



**Asia-Pacific
Economic Cooperation**

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Agenda Item: V

Presentation by Economy Under Review - Viet Nam

Purpose: Consideration
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**Second Senior Officials' Meeting – Plenary
Session
Singapore
19 July 2009**

VIETNAM'S IAP

continuing the reform

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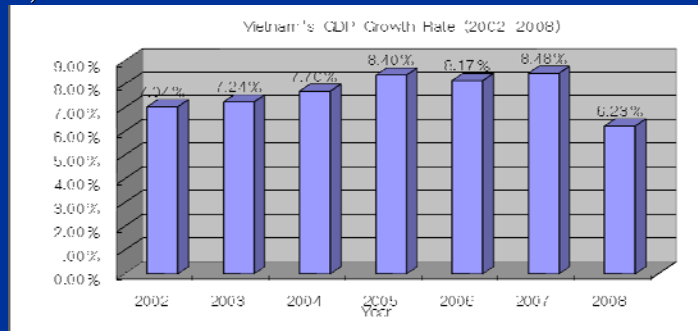
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Vietnam economy: an overview

Vietnam's GDP Growth Rates

- Before the crisis, Vietnam was considered among the most dynamic economies in the world. Real GDP growth rate for 2002-2007 averaged 7.8%.
- Like other open economies, Vietnam is affected by the on-going global financial and economic crisis. GDP growth for 2008: 6.23%; 2009: 5% (forecast)

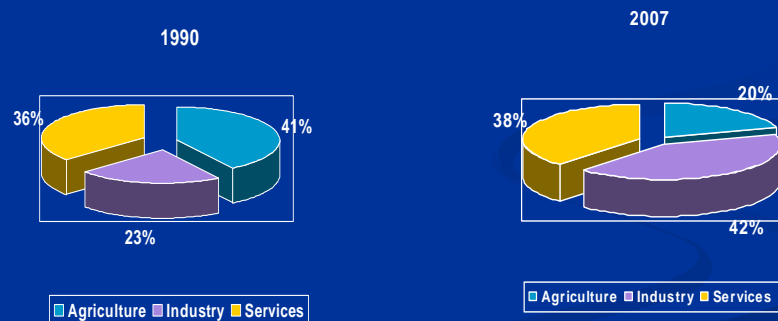


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Vietnam economy: an overview

Restructuring process

Growing importance of industry and services

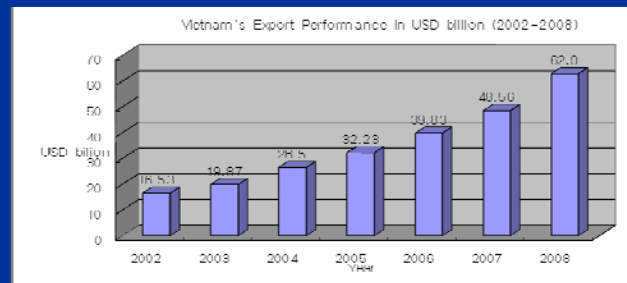


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Vietnam economy: an overview

Trade activities

- Export have been the main driving force for Vietnam economy. The export volume of Viet Nam has grown more than threefold during the five years 2002–08, which corresponds to an annual export growth rate of nearly 26%



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Vietnam economy: an overview

Investment

The rapid inflow of FDI capital has been an important source of sustained economic growth for Viet Nam in recent years

Rank	Economy/territory	No of projects	Total registered investment capital (US\$ million)	Implemented capital (US\$ million)
1	Korea	1,875	14,398.1	2,738.1
2	Singapore	549	11,058.8	3,858.1
3	Chinese Taipei	1,801	10,763.1	3,079.2
4	Japan	934	9,179.7	4,987.1
5	British Virgin Islands	342	7,794.9	1,375.7
6	Hong Kong	457	5,933.2	2,161.2
7	Malaysia	245	2,823.2	1,083.2
8	United States	376	2,788.6	746.0
9	Netherlands	86	2,598.6	2,031.3
10	France	196	2,376.4	1,085.2

Top 10 foreign investors in Viet Nam as of 31 December 2007

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Vietnam economy: an overview

Updated situation in first half of 2009

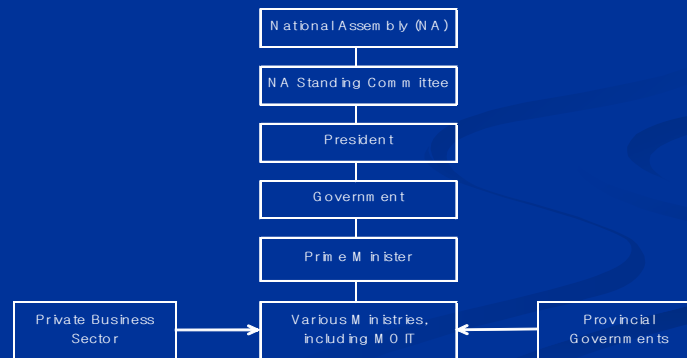
- Announcement of two stimulus packages of US\$9bn has prevented economic downturn: GDP growth is 3.9% of which agriculture rose by 1.25%, industry and construction by 3.48%; services by 5.5%
- Although *inflation* has followed the downward trend, the index increased in the second Quarter. Compared to previous month, the CPI in April rises by 0.35%; May by 0.44% and June by 0.55%
- The world economic recession impacted the external sector, however the *balance of payment* has maintained by Government. Export : US\$27.6bn
Import : US\$29.7bn

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Major policy development

Trade policy at a glance

- Vietnamese Government sees transparency of trade policy as an instrument for guaranteeing the interests of stakeholders and policy effectiveness
- Formal procedure for trade policy making in Viet Nam



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Major policy development

Improving the business environment

- In 2005, new Law on Enterprise and Law on Investment were passed, providing equitable treatment to both domestic and foreign investors
- In 2007: 2 procedures (business registration, tax registration) intergrated into one application; average time for establishing a business: 5 days
- Some measures taken: new legislation is made available online, publish booklet on taxation, foreign exchange policy, licensing procedures etc...
- The Government has promulgated an Anti-corruption Law to prevent, constrain and deal with corrupt acts
- Viet Nam's ranking in the World Bank ease of doing business tables has improved from 99 in 2006 to 92 in 2008, reported a systematic reformer in East Asia

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Major policy development

Public administration and state enterprise reform

- Reduce duplication of responsibilities between Ministries/Agencies
- The number of SOEs reduced from over 12,000 in 1986 to approximately 1,700 in 2008
- In 2007, the state sector accounted for less than 40% of GDP and about 10% of employment. Government laws require that SOEs operate under similar conditions as private enterprises

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Comprehensive reform strategy

Tariffs

- The number of tariff lines having been reduced from well over 10,000 to 9,174 at present
- Also, average tariff rates were reduced from 16% to 11.79%, after Viet Nam joined the WTO
- All tariff rates are bound in the form of *ad valorem* tariffs, a remarkable achievement compared to other developing economies at a similar level of economic development

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Comprehensive reform strategy

Non-tariff measures

- ***Quantitative restrictions:*** Viet Nam does not maintain any kind of quantitative import restrictions, except those allowed by the WTO
- ***Import and export bans:*** are all WTO-consistent
- ***Import licensing and state trading:*** are brought into conformity with the WTO
- ***Minimum import price scheme:*** have been eliminated

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Comprehensive reform strategy

RTAs and FTAs

- Viet Nam is currently a member of of some FTAs, through ASEAN channel
- Some APEC member economies have concluded FTA negotiations with ASEAN: China (ASEAN–China FTA, 2005); Korea (ASEAN–Korea FTA, 2006); and Japan (ASEAN–Japan FTA, 2008)
- On-going ASEAN negotiation with EU (launched in 2007)
- Vietnam has signed FTAs with Australia and New Zealand, concluded EPA with Japan and is negotiating an FTA with Chile

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Comprehensive reform strategy

Government procurement

- The procurement system is administered by a new National Procurement Agency under the MPI
- In January 2009, the Government announced plans for the establishment of an electronic procurement system

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Comprehensive reform strategy

Intellectual property rights

- Vietnam is a member of WIPO
- The IPRs are enforced by the Civil Code (2005) and the Intellectual Property Law (enacted in 2005, amended in 2009)
- Vietnamese Law and Regulation on Intellectual Property generally comply with the requirements of TRIPs Agreement of WTO
- Viet Nam has signed MOUs on IPR cooperation with several economies and organizations, including some APEC economies

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Comprehensive reform strategy

Services: Viet Nam is implementing all WTO commitments allowing greater foreign ownership in most commercial services

- ***Accounting and auditing services***
 - Accounting standards based on international standards
 - Large international firms are active in Viet Nam
- ***Communications services:*** foreign investors allowed to have majority ownership and control in express delivery services
- ***Distribution services***
 - Restrictions on foreign enterprises will be eliminated within three years of accession to the WTO
 - Limits on share of ownership and on franchising were abolished at the beginning of 2009
- ***Construction and related engineering services***
 - Foreign enterprises must have a license issued by authorised Viet Nam agencies and meet conditions stipulated by laws

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Comprehensive reform strategy

- **Financial services**
 - Foreign credit institutions allowed to open representative offices and branches, buy shares of credit organizations operating in Viet Nam in accordance with government regulations
 - By the end of 2008, five 100% foreign-owned banks had been licensed
 - Commitment of 100% foreign ownership of securities firms is on target
- **Insurance services:** foreign insurers allowed to set up fully foreign owned entities
- **Legal services:** can operate as a 100% foreign capital, limited liability legal company; as a joint venture, limited liability legal company; or as a branch of a foreign organization

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Comprehensive reform strategy

Investment

- Legislation and regulations are transparent and accessible on websites
- Eliminating unnecessary licensing procedures, reducing time needed to establish businesses and speeding up transport and customs clearance
- Adjusting corporate income tax, value-added tax and individual income tax for foreigners
- Vietnam volunteered to be assessed against the OECD's framework and checklist for designing and improving investment policies

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Comprehensive reform strategy

Dispute mediation and settlement

- Procedures are consistent with those of UN Commission on International Trade Law and the International Centre for Settlement of Investment Disputes

Competition policy

- The Viet Nam Competition Administration Department (VCAD) assists MOIT to exercise the state management
- The Viet Nam Competition Council (VCC) is an independent law enforcement agency

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Comprehensive reform strategy

Trade facilitation

- **Standards and conformance:** the Law on Standards and Technical Regulation was enacted in 2006, the Law on Product and Goods Quality was enacted in 2007
- **Customs:** made efforts to improve the efficiency of customs procedures: signed the revised Kyoto convention in 2008, applied Harmonized System 2007, ASEAN Harmonized Tariff Nomenclature of 2007, completed legislative framework for IPR protection
- **Business mobility**
 - Visas for business people are issued within 3–5 working days
 - Viet Nam participates in ABTC; applications from other APEC economies are normally approved within 14 days, maximum 23 days

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Thank you!