnership.

MARKET ENTRY

ESTABLISHING A PRESENCE (CONTINUED)

Wholly foreign-owned enterprises (WFOE)

A wholly foreign-owned enterprise (WFOE) is a company incorporated in Vietnam that is 100 per cent owned by a foreign organisation/organisations.

Where permitted, WFOEs are a popular option for foreign companies, as they give the investor complete control over their business entity, as well as allowing them to enjoy the full profit from its operation. Generally, WFOEs also give greater protection to the investor's intellectual property rights, compared with a joint venture. A WFOE allows the foreign investor to issue invoices and receive revenues in VND. However, please see the section regarding exchange controls (page 56). For details of any restrictions relating to WFOEs contact UKTI in Vietnam.

Foreign-invested commercial enterprises (FICEs)

A foreign-invested commercial enterprise is a type of incorporated business entity. New and existing investors can apply to incorporate a FICE in Vietnam. For further information on FICEs, contact UKTI in Vietnam.

Incorporating in Vietnam

Foreign investors are entitled to hold up to 40 per cent of the charter capital of a listed company, with the exception of banks. The holding of fixed income securities is not subject to any restrictions.

Prior to Vietnam becoming a member of the WTO, foreign shareholders were only entitled to hold 30 per cent of foreign equity in Vietnamese companies. This was removed in 2007, with the exception of credit institutions.

For information about incorporating in Vietnam contact UKTI Vietnam.



GETTING STARTED

FINDING A CUSTOMER OR PARTNER

Once you have identified the best market-entry option for your company in Vietnam, the next step is to find potential customers or partners.

The following are tried and trusted methods of finding potential customers, agents, distributors and partners:

- **Overseas Market Introduction Service**
UKTI's Overseas Market Introduction Service (OMIS) can tailor-make a list of potential customers, agents, distributors or partners and arrange a programme of meetings with them when you visit Vietnam. OMIS can also be used to arrange a seminar or product introduction event in Vietnam, which can be an effective way of getting your message across to a number of potential customers.

- **Trade shows and exhibitions**

Trade shows and exhibitions take place in Vietnam throughout the year and these can be an excellent way to meet potential customers face to face. Arranging appointments in advance with pre-identified contacts is essential if you want to make effective use of your time.

- **UKTI-supported trade missions**

UKTI supports a large number of trade missions to Vietnam, organised by trade associations and local chambers of commerce. They provide an excellent opportunity for businesses to visit Vietnam to find out how business is done and generate valuable sales leads.

GETTING STARTED

DUE DILIGENCE

Many of the problems that foreign companies encounter when doing business in Vietnam could have been avoided by carrying out some due diligence at the outset.

There are different levels of due diligence, appropriate for different situations. If your sole interest is in exporting, the best proof of a Vietnamese company's ability to pay is a letter of credit from the bank. If a company can produce this, you do not need to check its financial standing as the bank will have already done this.

A very simple piece of due diligence is to obtain a copy of a company's business licence. This will tell you the following:

- The legal representative of the company
- The name and address of the company
- The amount of registered capital, which is also its limited liability
- The type of company
- The business scope
- The date the company was established and the period covered by the licence

You should check that the information contained in the business licence matches what you already know and, if it doesn't, then find out why. If you want to verify the information externally, seek the advice of lawyers, advisory firms or consultants who can carry out due diligence on your behalf. You will have more security if you know

who the legally responsible person is, so find out who you are dealing with.

The shareholders of the company are responsible for that amount of liability as registered capital on the business licence. You can check whether or not the registered capital has been paid up by using a firm of accountants to get a Capital Verification Report.

If you want to establish a business relationship that goes beyond exporting, you will need to carry out further research. It is not enough simply to obtain a copy of a company's accounts, as they may not be accurate. Accounts in Vietnam are unlikely to be audited to the standards routinely expected in the UK, and companies may have different sets of accounts for different audiences, so it is advisable to use such data in conjunction with information obtained from elsewhere.

Good-quality consultancy and assistance is available from firms resident in Vietnam and the UK. These companies can carry out operational, financial, legal and technical due diligence checks, typically by looking at the actual operation of the business, and building up a more accurate picture by carefully interviewing people who work in and with the firm. UKTI has lists of consultancies based in the UK and Vietnam that can provide due diligence checks on Vietnamese companies.

GETTING STARTED

EMPLOYING STAFF

Vietnam has a young, plentiful and well-educated labour pool. Education plays a central role in Vietnamese culture, accounting for around 20 per cent of all state budget expenditure and 5.5 per cent of GDP. In 2009 the available workforce was estimated to be 43.87 million. The median age in Vietnam is just 27.

Since its WTO accession Vietnam needs more skilled workers than ever. Average wage costs are still lower than those of neighbouring Thailand and China – an average Vietnamese factory worker earns just two-thirds of what workers in China bring home – but competition is likely to drive up remuneration packages over time.

Employing foreign workers

Employers are entitled to recruit foreigners for jobs that require specialist expertise that cannot be provided by Vietnamese workers. However, the employer must have a programme of training in place to enable a Vietnamese national to take over the job and replace the foreign worker at a point in the future. Foreigners must obtain a work permit from the local Labour Department. These can take a while to arrange, so you need to allow plenty of time. In certain cases, foreigners do not have to apply for a work permit, such as when they are providing short-term technical assistance, but other documentation may be required – so companies are advised to check.

Recruitment channels

Employers have the right to recruit labour directly or through employment service agencies. Companies must enter into labour contracts with employees, either for a definite or an indefinite term; however, definite term contracts can only be renewed three times before automatically becoming indefinite term.

There are several channels for recruiting staff in Vietnam, with web-based recruitment channels becoming increasingly popular, particularly for recruiting office staff:

- Job online services such as www.vietnamworks.com
- Classified adverts for jobs (in French) are available from local Vietnamese daily newspaper *Le Courier du Vietnam* and in Vietnamese from *Nhan Dan* (Communist Party daily) and *Quan Doi Nhan Dan* (Vietnam People's Army daily).
- Classified adverts for jobs in English are available from the *Vietnam Economic Times* and *Viet Nam News* (state-run English language daily).
- Trade journals for key industry sectors: talk to UKTI Vietnam for more information.
- Recruitment services companies: there are several experienced domestic and international recruitment services operating in Hanoi and Ho Chi Minh City.

GETTING STARTED

EMPLOYING STAFF (CONTINUED)

Recruitment process

When you are recruiting in Vietnam, make sure that you follow all the normal steps that you would if recruiting in the UK. Employers and employees may agree a probationary period not exceeding 60 days for work requiring specialist skills, or 30 days for all other work. You must pay a probationary employee at least 70 per cent of the normal wage for that job.

Ensure that candidates' technical and linguistic capabilities match their claims and that you hire staff at the right level for the role.

Carry out due diligence: this includes conducting personal background checks and checking all references before offering them the position.

Offer appropriate remuneration

You will need to provide sufficient remuneration to ensure that you recruit and retain the best employees. For example, currently the average wage for a mid-level manager in an office ranges from US\$800 to US\$1,200 per month in major cities like Ho Chi Minh City. However, wages are rising and you are advised to speak to UKTI in Vietnam for the most up-to-date figures.

The Vietnamese Prime Minister, Mr Nguyen Tan Dung, recently decreed a minimum salary increase for workers employed in foreign-invested enterprises (FIEs) across Vietnam. The decree raised minimum salaries for unskilled and manual labourers in FIEs across all three labour zones. Salaries have gone up from US\$45 to US\$55 monthly in urban Hanoi and Ho Chi Minh City, from US\$40 to US\$50 in suburbs of those cities and within many of Vietnam's major cities and ports, and from US\$35 to US\$45 in all other areas. Again, talk to UKTI representatives in Vietnam for advice on specific positions and locations.

Overseas training and career progression

Offering employees the opportunity to train overseas is also very attractive at all levels, although make sure that in return for providing such training employees make a commitment to stay with your company for a specified period of time. A clearly defined career progression route is an attractive

benefit that will help to recruit and retain staff. Vietnam does not have professional qualifications akin to UK National Vocational Qualifications, although some foreign firms offer international qualifications such as ACCA or CIMA.

A word of caution

A lot of smaller companies setting up an office in Vietnam may well just employ one person to deal with all aspects of running the company. Although this may be convenient and cost-effective, it might not be the best way to run your operation. If your employee is not familiar with the rules and regulations pertaining to running an international office or business in Vietnam, then you may soon have to deal with issues of non-compliance, which could prove very costly. Moreover, having one person in control of all financial and legal aspects of the business is obviously risky.

Social security

Employers must pay contributions of 16 per cent of gross income to the State Social Insurance Fund. Employees are required to contribute 6 per cent. In addition to this, both employers and employees must contribute to the State Health Insurance Fund. Employers contribute 3 per cent of gross income, while employees contribute 1.5 per cent. These contributions also apply to expatriate employees.

Working hours

Working hours in Vietnam are:

8am to 5pm Monday to Friday,
with an hour for lunch.

Banks are open from 7.30am or 8am
to 11.30am and from 1pm to 4pm.
Closed Saturday and Sunday.

Private shops are open from 8am or 8.30am
to 9pm or 10pm.

Public holidays

1 January New Year's Day,
(one-day holiday)

30 April Reunification Day,
(one-day holiday)

1 May Labour Day,
(one-day holiday)

2 September National Day of the Socialist
Republic of Vietnam,
(one-day holiday)

Vietnam Traditional Lunar New Year Festival – Tet Nguyen Dan: (four-day holiday). Tet usually falls at the end of January or middle of February, according to the lunar calendar. The holiday begins on the last day of the last lunar month and lasts through the first three days of the Lunar New Year (Tet Nguyen Dan). However, be aware that businesses and government departments tend to close for longer than the statutory four days.

Hung Kings' Anniversary – the tenth day of the third lunar month (in 2010 this was April 23)

GETTING STARTED EMPLOYING STAFF (CONTINUED)

Unemployment insurance

Employers, employees and the state are all required to contribute to an unemployment insurance fund an amount equivalent to 1 per cent of an employee's monthly salary.

Workers' compensation

Workers who are injured or contract a work-related illness are entitled to receive 100 per cent of their salary during their treatment. Employers are responsible for paying this and meeting their examination and treatment expenses. Once treatment is concluded, employees are entitled to a further allowance from the Social Insurance Fund.

Private healthcare

While basic healthcare is covered by the Social Insurance Fund in Vietnam, a growing number of foreign companies are providing private healthcare schemes for employees.

Trade unions

Employees in Vietnam are entitled to join trade unions. Foreign employers are required to contribute one per cent of their total salary expenses into a trade union fund.



GETTING STARTED

LANGUAGE

Vietnamese is the official language of Vietnam and, while English is widespread in international business, your hosts will appreciate it if you use their language whenever possible.

Interpreters may be required for business meetings, particularly outside Hanoi and other major cities and – for the avoidance

of doubt – all important negotiations should be carried out with an interpreter present. It is also advisable to have all written documents translated into Vietnamese, as your business counterparts in Vietnam will not necessarily indicate if they do not understand something. UKTI can help you find a translator or interpreter.

Some common phrases

| | |
|----------------------------|--|
| Hello! | Xin chao! (seen chow!) |
| Goodbye | Chao (chow!) |
| How are you? | Ban co khoe khong? (ban co kwe khome?) |
| I'm fine, thank you! | Cam on ban toi khoe (gahm un ban thoy kwe) |
| And you? | Ban thi sao? (ban ty sao?) |
| What's your name | Ban ten gi (ban thane zee) |
| My name is... | Toi ten la (thoy thane la...) |
| Thank you | Cam on (gahm un) |
| You're welcome | Khong co' gi (khom go zee) |
| Yes | Vang (vung) |
| No | Khong (khome) |
| Excuse me... | Xin loi (seen loy) |
| Can you help me? | Ban giup toi duoc khong? (ban zoop thoy duc khom?) |
| I'd like to eat | Toi muon an (thoy moowan un) |
| I'd like to drink | Toi muon uong (thoy moowan oowanh) |
| Good | Tot (thote) |
| Bad | Khong tot (khome thote) |
| What is this? | Cai nay la gi? (guy nai la zee?) |
| How much? | Bao nhieu? (bow nyew?) |
| Too expensive | Mac qua (mahk qwa) |
| Where is the nearest bank? | Ngan hang o dau? (nya bung uh doh?) |
| Hotel | Khach San (khack san) |

GETTING STARTED MARKETING

The Vietnamese market is changing rapidly and a new middle class is emerging, with money to spend. To reflect the fast-moving nature of the marketplace, your marketing strategy in Vietnam needs to be continually reassessed and refined.

Restrictions

Marketing to the Vietnamese market has some fundamental differences compared with the UK. The Ministry of Culture and Information controls the press and broadcasting. Journalists can be fined for violating the limits of permissible reporting, including spreading “harmful” information or “reactionary ideology”, so you need to be mindful of political sensibilities if you are undertaking public relations activities. There are restrictions on internet usage which can affect access to websites such as Facebook, and blogs can be regarded as potential “dissenting” activities. Using a local consultancy is the easiest way of ensuring that you don’t inadvertently cause offence.

Brand awareness

Brands are becoming increasingly important and brand awareness is rising. Foreign brands, in particular, are popular and widely recognised. Household products from Unilever have become highly successful in Vietnam, as have international brands such as Nestlé, Ford and Nokia and local brands such as Vinamilk. As with the Chinese market, there are certain cultural considerations to bear in mind when planning your marketing in Vietnam. Red is considered a lucky colour and is widely worn to mark the lunar new year. The colour white is associated with funerals. The most auspicious number is either seven or eight, depending who you speak to.

Local knowledge

Good local knowledge is important when it comes to planning an overseas marketing campaign and UKTI in Vietnam can provide an invaluable source of information and act as a sounding board for your ideas. It can also assist you if you wish to use the residence of the British Ambassador in Vietnam to announce the launch or presence of UK goods and services in the country.

The media

While the internet is the most widely used medium for reaching young consumers, TV remains the most popular way for accessing the broader population.

TV: State-run Vietnam Television (VTV) broadcasts from Hanoi. There is a growing pay-TV industry – the satellite channel K+ launched in early 2010. A number of foreign media firms exist in Vietnam that can advise on advertising and marketing.

News agency: The news agency for Vietnam is Vietnam News Agency.

Radio: State-run Voice of Vietnam (VoV) has six radio networks, with programmes in English, French and Russian.

Internet: According to Internet World Stats there were around 23 million internet users in Vietnam by the end of 2009. However, as with the press, there are strict controls governing the content of websites in Vietnam and they are filtered for obscene content and messages that oppose the State. Transgressors face fines and even imprisonment. When developing web content for the Vietnamese market, you are strongly advised to talk to UKTI that can put you in touch with local companies which are familiar with the strict rules governing acceptable content.





GETTING STARTED

DAY-TO-DAY COMMUNICATIONS

Once you have made contact with a Vietnamese company, it is likely that your day-to-day phone and email communication will be in English with one of the company's English-speaking members of staff.

If you do not think the standard of English in the Vietnamese company is up to scratch, you might wish to ask for parallel Vietnamese texts and get them translated; this could form a valuable investment.

If you are going to sign anything – as obvious as it sounds – make sure you get it translated first, and by an independent translator. Do not rely on your supplier's translation and do not be pressurised into signing anything that you do not fully understand. Most breakdowns in overseas business relations occur because of fractured communications and mutual misunderstandings.

If Vietnam is likely to become a significant part of your business you may wish to consider hiring a Vietnamese-speaking member of staff. You might also consider taking up the challenge of learning Vietnamese yourself. However, even if you do achieve a level of fluency, an interpreter or Vietnamese-speaking member of staff is still essential for business meetings.

GETTING STARTED

INTERPRETERS



While English is generally considered the language of business in Vietnam you may need to employ interpreters during formal meetings and negotiations to prevent any misunderstandings.

There are two forms of interpreting. Consecutive interpreting means you speak and then your interpreter speaks: this is the usual form for meetings, discussions and negotiations. Simultaneous interpreting involves the immediate translation of your words as you speak them. This requires special equipment and can be expensive. It is generally used only for large seminars and conferences. Interpreting is a skill requiring professional training. Just because someone is fluent in English and Vietnamese, it does not necessarily mean that they will make a good interpreter.

If you are giving a speech or presentation remember that the need to interpret everything will cut your speaking time approximately in half (unless using simultaneous interpreting). It is essential to make sure that the interpreter can cope with any technical or specialist terms in the presentation. If you are giving a speech give the interpreter the text well in advance and forewarn them of any changes.

To get the best out of your interpreter:

- Hire a well-briefed professional interpreter. Though this is likely to be expensive, it will be money well spent.
- Have your own interpreter available, even if your Vietnamese counterparts have one for their side. With your own interpreter you should also be able to get some post-meeting feedback concerning the nuances of what was said (and – just as importantly – not said).
- Try to involve your interpreter at every stage of your pre-meeting arrangements. The quality of interpretation will improve greatly if you provide adequate briefing on the subject matter. Ensure your interpreter understands what you are trying to achieve.
- Speak clearly and evenly, with regular breaks for interpretation. Don't ramble on for several paragraphs without pause. Your interpreter will find it hard to remember everything you have said, let alone interpret all your points. Conversely, don't speak in short phrases and unfinished sentences. Your interpreter may find it impossible to translate the meaning if you have left a sentence hanging.
- Avoid jargon, unless you know your interpreter is familiar with the terminology.
- Listen to how your interpreter interprets what you have just said. If you have given a lengthy explanation but the interpreter translates it into only a few Vietnamese words, it may be that they have not fully understood. Or they may be wary of passing on a message that is too blunt and will not be well received by the audience.
- Make sure that your message is getting through clearly and in a tone that will not cause resentment.

A list of translators and interpreters is available on request from British Diplomatic Posts in Vietnam www.ukinvietnam.fco.gov.uk/en

BUSINESS ISSUES AND CONSIDERATIONS

The Vietnamese market is a magnet for foreign direct investment and this will only increase as the country moves closer to market economy status. However, there are undoubtedly challenges in doing business

with Vietnam and significant cultural differences that you need to be aware of before committing time and resources to the marketplace.



BUSINESS ISSUES AND CONSIDERATIONS

BUSINESS ETIQUETTE

Meetings

Vietnamese business people prefer to meet prospective business partners face to face, so meetings are considered a very important part of the business process. The Vietnamese are less dependent on emails than their Western counterparts. It is not common for Vietnamese officials or businesspeople to commit to an appointment well in advance of time. High-ranking officials may commit to a meeting only one or two days beforehand, or even on the day itself.

You need to allow plenty of time for meetings as they inevitably run over. Spend time on introductions and small talk, especially on topics such as family and sport (for example, the English Premier League). This will help your Vietnamese counterpart to relax and increase their confidence in you. Loud voices or excessive hand gestures may be perceived as rude.

Attire

A shirt and tie is acceptable business wear for “everyday” meetings. You may wish to wear a jacket for more formal events. Women tend to wear formal business attire which covers the shoulders.

Hierarchy

Business organisations in Vietnam tend to be hierarchical. Decisions and ideas are generated at the top and, typically, the eldest person has the most influence in decision making. In Vietnamese culture it is very important to respect more senior

individuals, whether by education, job position or age. Consequently, in business meetings it is usually the eldest member of the group who enters the room first.

Titles

Status is important to Vietnamese people and they expect respect to be given to supervisors and work colleagues. Status is gained with age and education and titles are regarded as very important. Vietnamese names start with the surname followed by the middle name and lastly the first name. When referring to one another, Vietnamese people will use the appropriate title followed by the first name, not the surname.

Women in business

The Vietnamese business world is dominated by men. Though things are changing, the majority of Vietnamese women work as secretaries, assistants or other similar administrative roles. Men are accustomed to working with foreign women in more senior roles in a business context and will treat them equally.

Punctuality

Being late for meetings is regarded as impolite, so make sure you arrive at the stated time and, if you are running late, let your hosts know as soon as you can.

Business cards

While many people in Vietnam speak English, you should have your business cards printed in both English and Vietnamese. When offering

BUSINESS ISSUES AND CONSIDERATIONS

BUSINESS ETIQUETTE (CONTINUED)

your card for the first time, give it using both hands, with the Vietnamese side facing upwards.

Negotiations

Negotiations in Vietnam can be protracted as there is often a lot to go through. Don't be put off if there are long periods of silence during negotiations as Vietnamese people tend to wait a while before responding. Be aware, however, that if there is a disagreement your Vietnamese counterparts may remain silent in order to save face. You should immediately follow up in writing any agreement that may have been reached, to ensure there have not been any misunderstandings.

Handshakes

Initial introductions in Vietnamese business are formal. A handshake while maintaining direct eye contact is the normal greeting and should also be exchanged upon leaving. Handshakes usually take place only between members of the same sex. Occasionally, a slight bow will accompany the handshake.

Body language

Avoid standing with your hands on your hips or with your arms crossed or using your finger to point; instead use your whole hand.

Gift giving

Gift giving is a common practice in Vietnam. Gifts do not need to be expensive and should be a simple token of appreciation. Common gifts include fruit and flowers.

Formality

Business relationships in Vietnam are relatively formal and tend to take time to develop. You will need to spend time getting to know your Vietnamese counterparts before conducting business as they tend to be suspicious of those they don't know well.

Respect for your host

Avoid publicly criticising others as this would cause the loss of face for both parties. Vietnamese are status-conscious and appreciate the value of a good reputation. Accept any food or drink that is offered to you.

Cultural considerations

There are a number of key cultural differences between Vietnam and the UK that you should bear in mind when conducting business there. As a whole, Vietnam is a collectivist society, where the needs of the group are often placed over the individual. Family and community concerns will almost always come before business or individual needs.

The idea of saving face is another important concept in Vietnamese society. To prevent loss of face Vietnamese people will avoid confrontation or will tell others what they want to hear rather than tackling issues head on. People can lose face by criticising someone in public or not staying true to their promises, so it is important to act with integrity when doing business in Vietnam and not to criticise your competitors.

BUSINESS ISSUES AND CONSIDERATIONS

INTELLECTUAL PROPERTY RIGHTS (IPR)

IPR abuse remains a problem in Vietnam and can be a deterrent to UK companies doing business in the country. However, Vietnam is taking steps to address the problem by enacting legislation that protects intellectual property rights, including copyright, industrial property and plant varieties. The National Office of Industrial Property of Vietnam (NOIP) is the authority responsible for registering intellectual property. Foreign firms that wish to register their intellectual ownership need to file an application via an authorised agent who can transfer their application to NOIP.

For information about intellectual property rights talk to UKTI in Vietnam or contact NOIP.

National Office of
Industrial Property of Vietnam
384-386 Nguyen Trai Street
Thanh Xuan
Hanoi
Vietnam
Tel: + 84.4.8583069 Fax: + 84.4.8584002
Email: info@noipvietnam.com
Website: www.noipvietnam.com



BUSINESS ISSUES AND CONSIDERATIONS

THE VIETNAMESE LEGAL SYSTEM

Vietnam's legal system is evolving fast and legislation work has improved. Since early 2003 it has been compulsory for legal texts to be published in the *Official Gazette* before becoming effective. This is a great improvement on the previous system which saw most legal texts becoming effective 15 days after the date of signature – without all of them having been published. The change has contributed significantly to greater transparency in the Vietnamese legal system.

National Assembly

However, despite this improvement the Vietnamese legal system remains inadequate and unstable. One of the reasons for this is the function of the National Assembly. Its members, who meet during two 30-day sessions a year, are working people rather than professional and specialist legislators. Much of the assembly's time is dedicated to approving the country's economic and social development plans, financial and monetary policies and the national budget, and to questioning the Government's activities. This leaves little time for legal debate and approving laws. Vietnam is under pressure to adhere to its WTO commitments, which means the assembly's workload has increased tremendously in recent years, putting it under further pressure.

Laws relevant to foreign investors

The following legal documents are useful to refer to as they cover the primary legislation relating to foreign investors in Vietnam:

- Civil Code (2005)
- Labour Code (1994, amended in 2002 and 2006)
- Law on Enterprises (2005)
- Law on Investment (2005)
- Law on Intellectual Property (2005)
- Law on Land (2003, effective 1 July 2004)
- Law on Credit Institutions (1997, amended in 2004)
- Law on Bankruptcy (2004)
- Law on Accounting (2004)
- Law on Tax Administration (2006)
- Law on Value Added Tax (2005)
- Law on Personal Income Tax (2007, effective 1 January 2009)
- Law on Corporate Income Tax (2008, effective 1 January 2009)
- Law on Social Insurance (2006)

Land ownership

According to Socialist doctrine, land in Vietnam belongs to the people and is administered by the State. This means that businesses and individuals cannot own land but, instead, they are granted Land Use Rights by the State.

Talk to UKTI in Vietnam for more information about the Vietnamese legal process.

BUSINESS ISSUES AND CONSIDERATIONS

PROCUREMENT

For specialist advice on procurement in Vietnam, including details of how procurement works and where tenders are advertised, contact UKTI in Vietnam that can provide up-to-date information and expert guidance. UKTI in Vietnam publishes on the UKTI website (under “e-Business opportunities”) details of tenders received directly from state enterprises or government organisations.

Code of ethics

In 2009 the Government of Vietnam and international donors agreed on the need to increase efficiency and transparency in Vietnam’s public procurement system. A new code of ethics was devised, built on existing Vietnamese laws and regulations, providing clear guidelines on appropriate ethical behaviour. The code, which has now been implemented, provides guidance to public procurement professionals and assurance to the private sector and general public. Provisions are in place for reporting any behaviour violating the code of ethics.

Decision making

Hanoi, the capital of Vietnam, is where the ultimate decision may be made on your business proposal (this is especially true for large projects or those involved in aid-funded work). Central Government decisions are made by consensus, but the Party has the final word. Ho Chi Minh City is the commercial hub where many businesses have their largest presence in Vietnam.

People’s Committees

Individual People’s Committees exist in each of the 64 Provinces in Vietnam. Although, ultimately, controlled by central Government, People’s Committees are important decision-makers and have strong powers to influence the success of your business. You need to spend time building good relationships with the People’s Committees. Identifying the right officials at the right level will cut down on time and resources in the long run. UKTI in Vietnam is on hand to help you make all the right connections.

Bureaucracy

The bureaucracy in Vietnam can sometimes seem frustrating, pedantic and even obstructive to overseas companies. Patience and perseverance are the key. Things do not work at the same pace as in the West. Avoid getting frustrated and do not engage in corrupt practices.

BUSINESS ISSUES AND CONSIDERATIONS

REGULATIONS AND STANDARDS

Information on regulations and standards for goods imported to Vietnam is published by the Directorate for Standards, Metrology and Quality (STAMEQ), which is a member of the International Organization for Standardization.

In 2006 the National Assembly of Vietnam agreed the Law on Standards and Technical Regulations and, in 2007, the Law on Product and Goods Quality to promote the development of standardisation, metrology and quality-control activities, in keeping with the Vietnamese Government's Renovation Policy. A draft Law on Metrology is being prepared.

For more information contact:
Directorate for Standards,
Metrology and Quality
8, Hoang Quoc Viet Road
VN-Hanoi
Tel: +84 4 3791 16 30
Fax: +84 4 3791 15 95
E-mail: htqt@tcvn.gov.vn
Web: www.tcvn.gov.vn

UKTI in Vietnam can also offer assistance and information on export regulations and standards.

Investment rules and incentives

The Government of Vietnam encourages investments by providing various incentives to investors. These incentives relate to:

Tax – Investors are entitled to investment incentives in corporate income tax and import duty payments.

Land – Investors are exempt from, or entitled to a reduction in, land use tax, land use fee, land rent, and water surface rent.

Technology transfer – The Government aims to encourage the transfer of technologies into Vietnam and has policies to support SMEs and co-operatives to invest in research, development and technology transfer.



Training – Training organisations are entitled to certain tax exemptions and reductions, and training expenses are regarded as reasonable expenses for the purpose of determining taxable corporate income.

Developing investment and investment services – The Vietnamese Government gives priority support to organisations and individuals involved in:

- investment consultancy and management consultancy,
- intellectual property consultancy and technology transfer consultancy,
- vocational training, technical and management skills training,
- providing market information, technical scientific information, information on technology and other economic and social information required by investors,
- marketing, trade and investment promotion,
- establishing social organisations, and
- establishing design centres and testing centres to support the development of SMEs.

Infrastructure construction – There are incentive policies for all sectors to invest in the construction of technical and social infrastructure facilities outside industrial zones, export processing zones and high-tech zones. Within these zones, provincial People's Committees provide support to investors.

Developing infrastructure systems in economic zones and high-tech zones – The Government provides support for the development of technical and social infrastructure systems, compensation for site clearance within resettlement areas and investment in wastewater treatment and concentrated waste treatment facilities.

For more information visit:
www.business.gov.vn

Customs

Vietnam's shift from a centrally based economy to a market economy has heralded significant reforms in the country's tax system. Membership of ASEAN in 1995 and the WTO in 2007 helped to steer Vietnam towards alignment with international rules and practices. In 2007 implementation of the Law on Tax Administration helped to clarify areas that had been open to interpretation in the past. The National Assembly also passed a Law on Personal Income Tax, covering the taxation of individual income. In 2008 this was followed by reforms to laws on Corporate Income Tax, Value Added Tax and Special Sales Tax.

The tax system in Vietnam currently consists of the following main taxes:
Corporate Income Tax (CIT)
Import – Export Duties
Value Added Tax (VAT)
Special Sales Tax (excise tax or SCT)
Personal Income Tax (PIT)

BUSINESS ISSUES AND CONSIDERATIONS

REGULATIONS AND STANDARDS (CONTINUED)

Corporate Income Tax (CIT)

The standard CIT rate is 25 per cent, except for businesses involved in prospecting, exploration and mining, which pay between 32 per cent and 50 per cent. Preferential CIT rates of 10 per cent and 20 per cent are available for enterprises investing in geographical areas with socio-economic difficulties, economic zones or hi-tech parks or in priority investment sectors. All organisations conducting business and earning taxable income are subject to CIT, including foreign enterprises.

Export duties

Almost all goods and services being exported from Vietnam are exempt from tax, with the exception of minerals, forest products and scrap metal.

Import duties

Generally, all goods crossing Vietnamese borders are subject to import duties, with the exception of humanitarian aid goods and goods imported into non-tariff zones. There are three import duty rates: (i) standard rate, (ii) preferential rate and (iii) special preferential rate, depending on the origin of the goods. Machinery, equipment, materials and supplies needed for production, especially those items that are not produced domestically, enjoy lower rates of import duties, or even a zero per cent tax rate.

Import tax rates include preferential tax rates which apply to goods originating from countries or territories that grant “most-favoured nation” (MFN) treatment in trade relations with Vietnam. The UK has MFN status. Preferential tax rates are individually agreed by the Minister of Finance. Goods from countries that do not grant MFN status to Vietnam are subject to ordinary tax rates (equal to 150 per cent of the preferential tax rate). Vietnam also imposes anti-dumping tax, anti-subsidy tax and anti-discrimination tax or safeguard tax, in accordance with existing rules.

Value added tax (VAT)

VAT applies to goods and services circulated and consumed in Vietnam, with rates of zero per cent, 5 per cent and 10 per cent. With respect to imported goods, VAT is calculated by adding the import price together with the import duty and excise tax (if applicable). Certain goods and services are exempt from VAT, including financial services, medical health services, education and vocational training publications. Double Tax Agreements are in place between Vietnam and 50 other countries, including the UK. Relevant parties must comply with the documentation requirements in order to benefit from the tax treaty terms and conditions.

Special sales tax (excise tax)

Excise tax, ranging from 10 per cent to 70 per cent, is levied on the following products and services in Vietnam: cigarettes and cigars; spirits; beers; automobiles of less than 24 seats; assorted types of petrol, naphtha, reformat components and other components to be mixed in petrol; air conditioners with a capacity of 90,000 BTU or less; playing cards; votive paper; and some special services, including dancing halls, massage lounges, karaoke venues, casinos, jackpots betting entertainment, golf and lotteries.

The amount of special sales tax (SST) payable is equal to the taxable price multiplied by the SST rate (10-70 per cent). Goods and services subject to excise tax are also subject to VAT at 10 per cent. Excise tax on imports is calculated on the basis of the price of taxable imports plus import duties plus VAT.

Personal income tax

New laws on personal income tax (PIT) in Vietnam came into force on 1 January 2009. Anyone resident in Vietnam is subject to PIT and residency is classed as: being present in Vietnam for 183 days or more over a 12-month period from the first date of arrival, or having a regular residential location in Vietnam. The rate of income tax varies from 5 per cent to 35 per cent.

For more information on tax in Vietnam refer to the Grant Thornton website at <http://www.gt.com.vn>.

Import controls

A number of goods entering Vietnam are subject to import controls. Please contact UKTI in Vietnam for more information.

Customs documentation

Please contact UKTI in Vietnam for more information.

Labelling and packaging

Please contact UKTI in Vietnam for more information.

Standards and technical regulation

Please contact UKTI in Vietnam for more information.

GETTING YOUR GOODS TO VIETNAM

Getting your goods to Vietnam

Vietnam's infrastructure has not kept pace with the country's development and this can present some challenges to overseas investors.

Freight forwarding: Sea and air freight services to Vietnam are provided by a range of companies, including GBS Freight Services (www.gbsfreight.co.uk) and Dynamic International (www.dynamic-freight-shipping.co.uk). Freight forwarding companies like these can provide advice on the best way to ship goods to Vietnam.

Sea freight: It takes approximately six to eight weeks to ship goods from the UK to Vietnam by sea. Vietnam has a total of 114 seaports, 14 of which are relatively large and identified as important to economic development. The three largest ports in the country are Saigon (south), Hai Phong (north), and Da Nang (central). However, major seaports in neighbouring countries have the capacity to handle significantly larger vessels and provide more storage capacity than Vietnam's ports, placing the country at a disadvantage despite its cheaper labour costs. A programme of redevelopment is under way, including relocating Saigon Port to Cat Lai and Hiep Phuoc. A deep-sea port is also under development in Vung Tau, southern Vietnam. Once completed, these new seaports should make sea freight to Vietnam easier and more cost-effective for overseas companies.

Getting your goods from Vietnam

Air freight: Tan Son Nhat International Airport is Vietnam's largest international airport. Serving Ho Chi Minh City and Dong Nam Bo in southern Vietnam, it handles 15-17 million passengers a year and 444,223 tonnes of air freight. There are also international airports at Noi Bai near Hanoi and Da Nang in central Vietnam.

A new airport, Long Thanh International Airport is being built in Long Thanh county, Dong Nai province, about 50km north-east of Ho Chi Minh City. Stage one, due for completion in 2011, includes a terminal with the capacity to handle 20 million passengers per year. The second stage, scheduled for completion in 2015, will create a cargo terminal designed to receive five million metric tonnes of cargo per year. Long Thanh International Airport is expected to become the leading airport on the Indochinese peninsula, and one of the busiest air transportation hubs in the South-East Asian region.

Courier: There are many companies providing courier services to Vietnam. UKTI in Vietnam can give you further details.

Postal parcel/express mail service: The Vietnamese postal service provider is VNPT, www.vnpt.com.vn

VISA
All it takes.

Green sign with Thai text and a crown icon.

Tailor's



BUSINESS ISSUES AND CONSIDERATIONS

GETTING PAID AND FINANCIAL ISSUES

Payment of exports to Vietnam

A common method of payment for import of goods is by letter of credit. Sometimes arrangements can be made between the beneficiary overseas and their banks (“silent confirmations”) at a cost. As a note of caution, Vietnamese banks do not always accept that a letter of credit constitutes an irrevocable commitment on their part. Exporters should, therefore, seek a letter of credit opened by a foreign bank with a branch in Vietnam.

Exchange controls

The State Bank of Vietnam (SBV) imposes strict controls on foreign exchange transactions. State-owned enterprises and Vietnamese private companies are permitted to buy foreign currency from commercial banks, but foreign-invested enterprises are required to obtain convertibility rights from SBV.

Convertibility rights are generally given to companies operating in specific import substitutes and other “important” industries and are normally included in the investment licence. Please be aware that having a convertibility right does not guarantee availability.

Remittance of foreign currency out of Vietnam is only allowed under the following circumstances:

- Payment for goods and services, subject to the importer having an import licence, as well as other supporting import documents (ie purchase contract, invoice, customs declaration form, etc).
- Remittance of dividends, subject to clearance from Vietnamese tax authorities.
- Repayment of foreign currency loans.

In summary, companies are advised to obtain import licences and convertibility rights as soon as possible.

You should always consult with your bank and/or your legal representatives in-country who will be able to provide further information on getting paid in Vietnam.

Banking

Following its reorganisation in 1976 the State Bank of Vietnam (formerly the National Bank of Vietnam) became the central bank of the country. It has national financial responsibilities along with some of the duties of a commercial bank. The Foreign Trade Bank oversees all aspects of foreign payments, and the Bank for Agricultural Development provides loans to agriculture and fishing.

Vietnam's banks suffer from low public confidence, regulatory and managerial weakness and the absence of international auditing. Since 1992 Vietnam's banking system has consisted of a combination of state-owned, joint-stock, joint-venture, and foreign banks, but the state-owned commercial banks predominate. Fewer than 20 per cent of the population have a bank account.

UK companies such as HSBC, Standard Chartered and Prudential are already active in the market, but overall a more expeditious rate of implementing WTO commitments would be beneficial in this sector.

Bank opening hours: Mon-Fri from 7.30am or 8am to 11.30am and from 1pm to 4pm. Closed Saturday and Sunday.

Currency information: Đông (VND; symbol đ). Notes are in denominations of 500,000, 200,000, 100,000, 50,000, 20,000, 10,000, 5,000, 2,000, 1,000 and 500. Coins are in denominations of 5,000, 2,000, 1,000, 500 and 200.

Currency restrictions: Import and export of local currency is limited to VND 15,000,000. Import and export of foreign currency over US\$7,000 should be declared at customs.

Travellers cheques: These are widely accepted in hotels and banks. Travellers cheques in US dollars are preferable to avoid additional exchange rate charges.

ATMs: The number of ATMs available in major cities such as Hanoi and Ho Chi Minh City are on the increase.

BUSINESS ISSUES AND CONSIDERATIONS

INSURANCE

The private sector in the UK provides credit insurance for exports of consumer products, raw materials and other similar goods. Speak to your banker or insurance broker for more information or contact the British Insurance Brokers' Association for impartial advice

British Insurance Brokers' Association
Tel: +44 (0)870 950 1790
(consumer helpline)
Email: enquiries@biba.org.uk
Website: www.biba.org.uk

Private-sector insurance has some limitations, particularly for sales of capital goods, major services and construction projects that require longer credit packages or are in riskier markets. The Export Credits Guarantee Department (ECGD), a separate UK Government department that reports to the Secretary of State for Business, Innovation and Skills, provides a range of products for exporters of such goods and services.

Export Credits Guarantee Department
Tel: +44 (0)20 7512 7000
Email: help@ecgd.gsi.gov.uk
Website: www.ecgd.gov.uk

BUSINESS ISSUES AND CONSIDERATIONS

MANAGEMENT CONTROL AND QUALITY ASSURANCE



Successful UK companies use a variety of management control and quality assurance techniques in Vietnam. These include extensive travelling by UK personnel, a controlling or liaison presence in Vietnam and providing extensive training and management for Vietnamese staff.

Particular attention to detail should be paid when sourcing products from Vietnam. Specifications can be easily misunderstood, so they need to be very clearly explained and agreed, and a quality management system put in place with the Vietnamese company. Consultancies can undertake all or part of this process on your behalf.

BUSINESS ISSUES AND CONSIDERATIONS

BRIBERY AND CORRUPTION

Corruption remains an issue in Vietnam. Anyone doing business in the country is likely to encounter, or hear of, corruption in one form or another. Practices such as facilitation payments, bribes and giving and receiving expensive gifts in order to develop business relationships are still a problem in certain places.

Our advice to companies encountering corruption is simple – don't get involved. Not only are there issues of business integrity to bear in mind, but of course it is also illegal. Invariably, corruption is related to lack of professionalism and control, all of which are damaging to long-term business.

BUSINESS ISSUES AND CONSIDERATIONS

GETTING TO VIETNAM

By air

There are over 160 flights a week between the UK and Vietnam. There are no direct flights, so travellers must go via regional hubs, such as Hong Kong, Singapore or Bangkok. Vietnam Airlines (www.vietnamairlines.com.vn) is the state-owned flag carrier, and the majority of flights into and out of Vietnam are joint operations between Vietnam Airlines and foreign airlines, including British Airways, Singapore Airlines, Thai Airways, Malaysia Airlines, China Airlines and Cathay Pacific. Domestic flights between Hanoi and Ho Chi Minh City take around one hour and 40 minutes (distance: 1,650km).

There are five international airports in Vietnam.

Getting from the airport

You should always use metered taxis outside airports and around town.

Noi Bai International Airport (HAN) is 32km from Hanoi. Licensed buses and taxis are available.

Tan Son Nhat Airport (SGN) is 7km from Ho Chi Minh City. Licensed buses and taxis are available.

Da Nang International Airport (DAD) is located in Da Nang, the largest city in central Vietnam. Licensed buses and taxis are available.

In addition, Vietnam has two smaller airports: Hue and Can Tho.

Visas

Passports should have six months' validity remaining when you enter Vietnam. A full United Kingdom passport with a visa is required for entry to the country.

Business visits require a Vietnamese sponsor organisation, which can be found through the Vietnam Chamber of Commerce and Industry (<http://vibforum.vcci.com.vn/>)

There is no requirement for registration with the police unless you are not staying in a hotel or are working long-term in the country.

You can apply for a visa at the Vietnam Embassy in London.

Vietnam Embassy
12-14 Victoria Road
London W8 5RD
Tel: +44 (0)20 7937 1912
Fax: +44 (0)20 7937 6108/
+44 (0)20 7565 3853
Email: consular@vietnamembassy.org.uk

Time zone

Vietnam is seven hours ahead of Greenwich Mean Time.

VIETNAMESE CULTURE

In a highly competitive business environment it is more important than ever to understand the business culture of your target markets. Understanding business culture helps you to understand, anticipate and respond to unexpected behaviour. It also ensures that you behave in an acceptable way and avoid misunderstandings. See the section on business etiquette (page 45) for more information.



VIETNAMESE CULTURE

POLITICS

With the Declaration of Independence on 2 September 1945, the Democratic Republic of Vietnam was born – the first independent republic in South-East Asia. On 6 January 1946 the first universal suffrage general election was held to elect the National Assembly, the supreme organ of power of the new Vietnam.

After the complete liberation of South Vietnam on 30 April 1975, the second universal suffrage general election was held to reunify the country and choose the All-Vietnam National Assembly. On 2 July 1976 Vietnam was renamed the Socialist Republic of Vietnam.

President

Parliament confirmed the Communist Party's nomination of Nguyen Minh Triet as President of Vietnam in June 2006. He gained a reputation for fighting corruption in his previous role as party chief in Ho Chi Minh City and is seen as an advocate of continuing economic reform.

Secretary-General of the Communist Party

The Communist Party reappointed Nong Duc Manh as its Secretary-General in April 2006. Mr Manh is seen as a moderniser and has urged the country to speed up economic reforms and to tackle bureaucracy and corruption.

National Assembly

The National Assembly is the highest representative organ in Vietnam, the People's Supreme Authority. The National Assembly elects the President of the State, the Prime Minister, the Chief Procurator of the Supreme People's Court and the Chief Procurator of the Supreme People's Office of Supervision and Control.

People's Councils

Different localities elect People's Councils at different levels – province, town, city, district, ward and commune. The People's Council elects local executive bodies and People's Committees of different levels. There are also People's Courts and People's Procuraries at provincial and district levels.

National Congress of the Communist Party of Vietnam

The National Congress of the Communist Party of Vietnam convenes every five years to outline the overall direction of the country and formalise policies for the future.

Citizens' rights

The Constitution guarantees all citizens fundamental rights such as freedom of speech, equal rights between man and woman, the right to education and healthcare, the right and duty to labour, the right to build homes and freedom to do business.

VIETNAMESE CULTURE

CURRENT ECONOMIC SITUATION

GDP growth

Despite the recent global economic crisis, Vietnam's macro-economic indicators are good. In 2009 the Vietnamese economy recorded an annual growth rate of 5.23 per cent. GDP growth to the end of June 2010 was 6.4 per cent and the Vietnamese Government is forecasting an annual growth rate of 6.5 per cent for 2010. GDP growth remains good due to strong domestic demand and extensive stimulus measures implemented by the Vietnamese Government in 2009.

Currency devaluations

The combination of the national trade deficit and the value of the Vietnamese currency, however, has been more troublesome. The Vietnamese Government has been forced to take several steps to address the overvalued đồng against the US dollar. Confidence in the đồng remains fragile and this is not helped by the fact that economic policymaking is opaque and data is rarely published.

The move to market economy status

All state-owned enterprises should have been equitised (part-privatised) by 1 July 2010 but progress has been slow. Vietnam has not yet quite made the full transition to a market-orientated economy, neither in mindset nor in practice.

Economic outlook

Despite these challenges the Vietnamese Government is optimistic about the economic outlook. Foreign investors' interest in Vietnam remains high and this, coupled with growing international attention on emerging markets, particularly in Asia, has reinforced this optimism. The central Government policy of shifting away from unsustainably high-growth targets towards stability and controlling inflation has won many admirers. Annual inflation has reduced from 25 per cent in 2008 to around 9 per cent in June 2010. The Consumer Price Index is forecast to rise by less than 7 per cent by the end of 2010 and exports are expected to increase by more than 6 per cent compared to 2009.

In the longer term there are some specific areas of concern, such as inadequate infrastructure, lack of highly skilled labour, poor flows of information, and corruption. However, like the Vietnamese Government, sensible investors maintain that Vietnam's long-term prospects are good.

VIETNAMESE CULTURE RELIGION

The national religion of Vietnam is Buddhism.

Religious activities are tolerated in Vietnam so long as they do not interfere with the Government's political agenda. Traditionally, the Vietnamese claim to be Buddhists of the Mahayana variety (Theravada in the South). However, the major religion is a mixture of Confucianism, Taoism and the Mahayana Buddhism, with elements of ancient animistic beliefs.

Catholic cathedrals in major city centres hold a dual language mass once a week. Those following Protestant, Hindu and Muslim faiths will find places of worship in cities like Ho Chi Minh City.





VIETNAMESE CULTURE CHALLENGES

Although the business climate in Vietnam is improving all the time, obstacles still remain. The challenges faced by overseas companies include:

- Corruption and bureaucracy
- Shipping and customs tax issues
- Tax burden
- An opaque legal framework and the slowness of Vietnam's judicial system
- Poor infrastructure.

There are some concerns over market access, specifically, the timetable for opening certain sectors to foreign investment, eg telecoms. The implementation of new laws (such as the new distribution law) is also judged to lack clarity and to be subject to misinterpretation.

UKTI can offer advice on overcoming these challenges and provide up-to-date information about developments in the marketplace.

UK SUCCESS STORIES

HSBC and Standard Chartered Bank

In 2009 HSBC and Standard Chartered Bank received local incorporation licences to develop their business in Vietnam. This followed more than two years of intensive lobbying at Royal, Ministerial and Official UKTI level. Receiving their licences will enable both businesses to expand their business operations in Vietnam, including developing branch networks and services. Substantial investment by these UK companies will have a significant impact on Vietnam's plans to develop its financial sector.

Harvey Nash

Harvey Nash Vietnam is a leading player in IT development. In Vietnam, it specialises in software development and business process outsourcing. In 2010 the company celebrated its ten-year anniversary in Vietnam. During this time Harvey Nash Vietnam has gone from strength to strength. The group's offshore service now employs over 2,000 technology professionals.

In 2008, during Vietnamese Prime Minister Dung's visit to London, Harvey Nash signed a contract to handle the Prudential's call centre facility in Vietnam. The deal was worth around US\$3 million. In addition, after winning a 54 million euros contract with Alcatel-Lucent in 2009, Harvey Nash planned to carry out most of the Alcatel-Lucent contract project work at its premises in Vietnam.

International Power

International Power (IP) first contacted UKTI Vietnam in April 2007. Several OMIS (Overseas Market Introduction Service) reports have been produced to help it explore opportunities in the fast-growing Vietnamese power sector. During visits in 2008 and 2009, HRH The Duke of York lobbied the Vietnam Government on behalf of IP.

There was good progress on International Power's development activities in 2010. The company, together with its partners, Sojitz Corporation and Pacific Corporation, was selected to be the investor in Phase 1 of the Son My power complex (and the common infrastructure). The consortium is progressing well with the feasibility study for the project. In accordance with guidance from the Ministry of Industry and Trade, it is developing options for the most efficient technology to deliver power capacity on a significant scale for the project.

Condor Group

Watch manufacturer, Condor Group Ltd, successfully signed a contract with a Vietnamese firm only weeks after receiving a UKTI OMIS report. For an initial outlay of less than £500 for the report, Condor Group has, so far, seen a return on investment of over US\$100,000 in orders from its Vietnamese partner.

CONTACTS

If you have a specific export enquiry about the Vietnamese market which is not answered by the information on this report, you may contact:

UKTI Enquiry Service
Tel: +44 (0)20 7215 8000
Fax: +44 (0)141 228 3693
Email: enquiries@ukti.gsi.gov.uk

You will be signposted to the appropriate section on our website, or transferred at local call rate directly to the British Embassy, which has its headquarters in Ho Chi Minh City.

Otherwise contact the team in Vietnam directly:

UKTI Vietnam

Hanoi
UKTI
British Embassy, Hanoi
4th Floor, Central Building
31 Hai Ba Trung Street
Hoan Kiem District, Hanoi, Vietnam
Tel: +84 4 3936 0500
Email: behanoi@hn.vnn.vn

Ho Chi Minh City
UKTI
British Consulate General
25 Le Duan Street
District 1, HCMC, Vietnam
Tel: +84 8 38298433
Email: bcghcmc@hcm.vnn.vn

Country information

Travel guides for foreign visitors, such as:
<http://www.lonelyplanet.com/Vietnam>

BBC website

http://news.bbc.co.uk/1/hi/country_profiles/default.stm

FCO country profile

<http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/country-profile/>

Culture and communications

CILT – National Centre for Languages – Regional Language Network in your area:
http://www.cilt.org.uk/workplace/employer_support/in_your_area.aspx

Customs and regulations

HM Revenue & Customs: www.hmrc.gov.uk

Economic information

<http://www.economist.com/countries/>

Export control

Export Control Organisation:
<http://www.berr.gov.uk/whatwedo/europeandtrade/strategic-export-control/index.html/strategic-export-control/index.html>

Export finance and insurance

ECGD: <http://www.ecgd.gov.uk/>

CONTACTS

(CONTINUED)

Intellectual property

Intellectual Property Office
www.ipo.gov.uk

Market access

Market access database for tariffs (for non-EU markets only)

<http://mkaccdb.eu.int/mkaccdb2/indexPubli.htm>

Standard and technical regulations

British Standards Institution (BSI):
<http://www.bsigroup.com/en/sectorsandservices/Disciplines/ImportExport/>

National Physical Laboratory

<http://www.npl.co.uk/>

Intellectual property

<http://www.ipo.gov.uk/>

Trade statistics

National Statistics Information: <http://www.statistics.gov.uk/hub/index.html>

UK trade information

www.uktradeinfo.com

Travel advice

Foreign and Commonwealth Office
www.fco.gov.uk/en/travel-and-living-abroad

NHS

www.nhs.uk/nhsengland/Healthcareabroad

Travel health

www.travelhealth.co.uk

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This publication is also available from our website at www.ukti.gov.uk

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UK Trade & Investment is the Government Department that helps UK-based companies succeed in the global economy, and is responsible for the delivery of the SfB product “Helping Your Business Grow Internationally”.

We also help overseas companies bring their high-quality investment to the UK’s dynamic economy – acknowledged as Europe’s best place from which to succeed in global business.

UK Trade & Investment offers expertise and contacts through its extensive network of specialists in the UK, and in British embassies and other diplomatic offices around the world. We provide companies with the tools they require to be competitive on the world stage.

Other South-East Asia Business Guides are available for Indonesia, Malaysia, the Philippines and Thailand.

For further information please visit www.ukti.gov.uk or telephone +44 (0)20 7215 8000.

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