

Vietnam

COUNTRY STARTER PACK



Vietnam at a glance

2

POPULATION - 2020



97.3
MILLION

GDP PER CAPITA (PPP) - 2020*



US\$10,869

INCOME LEVEL

LOWER MIDDLE

*Gross Domestic Product (Purchasing Power Parity) IMF

GDP GROWTH 2020



2.9%

GDP GROWTH FORECAST (IMF)

6.5% (2021), 7.2% (2022), 7.0% (2023)

CAPITAL CITY



HANOI

RELIGION



DIVERSE

VIETNAMESE FOLK-RELIGION
(73%), BUDDHIST (12%)
CHRISTIAN (8%)

CLIMATE



SUB-TROPICAL

CURRENCY



VIETNAMESE DONG (VND)

FISCAL YEAR



CALENDER YEAR



TIME DIFFERENCE
FROM AUSTRALIA

3 HOURS
BEHIND (AEST)



AUSTRALIAN IMPORTS
FROM VIETNAM (2019-20)

A\$7.2
BILLION



AUSTRALIAN EXPORTS
TO VIETNAM (2019-20)

A\$8.0
BILLION



EXCHANGE RATE
(2020 AVERAGE)

(VND/AUD)
A\$1 = VND 16,054.4

SURFACE AREA

331,200
square kms



GDP 2020

US\$ 340.82 billion

POLITICAL STRUCTURE



**SINGLE PARTY
SOCIALIST REPUBLIC**

GENERAL BUSINESS HOURS



**MONDAY TO FRIDAY
9am - 6pm**

INTERNATIONAL DIALLING CODE



+84

STOCK EXCHANGE

**Ho Chi Minh City Stock Exchange
(HOSE)
Hanoi Stock Exchange (HNX)**

OFFICIAL LANGUAGE

**VIETNAMESE
(Tiếng Việt)**

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1. Introduction

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Vietnam is projected to remain among the world's fastest growing economies over the next decade, and one of Asia's best business and investment destinations.



1.1. Why Vietnam? Opportunities for Australian businesses

Vietnam is one of Asia's great economic success stories of the past 30 years. Since economic reforms were implemented by the national government from 1986, Vietnam has experienced unprecedented economic growth, with an average annual increase in GDP of 6.5 per cent. With a young and energetic population – 40 per cent of its 97.3 million people are under age 24 – Vietnam is projected to remain among the world's fastest growing economies over the next decade, and one of Asia's best business and investment destinations.

As Vietnam's government continues to make the country an easier place to do business and encourage private enterprise – the standard corporate tax rate was cut from 22 to 20 per cent on January 1 2016 – Australian companies have many reasons to consider doing business there.

Consider some key facts:

- Thanks to the availability of cost-competitive labour, improving infrastructure and international trade links, the country has quickly established itself as the go-to destination for labour-intensive and increasingly advanced manufacturing. Vietnam's production of textiles, vehicles and electronic devices has increased by 15 to 30 per cent in a few short years.
- Economic growth in Vietnam in 2019 was 7 per cent though it declined to 2.9% in 2020 due to the containment measurements of COVID-19. Over the coming decades, Vietnam is forecast to have some of the highest growth rates in the world.
- Its admission into the World Trade Organisation in 2007 further established Vietnam's role in the global economy and reinforced the domestic economic reform process.
- Vietnam has one of the highest internet penetration rates in Southeast Asia, with over 68 million people having access to internet.
- The Vietnamese workforce is young, dynamic and ready to transform Vietnamese industry.
- Vietnam received USD 28.5 billion (AUD 41 billion) in foreign direct investment in 2020, making it an investment hub that is primed for growth and participation in international markets.

In this environment of rapid economic transformation, it should not be surprising that trade between Australia and Vietnam is flourishing. Other positive factors are at work too. In particular, a series of new regional trade deals and bilateral partnerships involving the two nations – including the landmark ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) – have lowered barriers to Australian exports to Vietnam and been a strong driver for growth in two-way trade in goods and services, which is now worth AUD 15.2 billion annually.

More opportunities for Australian exporters are set to open up as Vietnam's economic growth fuels higher disposable incomes and increased demand for imported goods, including western-style food and other consumer goods. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) holds the prospect of further reductions in barriers to trade with Vietnam. Australian suppliers of energy, dairy products, meat, consumer goods, packaged food and beverages, wheat and machinery are particularly well placed. Growth in personal incomes has also increased demand for education and training services, an area in which Australia is particularly strong.

Australian products are perceived in Vietnam to be of high quality; allowing them to be positioned in higher-priced market segments. Australian suppliers also have quicker response times to market needs than suppliers from Europe and the USA, due in part to geographic proximity. This is a particular advantage for food products such as wheat or dairy, which are in demand from small to medium-sized Vietnamese food processors who prefer to buy in smaller amounts than by the container load.

Food and beverage: Rising consumer spending and changing lifestyles in urban areas are increasing demand for snacks, convenience and luxury food and beverage items in Vietnam. As many Vietnamese become wealthier and their tastes become more varied, they are also becoming more health conscious, providing opportunities for food and beverage manufacturers that specialise in health-oriented products.

Dairy: Due to the French influence in Vietnamese history, dairy products are more widely embraced than in some other Asian cultures. But per capita consumption remains relatively low, and growth potential is huge. The planned development of new supermarkets and hypermarkets will present

AANZFTA - BENEFITS FOR AUSTRALIAN BUSINESS

Vietnam is apart of the ASEAN regional grouping that brings together the major nations of Southeast Asia. Following the January 2010 commencement of a free trade agreement between this grouping and Australia and New Zealand, there are multiple opportunities for Australian investors and traders to take advantage of the expected improved business conditions.

Benefits include:

- Elimination of tariffs on up to 96% of Australia's exports to the region by 2020
- A fixing of low tariffs that could otherwise be increased under WTO rulings
- Promotion of greater transparency for business dealings between the regions. For example: through investment protection mechanisms and a right to international arbitration
- Guarantees of specific legal commitments and processes for investments into countries
- Agreements in visa fees and visa requirements for both individuals and suppliers
- A framework for competition, efficiency and intellectual property rights
- Review mechanisms to further the above benefits in the future.



opportunities for suppliers of dairy consumer goods such as milk, powdered milk, dairy spread, ice cream and cheese.

Agribusiness: Australia is a major exporter of live cattle to Vietnam (it accounts for 20 per cent of our total live cattle exports) and wheat. We are also one of the five biggest suppliers of cotton to Vietnam's massive textile industry and, since 2012, the Out of Vietnam project at Australian Wool Innovation (AWI) has been transferring advanced wool processing technologies to Vietnamese textile and apparel makers, generating increased demand for Australian wool. Opportunities in all of these core agribusiness areas are expected to expand further as Vietnam's economic development progresses.

There are also increasing opportunities for Australian businesses in agricultural and fishery service industries, as Vietnam strives to modernise its farming sector to increase its efficiency, output and global competitiveness. Primary industries – particularly rice farming, coffee production and fisheries – are major components of the Vietnamese economy, with agriculture contributing about 14.9 per cent to annual GDP in 2020. Vietnam is the world's second largest producer of coffee, and the fifth largest producer of rice. Vietnam is the third largest rubber producer in the world and accounts for 7 per cent of global production.

As these sectors continue to grow and require ever-more sophisticated supply management options, opportunities for Australian service industries will also grow. Agricultural producers across the country are in need of new technologies and improved physical and technical infrastructure – areas in which Australia is highly credentialed as a potential supplier.

Another area of opportunity is in the supply of animal feed. Demand for animal feed is growing rapidly, and in recent years the industry has welcomed more foreign investment. As local production of animal feed only meets about one third of demand, the opportunities for foreign firms to invest and expand their businesses in Vietnam are considerable.

Mining: While Vietnam is well endowed with natural resources, many mineral deposits are considered unviable due to access problems, and 90 per cent are of small size. The Vietnamese Government's 'Power Master Plan and Mining Strategy' until 2030 targets improvements in securing these resources and producing economic returns, and will require a growing application of foreign capital and expertise. Australia, with its world class mining expertise, is well placed to service these needs. The Vietnamese Government is also pushing for the development of oil and gas fields in offshore basins Cuu Long and Nam Con Son. Under WTO regulations, this sector has been

opened to foreign companies, and Australian capital and expertise would be well suited to involvement in the development and use of these resources.

Education: Vietnam is the fifth largest source country of foreign students in Australia, with over 29,534 enrollments in 2020. In 2019-20, the value of education-related travel by Vietnamese students to Australia was AUD 1.4 billion, and appears likely to grow further as a foreign education becomes more affordable for Vietnam's rising middle classes. Many Australian universities already have a presence in Vietnam, and the renewal of the Memorandum of Understanding on Cooperation in Education and Training is broadening the potential for academic collaboration and student mobility between Vietnam and Australia.

Tourism: Vietnam and Australia share a large flow of tourists in both directions. Australia is the 6th most popular non-Asian tourist destination for Vietnamese, with more than 1.5 million trips made annually. Despite relatively low average incomes in Vietnam, its outbound tourism sector is one of the fastest growing in Asia, and holds significant opportunities for Australian tourism operators.

Health: A push by the Vietnamese Government towards achieving universal health cover has prompted predictions of massive growth in the markets for pharmaceuticals and healthcare services in coming decades. About 60 per cent of pharmaceutical products in Vietnam, and 90 per cent of active ingredients, are currently imported. Trust in locally-made pharmaceuticals is limited, given the issue with counterfeit medicines and lack of quality control, which means imported goods of established brands are at an advantage. The Government has allocated AUD 2 billion (VND 32.7 trillion) preferential tax conditions for foreign participation in the local industry, creating an opportunity for well-regarded Australian healthcare providers.

Aged care is another area of opportunity. Although only 7 per cent of the population is aged 65 and older, this figure is estimated to double within 20 years. The next generation of elderly people in Vietnam will be wealthier and more likely to live alone, potentially increasing demand for aged care services. Niche opportunities for Australian suppliers lie in management and staff training and development, as well as in health-related information and communications technology (ICT).

Information and communications technology (ICT): Vietnam has a large telecommunications market, with more than 140 million mobile phone subscriptions and an estimated 68.7 million internet users in 2020, as well as thriving electronic manufacturing and e-commerce sectors. Global multinationals such as

Intel and Samsung have moved significant proportions of their production into Vietnam. ICT businesses are set to earn over USD 120 billion (AUD 174 billion) revenue in 2020 – representing a 7.1 per cent increase on 2019. The Vietnamese Government's National Digital Transformation Program, passed in 2020, aims for a nationwide digital transformation in which the digital economy will account for 30 per cent of GDP by 2030.

Software, digital content, telecommunications and hardware are all ripe for participation by Australian businesses, and the increasing privatisation of state-owned enterprises in the telecommunications and banking sectors has opened up new investment opportunities for foreigners. Some of the biggest opportunities for foreign companies are in software in banking and finance (see p.10), oil and gas, as well as aviation and telecoms. Other areas with potential include customer relationship management, enterprise risk management and human resource management. Opportunities also exist for Australian exporters in providing equipment and infrastructure and value-added services, such as developing wireless and alternative broadband technologies and partnering with established network operators to provide Pay TV infrastructure and media broadcasting services. According to Austrade, opportunities for Australian providers within IT services include IT technical training and IT consulting, management, software/enterprise applications, data centres and data storage, as well as web services.

Infrastructure: Vietnam is aiming to spend tens of billions of dollars annually in coming years for much needed infrastructure projects – mostly in transport, electricity, irrigation, water, education and healthcare. Many of these projects are expected to involve the adoption of public-private partnership (PPP) structures, in which Australian expertise is extensive. Austrade is already actively working to secure roles for Australian businesses in the early stages of targeted PPP transport infrastructure projects worth billions of dollars – including highways, airports and railways. Further significant opportunities are expected to open up in the medium to long term in architecture, consultancy services and technical assistance, engineering services, concept design, construction management and project management. Other areas of opportunity arising from transport infrastructure projects also include supply of metallic materials (aluminium, steel sheets), high-end architectural interior products and designs, fire safety and building materials (energy efficient, HVAC, lighting and high-end building materials).

Billions also need to be spent building and improving Vietnam's water infrastructure across various sectors of the economy including manufacturing industry, agriculture, mining and urban and municipal facilities. Specialist opportunities will open up in system design, asset management, sustainable cities, recycling water and wastewater, especially in emerging industrial zones.

CONSIDERING DOING BUSINESS IN VIETNAM?

1. **Do your research**

- Speak to industry experts
- Connect with Australian businesses operating in Vietnam
- Go to industry events and information seminars
- Seek professional advice

2. **Become aware of cultural difference and ways of doing business in Vietnam**

- Gain an understanding of your customers and local business partners

- Be flexible and open to difference
- Understand the local culture and prepare before meetings with local business partners
- Practise Vietnam business etiquette

3. **Building relationships is crucial in Asian culture, but it can take time**

- Be patient with developing relationships
- Follow up and maintain contact with your networks

Fintech in Vietnam – An opportune moment for Australian business

Digital technologies have the potential to transform Vietnam into the region's next high-performing economy, with the fintech sector set to capitalise on widespread digitisation. While the sector is experiencing rapid growth across the whole of Southeast Asia, a unique combination of enablers in Vietnam presents significant opportunities for Australian fintech businesses looking to enter or expand in the market.

- Macro-economic and demographic factors:** Vietnam's sustained economic growth over the past three decades makes it a global economic success story. Between 2002 and 2018, GDP per capita increased threefold, the poverty rate declined from over 70 per cent to under 7 per cent, and average annual GDP growth stood at 6.4 per cent. Even amidst the disruption caused by COVID-19, Vietnam's GDP grew by 2.9 per cent in 2020, placing it in the top 20 performing economies globally. Solid economic fundamentals are complemented by dynamic demographic trends. Vietnam's large, urban and young population is forecast to expand in coming years, boosting demand for a range of digital products and services, including fintech.
- High digital literacy, low banking penetration:** Vietnam's high internet, mobile and smartphone penetration rates make it one of the most connected countries in Southeast Asia. In 2010, 30 per cent of the population were internet users; in 2019, that figure had more than doubled to 68 per cent. The mobile subscription penetration rate is 140 per cent, and of a population of 97 million people, 61 million own a smartphone. But while digital literacy is high, banking penetration remains low. Only around one third of the adult population has a bank account, and just 3.5 per cent have a mobile money account linked to their smartphone. The number of ATMs (26 per 100,000 adults) and bank branches (4 per 100,000 adults) remains well below global and regional averages.
- Entrepreneurship and innovation:** Over the last four years, Vietnam has emerged as a fintech innovation hub to rival regional leaders like Singapore and Indonesia. The number of fintech start-ups has tripled since 2017, investment in the tech sector reached a record USD 861 million in 2019, and Vietnam now has the third highest rate of start-up establishment in Southeast Asia - all indicators of a booming entrepreneurship and innovation scene. Vietnam is now home to one of the region's most active innovation ecosystems. It has more start-up incubators, accelerators and innovation labs than Indonesia – and more than Malaysia, Thailand and the Philippines combined.
- Digital infrastructure rollout:** After a relatively slow rollout of 3G and 4G technologies, Vietnam is leading the way in 5G. By the end of 2020, all three major mobile carriers – Viettel, Vinaphone and Mobifone – had launched commercial 5G trials. In 2021, in order to support its goal of increasing the number of digital enterprises from 58,000 to 100,000 by 2025, the Vietnamese Government announced plans for nationwide 5G coverage during 2022. An essential component of any digital economy, this infrastructure will ensure Vietnam's fintech sector has affordable, secure and high-speed internet to support a diverse range of products and services.
- Government support:** The Vietnamese Government's *National Digital Transformation Program towards 2025, Vision to 2030* calls for a nationwide digital transformation of the economy, society and government over the coming decade. The program includes policies designed to foster financial inclusion by supporting the digital transformation of the country's banking and financial services. Online banking and cashless payments are being promoted, as well as strategies to increase cooperation between the government and fintech businesses. There are also a range of corporate income tax incentives for hi-tech companies, including four years of corporate income (CIT) tax exemption and a 50 per cent CIT reduction over the following nine years.

Trends

In addition to the enablers listed above, emerging trends are driving the development of Vietnam's fintech sector.

- COVID-19 as a digital accelerator:** Some 41 per cent of all digital service consumers in Vietnam began using those services as a result of COVID-19, and 94 per cent of them intend to continue using those services in the future. The shift in consumer behaviour caused by the pandemic, coupled with a growing willingness to embrace digital banking, is likely to have a dramatic impact on the uptake of fintech services in the long term.

- Consolidation of legal and regulatory frameworks:** In addition to its *National Digital Transformation Program*, the Vietnamese Government has developed guidelines that provide clarity and stability for the fintech sector. Since the State Bank of Vietnam's creation of the Fintech Steering Committee in 2017, the government has issued Decision No. 986/QD-TTg (2018) to develop a strategy for the Vietnamese banking sector to 2030 and Decision No. 34/QD-NHNN (2019) to implement it. In addition to broader banking reforms, the strategy has direct implications for the fintech sector, particularly around compliance, cashless payments, financial inclusion and green credit.
- Growing consumer readiness:** Once among the most cash-dominated economies in the world, the growth in smartphone penetration and advances in technological reliability and security are changing Vietnamese perceptions of digital banking and fintech. According to a recent survey, 76 per cent of Vietnamese consumers are open to the idea of experimenting with fintech and new financial services. The enhanced security offered by recent technological advances and the perception of legitimacy engendered by government support will further increase the public's willingness to embrace digital financial solutions.

Opportunities for Australian businesses

While Vietnam's fintech sector is growing rapidly, Australia's remains more mature in terms of the number of active fintech companies and the value of investment. Vietnamese banks are eager for technical and commercial expertise, with many looking to partner with domestic and international fintech and technology companies to provide innovative customer solutions. Australian businesses are well-placed to meet this demand by leveraging expertise in a number of key areas:



Data analytics, big data and AI:

Vietnamese banks and financial service providers are keen to harness the data analytics and intelligence tools that can drive improvement in data management and customer insights. Australian expertise in the development and deployment of fintech APIs (application programming interfaces) that enable streamlined connectivity between banks, third party providers and consumers is a high-demand asset.



Product innovation:

In addition to payment services, innovative fintech products that enable digital lending, finance, insurance and investment are likely to grow significantly over the medium-term.

With a 4.7 per cent credit card penetration rate, Vietnam's alternative lending sector has tremendous potential to expand. Innovative lending platforms that can capture this large un-credited segment of society through unique product offerings will be in high demand among Vietnam's banks and financial institutions.



Financial inclusion and customer acquisition:

The Vietnamese Government has listed financial inclusion as a key priority of its 2018 banking sector strategy. Services and products designed to assist the large un- and under-banked segments of society are welcomed, particularly through streamlined biometrics and digital identity management services. Australian businesses with experience in eKYC (electronic Know-Your-Customer) and digital identity and verification services have much to offer the Vietnamese market.



Risk management and cybersecurity:

Successful digital transformation requires robust cybersecurity capabilities and risk management strategies. The Vietnamese Government and financial institutions recognise that ensuring data protections for consumers is key to widespread adoption of financial products and services. After all, 89 per cent of Vietnamese consumers see biometric security features, OTPs (one-time passwords) and 2FA (two-factor authentication) as important safeguards in an era of increased cyber risk. Furthermore, 67 per cent have indicated a willingness to pay for these added layers of security, giving fintech companies that offer them for free a competitive advantage. Australian businesses with experience providing these solutions will have much to offer Vietnam's emerging fintech and existing financial services players.

Strategic considerations

The Vietnamese fintech market presents significant opportunities, but Australian businesses need to be strategic in their approach and keep the following in mind:

- It's important to recognise that the Vietnam strategy must be a medium- to long-term one. It will reward those who are willing to invest time and resources to understand the country, its people and business processes.
- Be prepared for product localisation for the Vietnamese market. Depending on the types of fintech products, there will likely be a need for local language customisation.
- Working with a proficient local partner can accelerate your market entry and open new channels and networks. Leverage your existing contacts, Asialink Business' advisory and insights team, and the local Austrade office for market intelligence assistance.

Useful resources

- [Digital Banking in Vietnam – A Guide to Market, Austrade](#)
- [Vietnam's Future Digital Economy – Towards 2030 and 2045, CSIRO](#)
- [Vietnam country brief, DFAT](#)
- [State Bank of Vietnam](#)

1.2. Vietnam at a glance

Geography

At 329,565 square kilometres, Vietnam has a land area almost the size of Germany. It shares land borders with China and Southeast Asian neighbours Laos and Cambodia. With 3,444 kilometres of coastline, Vietnam also borders the South China Sea and the Gulf of Thailand.

The capital city of Hanoi is located in the mountainous north of the country. The other major urban hub, Ho Chi Minh City, formerly known as Saigon, is situated in coastal lowlands in the south near the vast Mekong Delta. Terrain is diverse across Vietnam, with around 42 per cent of the land area covered by tropical forest, and 40 per cent by mountains.

Vietnam's climate varies significantly between regions. The south maintains relatively stable temperatures and a tropical climate throughout the year, with a cooler, drier period from November to April and a warmer, wetter season from May to October. The north is sub-tropical and humid, which means it experiences greater temperature variation through the seasons.

AVERAGE ANNUAL TEMPERATURES

	Hanoi (North)(°C)	Danang (Centre)(°C)	Saigon (South)(°C)
Jan	17	22	27
Feb	18	22	28
Mar	20	24	29
Apr	24	27	30
May	28	29	29
Jun	30	30	29
Jul	30	30	28
Aug	29	28	28
Sept	28	26	27
Oct	26	24	27
Nov	22	22	27
Dec	19	21	27

History

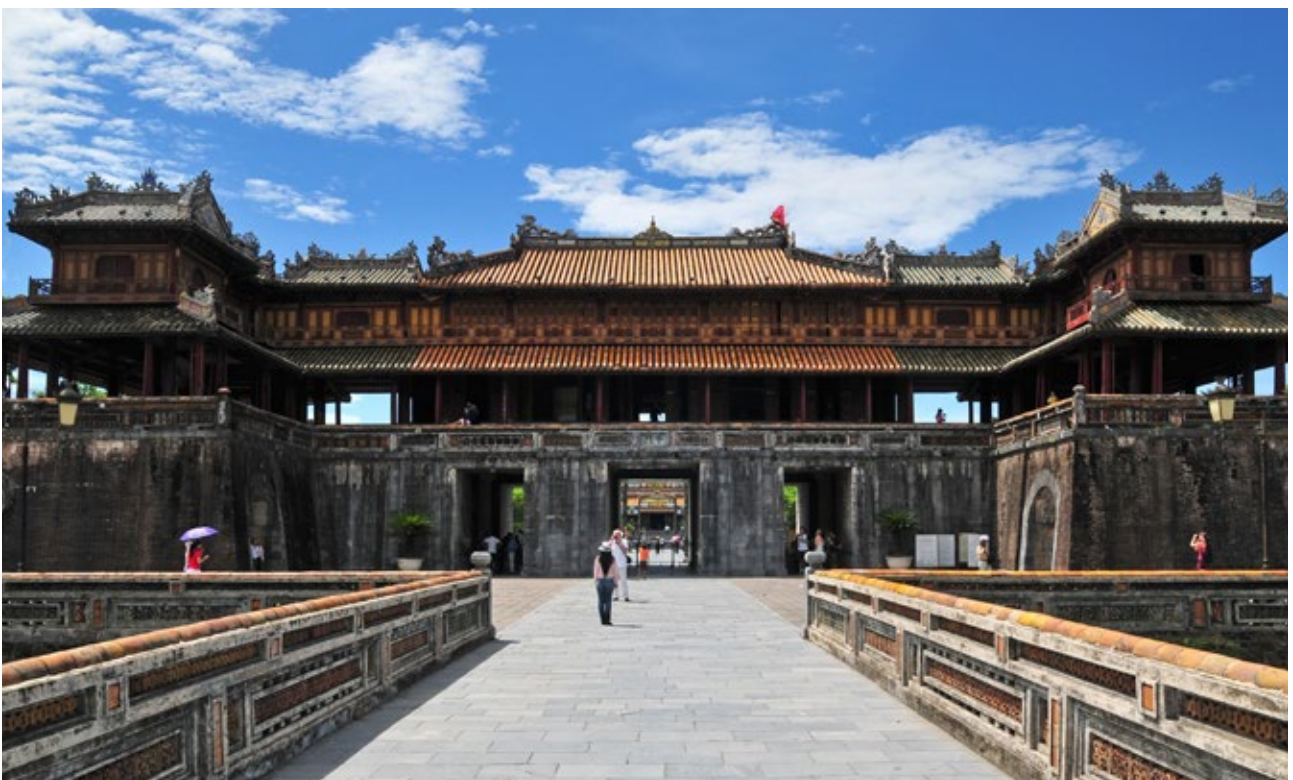
Between the first and sixth centuries AD, the region now known as Vietnam was controlled by the Cambodian Khmers in the south, the Chinese in the north and the Hindu kingdom of Champa in the centre. It was not until the 11th to 13th centuries that Vietnam established an independent culture and its own rule. Continual tussles with Chinese emperors were followed by division and leadership by factions throughout much of the 17th and 18th centuries. The Trinh lords ruled the north and the Nguyen lords controlled the south. The latter eventually prevailed and controlled Vietnam under the first Nguyen dynasty, which focused on Confucian values as well as an expansionist foreign policy.

Vietnam's modern-colonial history began with French military activity in 1847 in response to alleged Vietnamese suppression of Catholic missionaries. The French declared an Indochinese Union in 1887 that formalised their control after they had moved across the land and taken Hanoi. Multiple attempts were made to overthrow the French, and it was the communist groupings that best levied and channelled these frustrations.

In 1925, Ho Chi Minh founded the first Revolutionary Youth League, which later became the Communist Party of Vietnam. Forces led by Ho eventually defeated the French and declared independence for Vietnam in September 1945. Subsequent attempts by the French to reassert their colonial presence set off what

was to become known as the Vietnam War. Between 1945 and 1954, as the Vietnamese waged war against the colonialists, the United States – as part of its broader global agenda against the perceived threat of communism – provided billions of dollars in financial support to the French. After the French surrendered in 1954, a peace conference in Geneva led to Vietnam being temporarily divided between an anti-communist south and a communist north. In 1956, South Vietnam, with American backing, refused to hold unification elections. By 1958, communist-led guerrillas known as the Viet Cong had begun to battle the South Vietnam government.

To support the government in the south, the US initially sent in 2,000 military advisers. Their numbers grew to 16,300 in 1963. In 1965, after South Vietnam lost the Mekong Delta to the Viet Cong, President Lyndon Johnson escalated the war, commencing air strikes on North Vietnam and committing ground forces – which by 1968 numbered more than 500,000. Australia was also an active participant in the war. Beginning in 1962 and ending in 1973, a total of 60,000 Australian personnel served there, with 512 killed and over 3,000 wounded. As American casualties soared into the thousands, and as the horror of the war was aired daily on television screens around the US, American public opinion increasingly turned against the war. But it was not until January 1973, with the signing of the Paris Peace Accords, that a total withdrawal of US forces was completed. The war between south and north continued to blaze despite the US retreat, with the south collapsing as the communists moved down the country in 1975.



The formal unification of Vietnam occurred in July 1976. Political repression and a challenging economic transition towards socialism took its toll in the south, with many people successfully seeking refuge in countries including Australia and the US. Brief wars with Cambodia and China in the following years challenged the new state.

The modern era of Vietnamese politics and thinking can be traced back to 1986, the year after President Mikhail Gorbachev's ascendancy in the Soviet Union encouraged contemporary and modernising forms of socialism. Reform-friendly Nguyen Van Linh became the Vietnamese leader, and the later collapse of the Berlin Wall encouraged the Communist Party of Vietnam to more readily incorporate markets into its economic model, leading to the dynamic and high-growth economy that we see today.

Culture

Vietnamese culture is rich and diverse, drawing upon local heritage and increasingly from global trends. The country is dominated by the Kinh (Viet) ethnic grouping, who make up roughly 85.7 per cent of the population. Another 53 ethnic groups make up the rest of the population, among them Tays (about 1.9 per cent), Thais (1.8), Khmers (1.5) and Muongs (1.5).

As in many neighbouring states, Confucianism is a critical part of interpersonal relations in Vietnam and determines multiple cultural norms. Respect for elders, husbands and family units underpin a culture that stresses harmony, duty, hierarchy, loyalty and family values. As in other parts of Asia, the maintaining of 'face' is an essential part of human interactions. Networks and a patient building of rapport are also important aspects of Vietnamese culture, aided by gift giving and toasting during meal times.

A key part of Confucianism, the 'Five Great Relationships' underpins the hierarchical nature of relationships in Vietnam:

1. Ruler to Subject
2. Father to Son
3. Elder brother to younger brother
4. Husband to wife
5. Friend to friend

While the fifth relationship signifies equality, the other four imply authority of one person over another. This framework is frequently visible in Vietnamese workplaces, households and societal systems. The hierarchies are mostly based upon age and obligation,

as well as traditional gender roles. However, with the gradual opening up of Vietnam's economy and society since 1986, global influences are tending to moderate these guidelines.

Many public holidays in Vietnam are focused on Confucian values. The most prominent holiday is for the Festival of Tet around the Vietnamese New Year (usually in late January or early February), celebrating renewal and hope. Other festivals celebrate the land, ancestors and spending time with family.

In addition to the central role of Confucianism as a social philosophy, many religions are practised in Vietnam, though increasingly they are waning in importance. The Constitution protects the practice of religion and stipulates equality in its 70th article. Alongside Confucianism, Buddhism plays a major role in the culture of Vietnam. Taoism and Catholicism also have many followers, as do the indigenous Vietnamese religions of Hoa Hao and Cao Dai. In the most recent census data available, 81 per cent of Vietnamese claimed to hold no religious beliefs – making Vietnam one of the least religious countries in the world.

Politics and government

Vietnam is a one-party socialist state, governed by the Communist Party of Vietnam. A five-yearly National Party Congress chooses 180 full and 20 alternate members to sit on the powerful Central Committee – which makes the main political decisions. The Central Committee elects a 16-person Politburo, which organises party affairs and makes decisions in between the bi-annual meeting of the Central Committee.

In parallel to the party, the National Assembly acts as a legislature, and debates and reviews legislation and policies proposed by the party – essentially providing a check on the powers of the Central Committee and Politburo. Its 500 members are elected via absolute majority voting, for a period of five years, and these members then choose a President to head the country, who in turn selects the Prime Minister. The President represents Vietnam internationally as the head of state, while the Prime Minister and the Government are responsible for implementing domestic policy. Both are directed by the head of the Communist Party, who holds the title of General Secretary. Many of the members of the National Assembly are party representatives, including the current President. Government ministries are increasingly forming policy, in addition to their traditional roles of administering and implementing policies passed down from the party.

Legal system and courts

Vietnam's legal system is inherited from the French civil law system and has been influenced by socialist legal theory. The National Assembly is the highest office responsible for law making, assisted by Legal Committee and various subordinate offices.

The Supreme People's Court is the highest court in Vietnam, made up of a Chief Justice and 13 other judges, who are appointed by the President and National Assembly on five-year terms. Provincial and District People's Courts administer legal services at their appropriate levels. Courts in Vietnam are two-tiered, whereby a disagreement at the initial trial can be extended to a new trial at an appeal court. However, this second judgement must be adhered to and accepted unless evidence can be found to suggest its invalidity. Trials in Vietnam are generally open to public viewing, but judgements are rarely published.

Economy

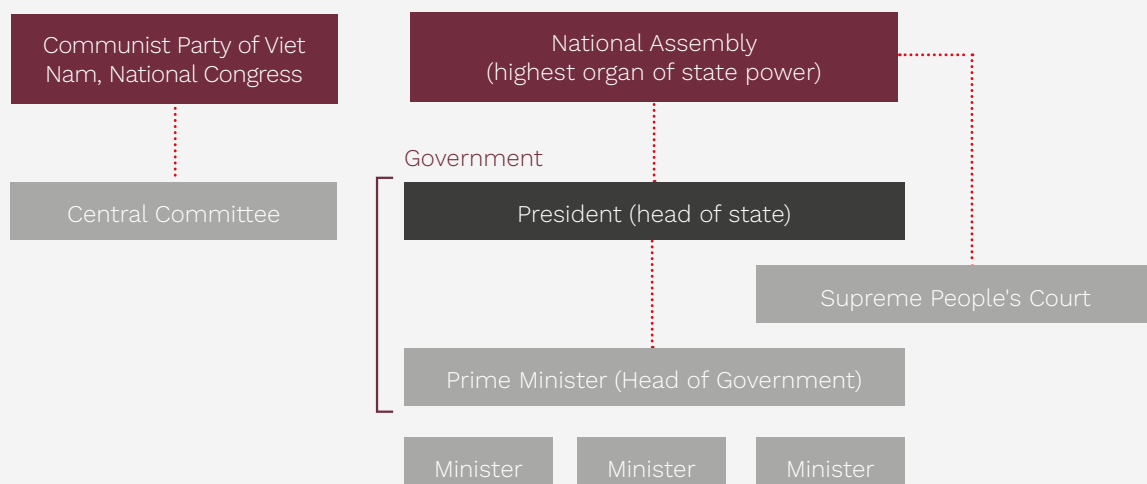
Rapid economic growth since the early 1990s has helped Vietnam to lift millions out of poverty. With average GDP per capita of USD 2,214 (AUD 3,184), Vietnam achieved low middle-income status in 2015. Its economy is in transition from agrarian to industrialised, and from centrally planned to market based. Agriculture's share of economic output shrank from about 25 per cent in 2000 to 15 per cent in 2020, while state-owned enterprises now account for only

about 40 per cent of GDP. Vietnam has a young and increasingly affluent population of around 97.3 million, and is ideally situated to take advantage of regional economic progress.

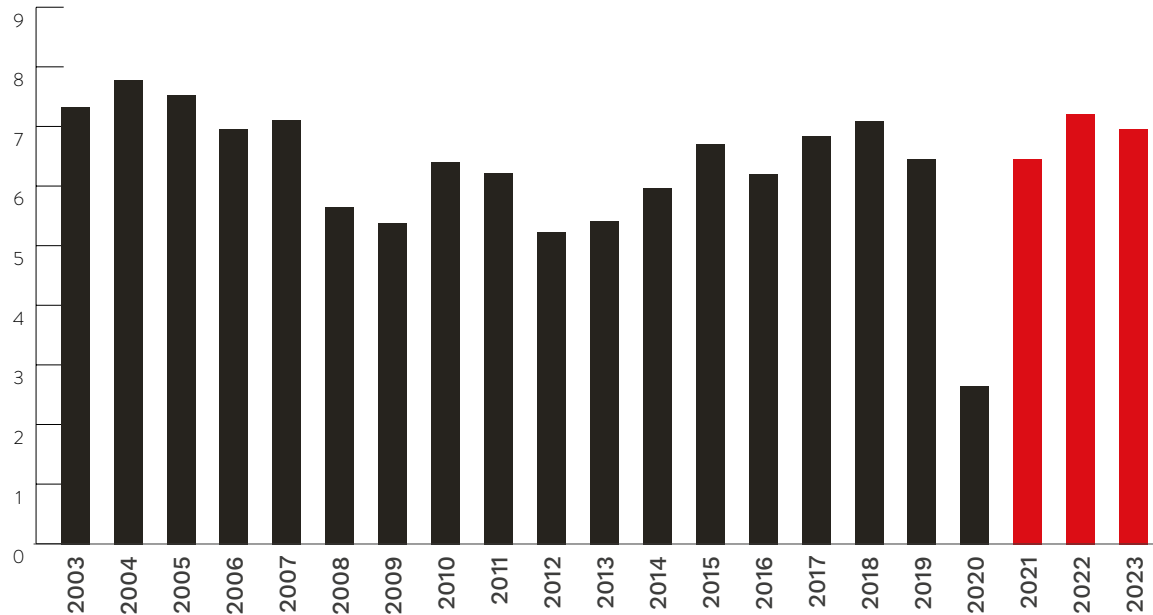
The transition from a centrally-planned to a market-based economy began in the late 1980s, but has accelerated over the last decade, particularly after Vietnam achieved World Trade Organisation membership in January 2007. While significant reforms remain to be implemented, changes to date have resulted in great economic benefits for Vietnam, particularly through increased exports and foreign direct investment.

Today, Vietnam's economy has a strong outward orientation, with international trade underpinning its increasing prosperity. It is the world's second-largest coffee producer (after Brazil) and fifth-largest rice exporter. Rapid economic growth has contributed to the emergence of a growing urban middle class. However, Vietnam is still a developing country, and income disparities are pronounced. Agriculture remains a key source of national income and employs more than half the workforce. But manufacturing is growing in relative importance, accounting for 16.7 per cent of GDP in 2020. The manufacturing sector is dominated by a thriving textile and apparel export industry, with furniture and electronics also prominent. Many multinational technology and electronics companies, attracted by Vietnam's low wages and the increasing openness of its economy, have set up large-scale production facilities there in part thanks to the lower wages in Vietnam compared to similar destinations.

VIETNAM'S JUDICIAL SYSTEM



VIETNAM'S REAL GDP GROWTH %



Source: IMF World Economic Outlook Databases

■ = Forecasts

Vietnam has committed to the long-term objective of global economic integration through participation in the regional APEC forum, the ASEAN Free Trade Area, the WTO and a growing network of free trade agreements, including the ASEAN–Australia–New Zealand Free Trade Agreement (AANZFTA), The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). It is also a participant in Regional Comprehensive Economic Partnership (RCEP) negotiations. In December 2013, Vietnam became the 20th member of the Cairns Group of agricultural exporting countries.

Performance and outlook

Economic growth is expected to be 4.8 per cent in 2021. The Vietnamese economy experienced slow growth in 2020 of 2.9 per cent due to the global pandemic and the containment measurements. GDP growth was 7 per cent in 2019. Foreign direct investment inflows rose by 7.2 per cent from 2018 to 2019, encouraged by more liberal foreign ownership laws.

Vietnam's GDP growth of 7.1 per cent in 2018 exceeded both market expectations and its average performance over the previous five years. The manufacturing and construction sectors were the key drivers, while both domestic and foreign investment increased substantially.

Manufacturing: Vietnam has a growing manufacturing sector, which accounts for 33.7 per cent of Vietnam's GDP.

All Industry and construction: This sector contains 33.7 per cent share of GDP of Vietnam.

Services: As a developing economy, services account for 41.6 per cent of GDP as of 2020.

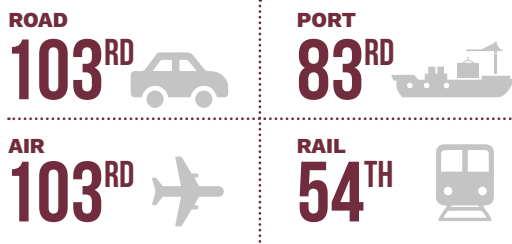
Agriculture and primary sector: The agricultural and primary sectors are important contributors to Vietnam's economy, with it worth 14.9 per cent in 2020.

DOI MOI – VIETNAM'S ECONOMIC REFORMS

'Doi Moi', which means 'renovation' or 'renew' in Vietnamese, refers to the government-led reforms which opened up the Vietnamese economy from 1986 onwards. As a result of this shift from a centrally planned to market economy, Vietnam has recorded impressive growth rates with per capita income increasing by over 5 per cent every year since 1990. Reforms are ongoing, with the Vietnamese government keen to attract more investment and continue to grow the economy.

INFRASTRUCTURE RATINGS

2019 World Economic Forum transport rank out of 141 countries, 1 being the most developed.



Infrastructure

Vietnam lags behind some Southeast Asian countries in terms of infrastructure development, despite its increased investment in transport and communications in recent years. It was ranked 77th out of 141 nations on infrastructure in the World Economic Forum's Global Competitiveness report for 2019. By contrast, Malaysia was ranked 35th, Thailand 71st and Indonesia 72nd.

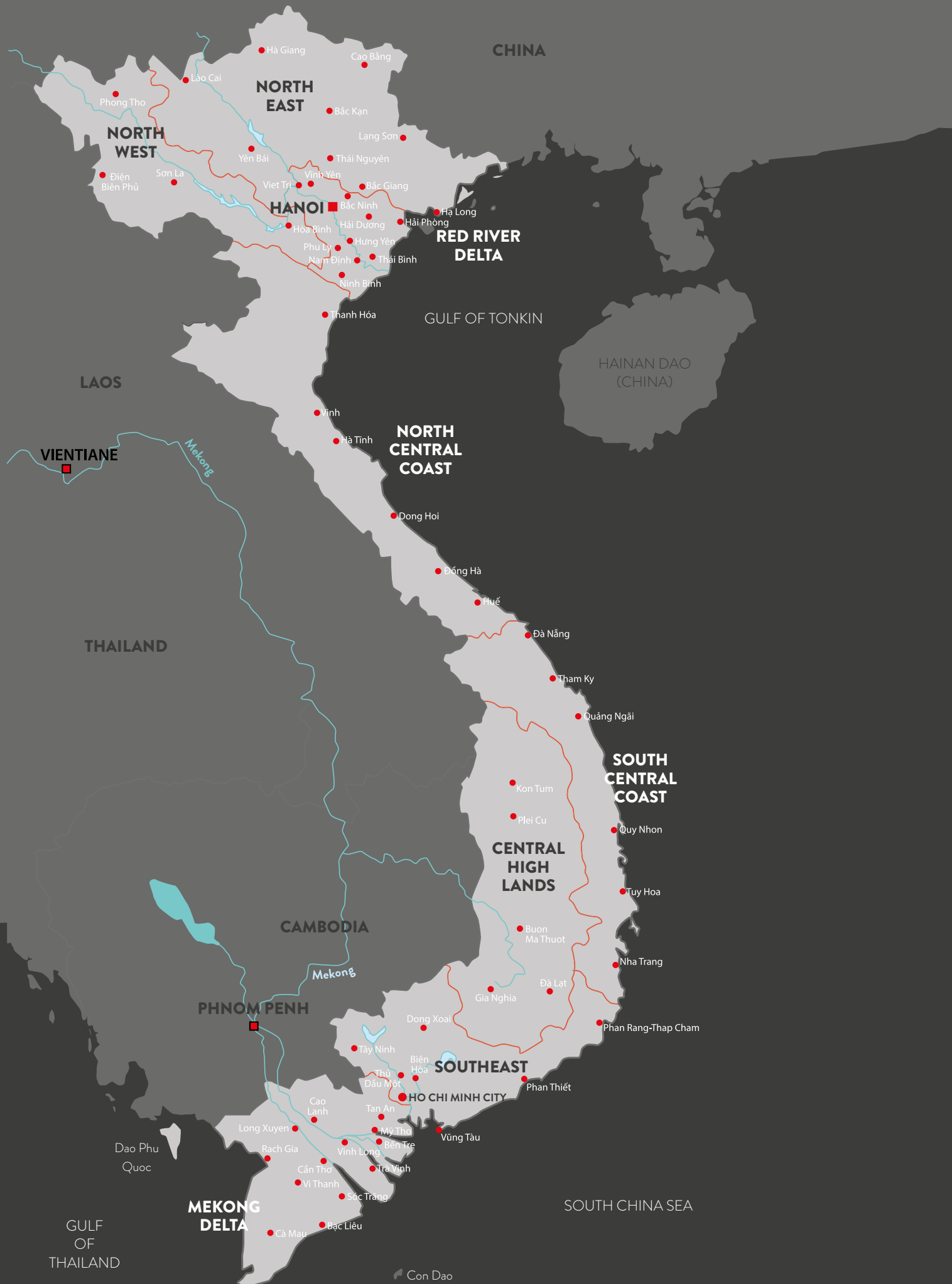
Roads: Vietnam's regional road and highway network ranks poorly compared to some other Asian nations. Among the most important of Vietnam's 90-plus highways is Highway Number one, which connects six of seven economic zones. Plans exist for an estimated AUD 71 billion (VND 1,152 trillion) to be spent on improving and constructing 20 new highways in coming years, which will assist infrastructural development and add 5,990 kilometres to the network.

Sea ports: More than 80 per cent of Vietnam's trade is conducted via sea, through over 100 sea ports. The largest seaports are Cai Mep near Ho Chi Minh City, Da Nang on the central coast and Hai Phong in the north. Current developments include the Van Phong sea port, which will be able to accommodate ships of up to 300,000 tonnes.

Rail and mass transit: Vietnam has 3,142 kilometres of railways, with the major routes connecting Hanoi and Ho Chi Minh City and Hanoi and Hai Phong. The railway network is currently the subject of major development planning, with a AUD 32 billion (VND 516 trillion) high-speed link between the north and south proposed. There are also plans to connect to other Southeast Asian countries. The existing network already has lines into China.

Airports: Vietnam has 20 major airports and 45 in total, the biggest and busiest being Tan Son Nhat in Ho Chi Minh City and Noi Bai in Hanoi. There are plans to add an international airport at Long Thanh, to the south of Ho Chi Minh City, which could service 100 million customers per year and is expected to be completed by 2023.

Telecommunications: Telecommunications infrastructure has improved rapidly in recent years, contributing to a large uptake in mobile phone and internet use across the country. An estimated 68 per cent of the population is connected to the internet. The Government's National Digital Transformation Program aims to provide nationwide 5G mobile network services by 2030.





1.3. Vietnam and Australia: the bilateral relationship

There are many countries with which Australia conducts more business than Vietnam. But when it comes to broader cultural and historical ties, the two countries have profound and indelible links dating back to the Vietnam War. Australia was an active participant in the war, and during the turmoil after the war ended in 1975, we opened our doors to thousands of Vietnamese refugees. Since then Australia has welcomed thousands more Vietnamese under family, skilled migration programs and to study in Australia. Today, people born in Vietnam represent the sixth largest migrant community in Australia, and more than 250,000 Australians claim Vietnamese ancestry. Only the United States has a bigger Vietnamese migrant community.

The presence of a large Vietnamese community in Australia has been a contributing force for rapid expansion of the bilateral relationship on multiple fronts in recent years. More than 40 years after the establishment of diplomatic relations, our countries now enjoy a partnership across a wide spectrum of

political, security and economic activities. On March 18 2015, the Australian and Vietnamese Foreign Ministers signed a Declaration on Enhancing the Australia-Viet Nam Comprehensive Partnership. The declaration covers regional and international cooperation, trade and investment, industrial development, development assistance, defence, law enforcement and security. It builds upon the Australia – Viet Nam Comprehensive Partnership signed in 2009 and the bilateral Plan of Action (2010-13). The Australia-Vietnam Plan of Action (2016-19) was signed in November 2016, listing further areas of cooperation under the Partnership.

On March 15 2018, Australia and Vietnam signed a Joint Statement on the Establishment of a Strategic Partnership. This reflects Australia and Vietnam's mature and diverse bilateral relationship, encompassing wide-ranging cooperation on political issues, trade and investment, education, defence and security, policing and immigration.

Vice President Madam Thinh (April 2018), Prime Minister Phuc (on a Guest of Government visit and for the ASEAN-Australia Special Summit) and Deputy Prime Minister and Foreign Minister Pham Binh Minh all visited Australia.

Defence, police relations and regional security

Formal defence relations between Australia and Vietnam were established in February 1998, with the opening of a Defence Attaché Office at the Australian Embassy in Hanoi in 1999. Vietnam's first Defence Attaché to Australia took up his appointment in Canberra in September 2000.

The bilateral defence relationship includes:

- Regular Australian Defence Force ship visits to Vietnamese ports.
- Training of Vietnamese military officers in Australia under the bilateral Defence Cooperation Program.
- Visits between Australian and Vietnamese senior defence officials.

In October 2010, Australia and Vietnam signed a memorandum of understanding on defence cooperation at the inaugural ASEAN Defence Ministers' Meeting-Plus in Hanoi. In 2012, it was agreed Vietnam and Australia should establish an Annual Defence Ministers' Dialogue. The inaugural meeting was held in Canberra on March 19 2013.

Australia and Vietnam have also held a senior officials-level bilateral regional security dialogue since 1998. The Joint Statement on the Establishment of a Strategic Partnership between Australia and Viet Nam is strengthening bilateral political engagement on foreign and regional issues between these two countries. It has been mutually decided to strengthen further security and law enforcement cooperation, including through an annual Security Dialogue at Vice-Ministerial level and greater exchange of intelligence and information sharing, and capacity building.

Australian Federal Police maintains law enforcement liaison offices in Hanoi and Ho Chi Minh City.

Development cooperation

Australia has an ongoing commitment to development cooperation with Vietnam. Just over AUD 78.2 million in Australian Government development assistance was provided to Vietnam in 2019-20. Australia will continue to support Vietnam's economic reforms by improving market institutions and essential infrastructure, such as the Cao Lanh Bridge.

Australia Awards Scholarships provide opportunities for people from developing countries, particularly those countries located in the Indo-Pacific region (such as Vietnam), to undertake full time undergraduate or postgraduate study at participating Australian universities and Technical and Further Education (TAFE) institutions. The Australian Government strongly encourages people with

disability, from disadvantaged rural areas and from ethnic minorities to apply for the scholarship. This program is expected to promote Vietnam's development with a focus on enhancing the economic participation of women, people with disabilities and ethnic minorities.

The Australian Volunteers for International Development (AVID) program promotes economic growth and poverty reduction in the Indo-Pacific region by assisting host organisations to deliver effective and sustainable development outcomes.

COVID-19 Vaccine Cooperation

Australia has committed a \$40 million package of vaccine-related support to Vietnam. This covers the provision of vaccines, funding for syringes, training of healthcare workers, fridges to maintain cold chain storage, and support for the vaccine rollout in remote provinces.

Education and training

Australia is a leading study destination for Vietnamese students. In 2019, there were over 29,500 enrolments by Vietnamese students in Australian education institutions, making Vietnam one of the largest sources of overseas students along with China, India, Malaysia, Nepal and Brazil.

Australia collaborates on many education and training initiatives with Vietnam, including in quality assurance, qualification recognition and vocational education; facilitating institution-to-institution partnerships; and supporting vibrant Australian alumni associations.

The memorandum of understanding on Cooperation in Education and Training between Vietnam and Australia was first signed in 1994 and was renewed in October 2013.

New Colombo Plan

Under the New Colombo Plan, the Australian Government encourages Australian undergraduates to undertake overseas study and to immerse themselves in the social and academic cultures of other countries. By the end of 2020, more than 3,600 Australian students have received support to study in Vietnam under the New Colombo Plan.

Trade and investment

Over the last five years, Vietnam has been one of Australia's fastest-growing trade markets in the ASEAN region, averaging 14 per cent annual growth in bilateral trade. The extraordinary expansion in the two-way trading relationship is being fuelled by Vietnam's increasing prosperity, and by its gradual lowering of

barriers to trade. The ASEAN–Australia–New Zealand Free Trade Agreement (AANZFTA), which entered into force on January 1 2010, has lowered more barriers and opened the way for further expansion. Added impetus is expected to come through the Regional Comprehensive Economic Partnership (RCEP), which includes both Australia and Vietnam. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a free trade agreement (FTA) between Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam. The CPTPP ensures that the substantial market access package secured in the original TPP is maintained. This market access package will be implemented among the CPTPP Parties, delivering major new opportunities for Australian exporters, investors and firms engaged in business in Vietnam.

Total two-way trade between Australia and Vietnam in 2019-20 totalled over AUD 15.2 billion. This figure included AUD 12.4 billion in goods trade (ranking

Vietnam 13th in the list of Australian trading partners) and just under AUD 2.8 billion in two-way services trade.

Australian investment in Vietnam was valued at almost AUD 2.9 billion in 2019-20, including AUD 2.6 billion of direct foreign direct investment.

The AANZFTA agreement has opened the way for further expansion in both trade and investment between Australia and Vietnam. Among the agreement's main provisions are:

- Elimination of a 5 per cent tariff in 2016 on exports of Australian wheat
- Reduction from 35 per cent to zero by 2018 in the tariff on exports of frozen shrimps and prawns
- Binding of zero per cent tariffs on pure-bred breeding animals and the elimination of a 5 per cent tariff in 2016 on oxen, buffaloes and other live bovine animals.



AUSTRALIA'S TRADE AND INVESTMENT RELATIONSHIP WITH VIETNAM

Australian merchandise trade with Vietnam 2019-20	A\$m	Total share*	Growth (yoy)
Major Australian Exports, 2019-20 (A\$m)	6,258	1.6%	6.1%
Coal	2,151		
Iron ores & concentrates	765		
Cotton	586		
Live animals (excl seafood)	345		
Major Australian Imports, 2019-20 (A\$m)	6,159	2.0%	0.3%
Telecom equipment & parts	1,469		
Footwear	578		
Monitors, projectors & TVs	421		
Furniture, mattresses & cushions	309		
Total trade (exports and imports)	12,416	1.8%	3.1%
Australian services trade with Vietnam 2019-20			
Major Australian service exports, 2019-20 (A\$m)	1,759	1.9%	2.4%
Education-related travel	1,404		
Personal travel excl education	187		
Major Australian service imports, 2019-20 (A\$m)	1,062	1.2%	-37.7%
Personal travel excl education	811		
Transport	131		

Source: Department of Foreign Affairs and Trade's Vietnam fact sheet 2019-20

*Total share of Australia's International Trade

2. Getting started in Vietnam

22



Vietnam is a unique, dynamic market with its own specific practices and features. Understanding these will provide market entrants with a large advantage and provide a pathway to establishment in Vietnam



Knowledge of your target market is essential for business success. The more you can get to grips with the peculiarities of a particular market outside Australia, the better your chances of succeeding. It is important to become informed on a range of subjects – from labour laws and tax matters, to banking provisions and financial regulation. In addition, you should take time to familiarise yourself with cultural norms – particularly as they are practised in business – and the local language. Inadequate research has brought many a market foray unstuck.

There are some general principles to bear in mind when considering cultural and business differences while operating abroad, including some that are unique to Vietnam. This chapter provides detailed information on how to go about researching the Vietnamese market – what to look for and where to find it. It also includes advice on key considerations and decisions to be made before launching your business venture – choosing a location, hiring interpreters, assessing the potential risks of operating in a foreign environment, and potential business structures.

2.1. What you need to consider

Multiple factors should be taken into account when building a strategy for market entry into Vietnam. A strategic and managed approach with extensive prior due diligence will significantly help to overcome teething problems on market entry, and will pay dividends in the long term.

Vietnam is a unique, dynamic market with its own specific practices and features. Understanding these will provide market entrants with a large advantage and provide a pathway to establishment in Vietnam.

Location

There are a diverse range of locations to do business in Vietnam, each offering distinct advantages and challenges. It is critical to do in-depth research to establish which locations may be the most suitable for your business.

Vietnam has seven key geographic regions, with the Northeast and Northwest often grouped together as the 'Northern Highlands'. There are numerous classifications and divisions for the regions in Vietnam, so different terms may be used elsewhere - such as a three-region breakdown that is often used in administration and separates the country into North, Central and South. In total, there are 58 provinces and five municipalities that are made up by the smaller classifications of provincial city, districts, and communes. Each of these seven regions holds distinct traits and advantages. From north to south, these regions comprise:

Northern Highlands: Characterised by vast mountain ranges and rich soils, its economy is dominated by agriculture, mineral resources and hydroelectricity. Large projects such as the Son La Hydroelectric Plant and Dai Thi Hydroelectric Plant are contributing to the region's economic development, as well as improving electricity supply. The mountain soils are ideal for cultivation of medicinal and food plants, as well as trees.

Red River Delta: Home to the Vietnamese capital Hanoi, the Red River Delta region has considerable economic and social advantages. With a population of around 20 million, and more than 100 universities, the local population is among the best educated in Vietnam, and research and technological sectors thrive. The region has good transport links with the rest of the country and with China. Manufacturing industries are significant within the region, and large corporates such as Nokia and Yamaha have

WHERE SHOULD I SET UP MY BUSINESS? FACTORS TO CONSIDER:

- Are there other Australian companies operating there? Why did they choose a particular area?
- Can you use existing Australian relationships there (e.g. a sister city)?
- What are the local costs (i.e. land, labour, utilities)?
- Is the local infrastructure reliable (e.g. the power supply)?
- What is the quality of the existing logistics?
- Are there tax incentives? Is your target location in a free trade zone?
- What are the skill levels of the local labour force?
- Can you take advantage of an existing marketing or distribution network?
- Is the location close to your chosen market and suppliers?
- Do you have a good agent/distributor or business partner there?

established factories in the Red River Delta. Both high-tech manufacturing and Vietnam's prominent textiles sector are important here. It is also a prosperous agricultural region, and 98 per cent of Vietnam's coal reserves are thought to lie there. Fishing and tourism thrive on its coastline.

North Central Coast: Seven districts and one city make up the North Central coast region, which contains a large forest area with valuable tree species and is home to around 8 million people. The labour force is well educated, and the area's economy is increasingly moving towards a service sector orientation. With its beautiful landscapes and coastline, tourism is booming. The deep ports and large estuaries also mean that a significant proportion of Vietnam's large aquaculture industry is located here.



South Central Coast: The South Central Coast region thrives on its maritime heritage and location. The combination of picturesque beaches and mountain regions makes the area popular with tourists – in particular the city of Da Nang. There are numerous world heritage sites. About 20 per cent of Vietnamese seafood comes from this region, including produce from over 60,000 hectares of aquaculture. There is also a well-diversified industrial sector, where textiles, pharmaceuticals, fertiliser and other products are produced – though the region is still not as industrialised as the areas around Hanoi and Ho Chi Minh City.

Central Highlands: This mountainous region has an economy focused on mining of gold, bauxite and gemstones, as well as rapidly expanding hydroelectric projects. The Central Highlands contain more than a third of Vietnam's national forests and is a major centre for tourism, which benefits from a comfortable climate and the diversity of interesting ethnic cultures. It is also here that major coffee and rubber plants exist – driving these lucrative Vietnamese export markets and making the Central Highlands the centre for these important industries.

Southeast: Being home to Ho Chi Minh City (formerly Saigon) and approximately 10 million people, the Southeast region is a long-established international hub, and has often led economic development in

Vietnam, with GDP growth rates of up to twice the national average. Its industrial sector is relatively advanced, and it has a young, educated workforce. Around 50 per cent of the region's population live in urban areas, which is double the average in Vietnam. Manufacturing is starting to move towards hi-tech products, with large FDI flows into the region, though significant rubber and steel operations here are important to the national economy. About 93 per cent of national oil reserves are thought to be located in the region's offshore territory, and investment is being directed towards exploiting natural resources. Ho Chi Minh City is also Vietnam's commercial centre, and leads the way in Vietnam's financial services.

Mekong Delta: The Mekong Delta region is mostly flat and low-lying, which, along with its fertile soil, makes it perfect for the production of rice. Agriculture, including the thriving rice export industry, is the primary sector of the regional economy and the region is the driver of Vietnam's agriculture. Around 65 per cent of the Delta is arable land and as such it produces roughly 55 per cent of Vietnam's rice. Fishing in Vietnam is also centred on this region, which produces approximately 58 per cent of Vietnam's total. However, it receives relatively little in FDI and has only a small industrial base. Its borders with Cambodia also make the Mekong Delta a gateway to other regional nations. The Mekong Delta has a population of around 18 million people.

KEY ECONOMIC REGIONS

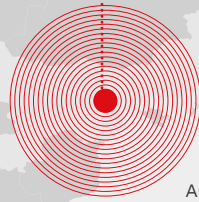
In 2004 the Vietnamese government established three 'Key Economic Regions' and one more in 2009 to encourage and promote the development of advanced industry and foreign participation in the national economy. Since their establishment, the key regions have had annual GDP growth rates well above the national average, and have accounted for 89 per cent of Vietnam's imports and exports. More than 12,000 foreign investment projects making up over 91 per cent of Vietnam's total FDI.

In addition to the four Key Economic Regions, the Vietnamese government has designated a series of development zones (industrial complexes and parks) in which companies that set up are afforded preferential government policy and financial incentives. There are over 300 of these complexes, which include export processing areas, and the government is consistently approving new developments. Around 220 of the current zones are fully operational and an estimated 50 per cent of land is occupied. The government is particularly focusing on eight zones along the coast, which will receive up to 70 per cent of funding for development areas. Two of these are in the Mekong Delta region, with a further two of the targets in northern Vietnam (the Dinh Vu and Van Don zones) and four in the centre of the country - most notably the Dung Quat/Chu Lai Complex. The majority of development zones are located within the key economic zones, with the highest number in the Southern key economic zone (parks in the Ho Chi Minh City area received AUD 6.2 billion (VND 79 trillion) of newly registered capital in 2018). However some parks do fall outside of these areas. The Bin Duong and Dong Nai provinces are the second and third placed regions for project investment value, respectively.

Development zones are a particularly attractive option for foreign businesses wanting to avoid red tape and other bureaucratic financial constraints on their establishment in Vietnam. As such, around 6,000 FDI projects have been attracted to these zones with a value of over AUD 87 billion (VND 1,400 trillion). Development zones tend to have industry specialisation, for example the Saigon Hi-tech Park hosts 80 companies in specific technology areas, and this should be taken account when considering which location may be suitable to establish your operations. Depending upon the location and specialisation, the cost of rent will also vary, and should be taken into account.

NORTHERN Key Economic Region

Specialising in:



AGRICULTURAL



TECHNOLOGY

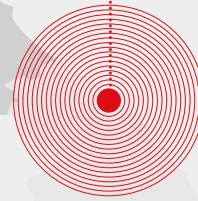


INDUSTRIAL PARKS

The region covers Hanoi, Hung Yen Province, Hai Phong City, Vinh Phuc Province, Bac Ninh Province, Quang Ninh Province, Hai Duong Province and Ha Tay Province.

Central Key Economic Region

Specialising in:



LOGISTICS



OIL AND GAS EXPLORATION



TOURISM



SHIP BUILDING

The region covers: Binh Dinh, Thua Thien Province, Quang Nam and Quang Ngai as well as the city of Da Nang

SOUTHERN Key Economic Region

Specialising in:



MANUFACTURING



TOURISM



FINANCE



EXPORTS

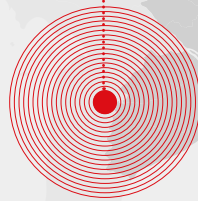


SERVICES

Region covers: Ho Chi Minh City, Long An Province, Binh Duong Province, Binh Phuoc Province, Ba Ria - Vung Tau Province, Tay Ninh Province and Dong Nai Province.

MEKONG Key Economic Region

Specialising in:



AGRICULTURAL



TOURISM



RETAIL

Region covers: Can Tho city, An Giang, Kien Giang and Ca Mau provinces.

There are four types of development zones, each of which provide specific benefits to certain business sectors or company types:

DEVELOPMENT ZONES

INDUSTRIAL



Provide reduced corporate tax levels and land rental exceptions, and focus on manufactured goods.

ECONOMIC



More general in their sector focus, and offer personal income tax reductions and simpler visa conditions for individuals.

EXPORT PROCESSING



Non-tariff areas that reduce customs bureaucracy to smooth the trade process. Three of the four export-processing zones are in Ho Chi Minh City, with the fourth in Tay Ninh Province, in southeast Vietnam.

HIGH-TECH



Specialise in research and development, and provide import tax exemption on certain goods used in high-tech activities.

Using interpreters

Vietnamese is the official language and is spoken across all ethnic groups, although English is spoken widely and understood in business circles, particularly in the major cities. English is increasingly becoming a second language for young Vietnamese, while French, Chinese and Russian are also growing in popularity. Like Chinese, Vietnamese is a tonal language. It has six distinct tones, which assign different meanings to what would otherwise be the same words. One written word can have six totally different meanings. Using the wrong tone can therefore convey an entirely different meaning to what was intended. Care should be taken and clarification sought when necessary.

Using an interpreter won't always be necessary when conducting business in Vietnam, but it can be very helpful during complex negotiations, especially those of a technical nature or when dealing with a large group. Sometimes, local participants in a meeting will start speaking to one another in Vietnamese about aspects of a deal or to clarify aspects of a conversation they may not have fully grasped in English. This can be challenging without the help of an interpreter. While Vietnamese people are generous and usually considerate (often explaining their discussion to their business guests), an interpreter can identify nuances and ensure that you are imparting information that is relevant and effective.

Interpreters are widely available in Vietnam, usually through international and local language schools.

When hiring an interpreter, keep in mind the following:

- Ideally, they should be professionally trained and have experience working with business people.
- They should be familiar with the sort of technical language specific to your business and also with your style of operation.
- Trust is important. You need someone who will give you confidence in communicating with your local business partners, and especially potential new partners and customers.
- Longer term, if you are conducting business negotiations in Vietnam on a very regular or daily basis, you may want to consider employing your own full-time interpreter or bilingual staff.
- Make sure you brief your interpreter extensively ahead of key meetings or appointments so that they understand your needs and ambition. Where relevant, make sure they understand key terminology or specific concepts so that they can articulate this clearly in negotiations.

Translators: Interpreting and translating are two different skill sets, and are not always interchangeable. Interpreters are used for interpreting speech; translators for deciphering the written word. Most translators and interpreters specialise in one or the other discipline.

Finding a good interpreter: A recommendation from a trusted source or contact can be a good way to find a proficient interpreter or translator. But beware – being fluent in both Vietnamese and English does not guarantee that a person will be a good interpreter. And if you are hiring an interpreter on the strength of an advertisement placed on the internet or in a trade directory, make sure you get a reputable third-party endorsement.

Costs of hiring interpreters and translators are likely to vary depending on the nature of the business interaction and the location. The necessity for an interpreter will depend upon the formality and expected intensity of the occasion. Prices can differ greatly with the quality and experience of the interpreter, which should be considered relative to the function that they are required for. Costs are generally higher in Ho Chi Minh City than elsewhere. Charges can range from AUD 6.4 (VND 103,000) to AUD 42.9 (VND 688,000) per hour. Sometimes, it may be best to negotiate a daily rate, especially if you are hoping to cement an ongoing relationship with an interpreter.

Financing your Vietnamese business venture

Before launching in a foreign market like Vietnam, you must get to grips with the likely costs of running your business there, and ensure that your venture is adequately financed. When establishing in Vietnam, you will encounter key differences from Australia in both the costs of setting up and running a business, and in obtaining finance. These differences can include:

- The likelihood of a longer cash flow cycle, and subsequent impact on the company's cash and working capital positions
- Potential alienation from clients through distance, raising the risk of default and a higher degree of difficulty in chasing debts
- Being paid in foreign currencies, introducing foreign exchange risk and a potentially adverse effect on profits
- Limited access to finance, should your local bank be reluctant to accept foreign assets as security for loans

IS VIETNAM A VIABLE OPTION?

Have a detailed financial plan that considers:

- Regular visits to the market and possible provision of samples
 - Hiring dedicated staff in Vietnam to assist with start-up
 - Business advisory services and legal consultants
 - Updates and adjustments as you collect more data and knowledge
 - Scenario planning and risk mitigation
- More time needed to recover any upfront costs associated with setting up overseas, which could put a squeeze on funds needed for domestic operations.

Ensuring that your business is adequately financed will be critical to succeeding, and careful financial planning is a necessity. But one size will not fit all ventures. There are a myriad of financing options to consider, and the right choice for you will turn on variables such as the nature of the proposed business operation, whether you are exporting or importing, and whether you are setting up from scratch or investing in an established business. You may wish to gain access to government grants, tap venture capital or enter some type of equity-sharing arrangement, all of which are becoming increasingly popular. Of course, borrowing from a bank can be the simplest and most straightforward option for many entrepreneurs, and most banks will offer tailored services to business customers.

Venture capital can be an attractive financing vehicle for ventures looking to move into new international markets, especially for operators comfortable with the notion of a third party taking a stake in their business. A starting point for exploring this option would be the website of Australian Private Equity and Venture Capital Association Limited at: www.avcal.com.au.

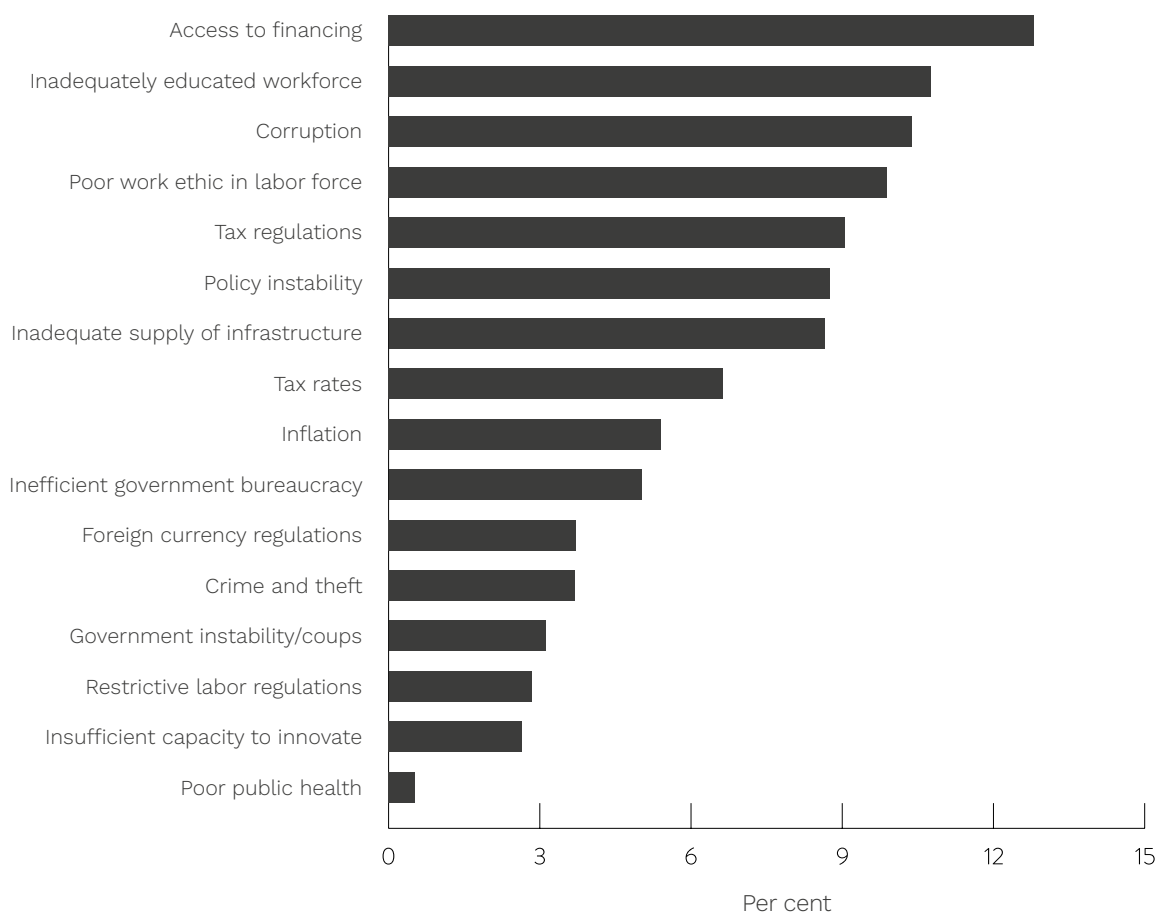
Government assistance in Australia can help bring great ideas to fruition, with both federal and state governments offering a range of help to Australian businesses looking to expand overseas, especially exporters. Assistance can take the form of grants, loan facilities and reimbursement schemes. Information can be sourced from Australia's export credit agency, the Export Finance Insurance Corporation (Efic), at: www.efic.gov.au, as well as the Export Market Development Grants (EMDG) scheme, administered by Austrade, at: www.austrade.gov.au/EMDG.

As well as these sources of finance, business owners might also consider:

- Teaming up with a Vietnamese partner in a joint venture
- Taking on board an equity investor – or so-called “angel investor” – with like-minded goals and a good understanding of your business ambition.

Stock exchange services: Both the Hanoi Stock Exchange and the Ho Chi Minh City Stock Exchange offer services to companies, including information and official notifications of stock activity. Listing and trading on these markets is one way of accessing Vietnamese capital. Reports and further information can be seen on both exchanges' websites. Hanoi – www.hnx.vn, Ho Chi Minh City – www.hsx.vn.

THE MOST PROBLEMATIC FACTORS FOR DOING BUSINESS*



Source: The 2018 World Economic Forum Global Competitiveness Report.

*Ranked by respondents per the perceived top five problematic factors in doing business in Vietnam

2019 BUSINESS CLIMATE INDICATORS Percentile*

GOVERNANCE INDICATORS

Control of corruption



Government effectiveness



Rule of law



Political stability and absence of violence



Regulatory quality



Voice and accountability



0 25 50 75 100

0 25 50 75 100

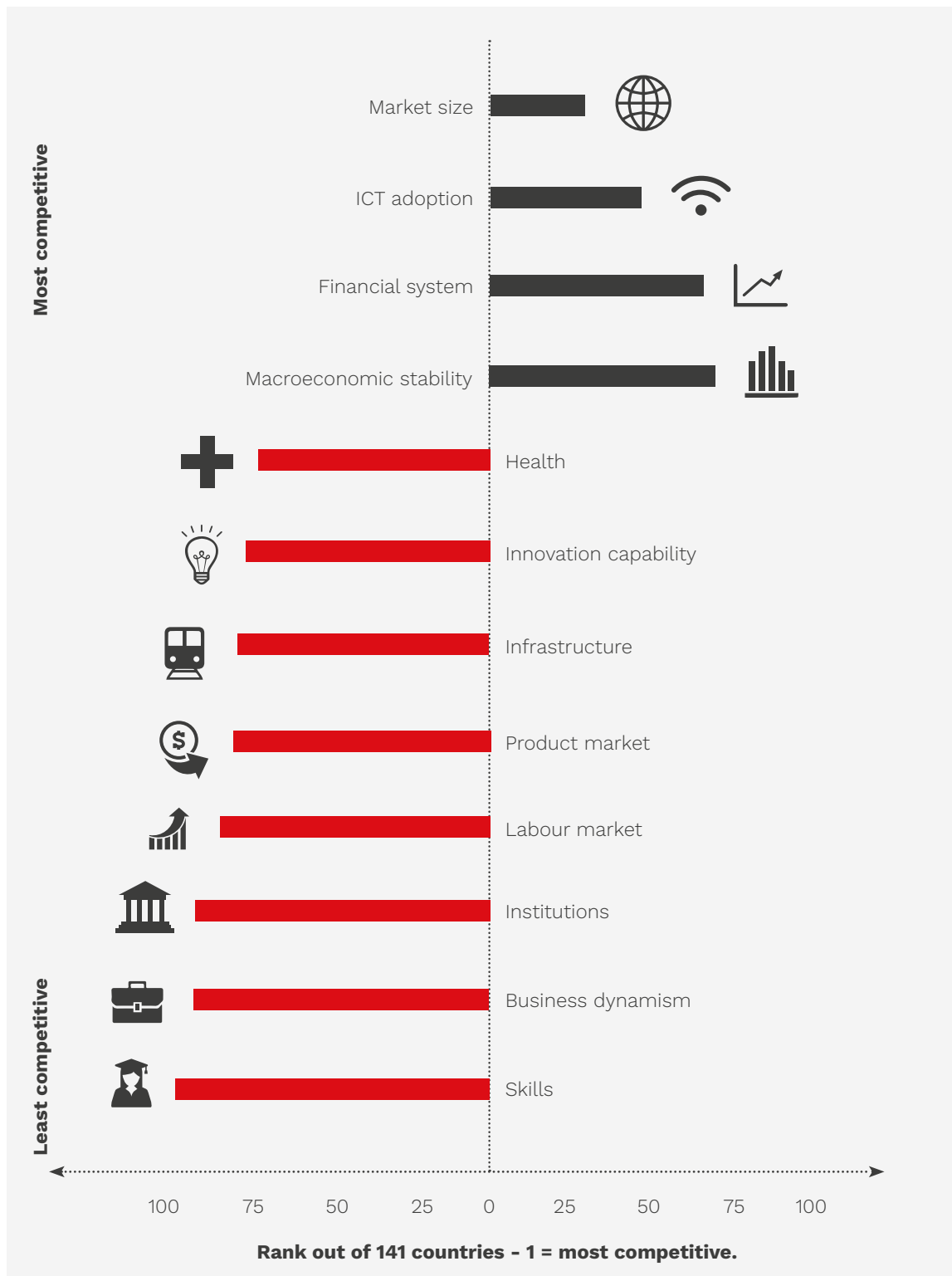
■ Vietnam (%) ■ Lower-middle income (%)

Source: World Bank Worldwide Governance Indicators Project

*Country percentile rank



WORLD ECONOMIC FORUM GLOBAL COMPETITIVENESS RANKINGS 2019



Source: The 2019 World Economic Forum Global Competitiveness Report

*Ranking out of 141 countries

Rank out of
141 countries:
1 being
the most
competitive.

1ST



Vietnam has been ranked 1st in the performance of **inflation**. 3.5% inflation indicates the macroeconomic stability of Vietnam.

14TH



Investment into the **Mobile telephone subscription** sector has enabled mass connectivity across Vietnam.

27TH



Only 1.8% of the loan of total portfolio value is **non-performing loan** (bad-debt) which implies that the financial system of Vietnam is strong and well regulated.

34TH



Strong and consistent economic growth has contributed to greater **GDP** and purchasing opportunities for the Vietnamese people.

37TH



Vietnam is doing well in **shareholder governance** which measures shareholders' rights and roles in corporate governance and secured 32nd position in ranking.

42ND



Vietnam is ranked 42nd in **efficiency in clearing process** which is a good indicator for the potential exporters from Australia.

61ST



With a high level of entrepreneurship and dynamic economy, Vietnam scores well in financing through equity for a developing economy and **venture capital availability**.

70TH



Vietnam has a relatively high **life expectancy** compared to its neighbours, due to an improving healthcare system.

96TH



It is difficult to find **skilled employees** in Vietnam which is due to the poor skillset of the graduates.

103RD



Quality of roads is one of the biggest challenges in Vietnam now.

128TH



Undermined by inefficiency and lack of regulation, **audit-ing and reporting standards** are in need of reform.



COMMON AREAS OF RISK

When doing business overseas, Australians must consider multiple areas of risks and associated potential difficulties. These include:

Political risk: how stable is the market politically, economically and socially?

- Government and international enforced trade embargoes may affect the flow of goods and services and could affect your delivery of goods and getting paid
- Another potential consideration is whether the country complies with international law requirements, such as on human rights, trade sanctions and recognition of personal property rights.

Legal and regulatory risk: Challenges may arise due to differing legal and regulatory systems. For example:

- Common law systems versus civil law systems, IP issues, taxation and auditing requirements
- Differences in contract law: get tailored advice on contract terms due to differences with contract laws

- Access to courts and dispute resolution mechanisms: some countries may not permit local litigation or place restrictions on the types of claims that can be made.

Bribery, graft and corruption risk:

- Bribery, graft and corruption are illegal in most countries. Under Australian law (Division 70 of the Criminal Code Act 1995) you can face criminal prosecution in Australia for bribing a public official in another country.

Exchange rate risk: How will adverse movements in exchange rates impact on your profits?

Non-payment risk: What is the likelihood of your suppliers or customers defaulting or becoming insolvent?



Risks

While it is impossible to totally eliminate risk from any venture, detailed and careful research into an overseas market can minimise risks associated with doing business there. Asia can offer tantalising rewards for well informed and well prepared Australian businesses, but offshore operations can involve a new range of risks. These should be identified and mitigated as much as practicable – and managed carefully once the business is established. Active due diligence must be practised throughout the drafting and execution of business plans.

Vietnam's economic outlook is rated as 'positive' by major credit ratings agencies. The country has a BB credit rating from Standard & Poor's, Ba3 from Moody's and BB from Fitch. Its relatively heavy reliance on export markets, however, is seen as a potential source of future risk. The 2019 World Economic Forum Global Competitiveness report ranked Vietnam 6th in the world for imports as a percentage of GDP. Vietnam also has a relatively high government debt to GDP ratio (64th out of 141 countries), leaving the macroeconomic environment open to some volatility. Vietnam's capital and monetary frameworks are still emerging alongside developing economic policy.

When it comes to the political environment, Vietnam's ruling party has established its generally pro-business credentials. Further stability and assured business conditions are expected after a significant transition in the makeup of the Politburo in January 2016. However, Vietnam still has significant problems with public sector corruption. The Transparency International Corruption Index for 2020 rated Vietnam 104th of 180 countries (the higher the number, the worse the level of corruption). However, Vietnam rates favourably on this measure compared to regional neighbours- Myanmar (137th), Laos (134th), and Cambodia (160th). Australian firms should note that it is illegal under Australian law to engage in corruption in other jurisdictions, and that Australian criminal penalties apply to bribery even when it does not occur in Australia.

Intellectual property

Vietnam's legal framework supporting the protection of intellectual property (IP) is relatively strong. As a member of the World Trade Organisation, Vietnam must adhere to certain common standards. Vietnam is also a signatory to the Paris Convention, the Berne Convention, the Madrid Protocol and the Patent Cooperation Treaty, which collectively recognise equal rights for foreigners and the nationals of signatory states to register trademarks and copyright. They also allow for patent and trademark registrations across multiple countries with the same application.

However, enforcement of intellectual property rights in Vietnam can be an issue, with responsible agencies finding it difficult at times to keep up with rapid changes to the law. Administrative enforcement, the most common way to pursue IP rights, is also complicated by the large number of bodies involved.

While the illegal nature of counterfeiting, particularly of food products and medicines, is widely known in Vietnam, it is not well known that other types of IP infringement are also crimes. With IP legislation continually evolving, businesses looking to invest in Vietnam should take advice from Vietnamese IP experts and conduct diligent checks. The National Office of Intellectual Property of Vietnam can assist with specific local laws and on how to proceed. More information on IP in Vietnam can be found in Chapter 5.



2.2. Researching Vietnam

As emphasised elsewhere in this guide, doing your homework is essential when launching a business venture overseas. Your research must be comprehensive and specific to your target market – in this case, Vietnam – with its unique and various features. These can include:

- Cultural and geographical complexities
- Evolving markets that can shift quickly
- Changing rules, regulations and the focus of enforcement authorities
- Thin consumer data and vagaries of markets and regulations
- A paucity of basic and readily available information on how to navigate processes and laws.

Your research must be broad – covering, for example, general regulatory issues such as import duties – and it must be narrow as well, focusing on very specific issues pertaining to your target market and business plan. What are the market's size and growth prospects? What are its demographics? How many competitors are there and what is the state of local production? How will you distribute your product? Pulling together this information can be straightforward, but the volume of information can also be overwhelming. This section aims to condense key areas that may assist you. However, do not limit your Vietnamese market investigation to the suggestions of this guide.

Firstly, a couple of key alerts:

- Do not make the mistake of focusing on the needs of your own company as opposed to the needs of the Vietnamese market
- It may be necessary to commission professional research that looks specifically at market conditions as they relate to your product and plans. You may also need to travel to Vietnam to familiarise yourself with conditions and the nature of the challenge that awaits you. An internet search alone will likely not suffice.

Getting help

High-profile international accounting and management firms with a major presence in Vietnam are valuable sources of information, as are research-specific organisations. Austrade also offers a range of services to Australian businesses investigating their prospects offshore, including information and various checklists on:

- Market entry and how to grow your business
- Where to establish your business
- Locating on-the-ground contacts and tapping into networks
- Identifying business opportunities.

State and territory government trade offices and the Commonwealth's Export Market Development Grant scheme (EMDG) may also provide support for your venture.

Market visits

While much of your research can be directed from Australia, ultimately you will probably need to visit Vietnam to verify what you have learned and to develop a deeper understanding of your target market, as well as to start making contacts on the ground. It is only once you have started building relationships that you will feel confident negotiating contracts and agreements. As previously outlined, cementing these links requires commitment and focus, but also patience and understanding.

Determine where and when to visit. There are no rules that dictate when you should visit a market, but obviously it makes sense to do so before striking any binding deals, including those with prospective agents, distributors or others with whom you are hoping to partner on future deals. It is usually best not to rush into any new partnership. Rather, meet with several prospective business associates to see what they can bring to the table, giving you a basis for comparison. But try to get as good a handle on the market as you can before meeting, so that you are more able to articulate your vision and handle any questions. Focus on only one or two markets initially to give yourself a greater chance of success.

Plan your trip well in advance. To make sure of a successful visit to Vietnam, you should arrange in-country assistance to plan and map out a program that maximises opportunities. This could take six weeks to prepare properly, but doing so should allow you to meet the right agents and customers who will have been identified according to their interest and suitability. An in-country contact will be alert to local holidays and religious festivals and will be able to plan around them, while advising you on any documentation that needs to be completed before you set off for Vietnam, including your visa and any legal documentation such as financial documents and regulatory information. You will also need to put together any company and product information that you plan to distribute to new contacts and potential partners and customers, as well as business cards.

Do some background reading. It might sound simple, but an easy way to get cracking on your new venture is to simply start reading as much as you can about Vietnam and Vietnamese culture. Simple research can be done via the internet. Go to search engines to call up news articles about the country and consult Vietnam travel guides. Imagine the sort of information that a counterpart from Vietnam would want to know

AN EASY-TO-NAVIGATE, WELL-CONSTRUCTED AND UP-TO-DATE WEBSITE IS CRUCIAL.

It allows you to:

- Present your product to potential overseas customers and business partners in cost-effective ways
- Project an image of a professional and trustworthy business
- Convey that your business is 'modern' and uses new technology
- Avoid problems with time differences
- Introduce, promote new products and sell directly to customers.

if they arrived in Australia looking to connect and do business. Such an exercise may help clarify in your own mind the sort of information that you will need to make the most of a visit. It will also help you to ask better-informed questions about your new business environment and, ultimately, to make sound commercial judgments. Starter guides like this one and others from various sources that focus on more specific business topics are also worth tracking down.

Have a good website before you go. A website can be a two-edged sword: it is a convenient and powerful calling card that allows potential associates and customers to learn about you and your company quickly and efficiently. But a website can turn off clients if it looks shoddy and the information it contains is out of date or indigestible. The best websites are clean and attractive, easy to navigate, informative and up to date. They should present information about your company clearly and concisely, preferably with attractive illustrations and interesting graphics. Remember, a website can also be a form of endorsement; where possible, display customer or client "herograms" and photographs that testify to the quality of your products and services. Ensure that contact details are easy to find and link email addresses with photos of each staff member.

Building relationships and making connections

Don't waste a trip to your target market by arriving unprepared. Save valuable time on the ground in Vietnam by doing as much as possible before leaving Australia, including any training or research that can enlighten you about doing business there and across Southeast Asia. Organisations such as Asialink Business, Austrade, the Export Council of Australia (ECA) and various state and territory government departments are useful first ports of call. The Australian Embassy in Vietnam can also provide assistance and direction for businesses, and will be able to advise on local regulatory and visa issues. Furthermore, attending specialist seminars and courses can allow you to build valuable networks while getting expert advice from people with experience of doing business in Vietnam.

Part of your planning should include arranging as many of your meetings in Vietnam as possible before you leave Australia, while reconfirming these a day in advance. Put together a dossier that maps out your schedule, lists the addresses for meetings and includes some information about the people you are meeting. Pack your business cards: remember to share these routinely and to follow up with people who offer you their cards. It is courteous – and recommended – to send an email within 48 hours of your appointment, thanking your contact for the meeting, while using the opportunity to provide any follow-up information. You should make the point that you intend getting back to the person within a specific timeframe regarding any other requests. Apart from opening channels for future communication, such attention can create a good impression by demonstrating your reliability and professionalism.

Just as you might expect in Australia, joining a business association in Vietnam can be a handy way to make contacts and learn more about contemporary issues playing out in the local business community. In Ho Chi Minh City and Hanoi, for example, there are

numerous country-specific business associations, many long established and with hundreds of members. The Australian Chamber of Commerce in Vietnam (AusCham) is very useful for its network of Australian and Vietnamese businesses operating in both countries. It is the premier association for access, insights and advocacy on Australia-Vietnam business relations, working towards strong links between the private sectors of the two nations. National bodies in Vietnam such as the Invest in Vietnam network also provide insights into inbound investment, and can be vital points of contact when establishing your business in the country.

AusCham Vietnam

The Australian Chamber of Commerce in Vietnam (AusCham) represents and promotes the interests of Australian businesses operating in Vietnam. AusCham provides all its members with a voice to express their views on the business environment in Vietnam, directly within the business community and via our liaison with the Vietnamese Government. They actively co-ordinate a regular program of high profile business seminars, networking and social functions, as well as a number of charity events.

AusCham Vietnam has offices in Ho Chi Minh City (head office) and Hanoi.

Head Office – Ho Chi Minh City

2nd Floor, Eximland Building,
179EF Cach Mang Thang Tam Street,
Ward 5, District 3, HCMC
Tel: (84-8) 3832 9912/13/14
Fax: (84-8) 3832 9915
E: office@auschamvn.org

There are also regional agreements and sister-city relationships between Australian and Vietnamese cities, as well as partnerships between educational establishments. Check with your local government for details.



2.3. Possible business structures

Once you have decided to set up business in Vietnam, there are many elements you need to consider. What type of business will you have? Will it be a joint venture with a Vietnam partner? A Vietnamese registered company? Or will you simply have a branch or representative office? There is no single business structure that holds the key to unlocking the opportunities offered by the Vietnamese market. The channels of entry open to foreign businesses are various, and the one you choose should fundamentally support your company's objectives.

As Vietnam continues to reform its economy, it is gradually becoming an easier place to do business. But it remains, in relative terms, one of the more challenging countries in which to start a business, with a ranking of 115 out of 190 nations in the 2020 World Bank Doing Business report. It takes an average of eight procedures and 16 days to get your business started in Vietnam, though no paid-in minimal capital is required. The time taken is an improvement from previous years, in which it took an average of 22 days to get started, and other areas have gradually improved also.

The Law on Investment (LOI) and Law on Enterprises (LOE), first enacted in 2005 and last updated in 2015, provide the legal underpinning for company structures and guidelines for foreign business activities in Vietnam.

The LOI defines foreign investment and foreign businesses. A foreign investor is defined as someone with foreign nationality or an organisation established under the laws of another country that carries out business activities in Vietnam.

The LOE specifies the different company structures that can be used – limited-liability companies, shareholding companies, partnerships and private enterprises. The amendments that took effect in 2015 did not change the company structures available, but streamlined some areas and clarified some ambiguities in the original legislation.

Limited-liability companies and joint-stock companies are the most common company structures in Vietnam. The main difference between them is that the joint stock company can raise funds by selling shares or securities and the limited-liability company cannot. To join a stock exchange or become a public company, a business must be a joint-stock company. The management system of a joint-stock company is more complicated than for a limited-liability company.

NATIONAL BUSINESS REGISTRATION PORTAL

- For up-to-date information on regulations and Vietnamese government policies affecting business, visit the National Business Registration Portal ran by the Ministry of Planning and Investment.
- The site also acts as a one-stop-shop for the business registration process when starting an enterprise in Vietnam. For more information visit <https://dangkykinhdoanh.gov.vn>

Limited-liability company

A limited-liability company is a legal entity where members contribute capital (known as charter capital) to form a company. Each contributing member's liability is equal to their charter capital contribution. A limited-liability company cannot issue securities or be listed on a stock exchange.

Limited-liability companies can be wholly-foreign owned (where 100 per cent of the members are non-Vietnamese nationals) or a joint venture enterprise with foreign and at least one Vietnamese investor.

Joint-stock company

Joint-stock companies differ from limited liability companies as they are established by issuing shares, not contributions of charter capital. They are the only form of companies that can issue shares and list on stock exchanges under Vietnamese law.

Joint stock companies can be wholly-foreign owned (where 100 per cent of the members are non-Vietnamese nationals) or a joint venture enterprise with foreign and at least one Vietnamese investor. There must be at least three shareholders to establish a joint stock company.

Partnership

A partnership may be established between two or more people, making them 'general' partners. A drawback with this company structure is that general partners have unlimited liability for the operations of the partnership.

Branches

This is not a common form of foreign direct investment and is only permitted in a few sectors, such as banking, securities, insurance and some trading sectors. Branches of foreign companies are different from representative offices in that a branch is permitted to conduct commercial activities in Vietnam.

Representative offices

For businesses looking to explore opportunities in the Vietnamese market, opening a representative office can be a useful and economical first step. Representative offices may not conduct direct commercial or revenue generating activities such as the execution of contracts, receipt of funds, sale or purchase of goods, or provision of services.

Representative offices can provide a wide range of support activities to head offices back in Australia. They are a very common form of presence in Vietnam for foreign companies, particularly those in the first stage of a market entry strategy.

COMPANY SEALS

- Known as *con dấu* in Vietnamese, company seals are an important part of doing business there. They are used alongside signatures to authorise and execute documents.
- Companies may only have one seal, though copies can be made with permission from the Ministry of Public Safety.
- There are no specific requirements for seal design and material, though the company's identity number must be included.
- Company seals can be made at a number of locations in Vietnam.

PROCEDURES, TIME AND COSTS FOR STARTING A LIMITED LIABILITY COMPANY IN VIETNAM

No.	Procedure	Time to Complete	Associated Costs
1	Check the proposed company name, obtain the certificates of business and tax registration and publish the registration contents on the National Business Registration Portal (NBRP)	three days	AUD 6.2 (VND 100,000) (registration, free if online); AUD 18.7 (VND 300,000) (publication)
2	Make a company seal	one day	AUD 28 (VND 450,000) for bronze seal
3	Submit an online notification of the seal-sample	one day	no charge
4	Open a bank account	one day	no charge
5	Approve pre-printed VAT invoices with the Municipal Taxation Department	10 days, simultaneous with previous procedure	about AUD 12.5 (VND 200,000) per book
*6	Pay business licence tax	one day, simultaneous with previous procedure	AUD 125 (VND 2,000,000) (business licence tax)
*7	Register with the local labor office to declare use of labor (Municipal Department for Labor, Invalids and Social Affairs).	one day, simultaneous with previous procedure	no charge
*8	Register employees with the Social Insurance Fund for the payment of health insurance and social insurance.	one day, simultaneous with previous procedure	no charge

**Takes place simultaneously with another procedure*

Source: World Bank 2020

Investment by contract

Business cooperation contracts (BCC)

A BCC is a cooperation agreement between foreign investors and at least one Vietnamese partner in order to carry out specific business activities.

This form of investment does not constitute the creation of a new legal entity. The investors in a BCC generally share the revenues and/or products arising from a BCC and have unlimited liability for the debts of the BCC.

Public and private partnership contracts (PPPs)

PPP contracts are made between government authorities and companies to provide new infrastructure development and public services. PPPs have become increasingly popular with governments around the world as a way of raising funds and transferring risk to the private sector in the provision of major public infrastructure.

The various PPP contract types includes **build-operate-transfer** (BOT), **build-transfer** (BT), **build-transfer-operate** (BTO), **build-own-operate** (BOO), **build-transfer-lease** (BTL), **build -lease-transfer** (BLT) and **operate manage** (O&M).

The Vietnamese government has taken steps to encourage the use of PPP contracts, including with the involvement of foreign companies, but the system remains at a very early stage of development. Targeted sectors for PPP investment in Vietnam include:

- Transportation infrastructures and relevant services
- Lighting systems, clean water supply systems, water drainage systems, water/waste collection and treatment systems, social/resettlement houses, cemeteries
- Power plants and power transmission lines
- Infrastructures for healthcare, educational and training, cultural, sport and relevant services, offices for government authorities
- Infrastructure for commerce, science and technology, hydrometeorology, economic zones, industrial zones, high-tech zones, centralised information technology zones, information technology applications
- Infrastructure for agriculture and rural development, services for enhancing the correlation of agricultural production with processing and consumption of agricultural products.

How does Vietnam rank relative to other countries for ease of doing business? The World Bank and International Finance Corporation have compared 190 nations on nine specific measures related to conducting business activities.



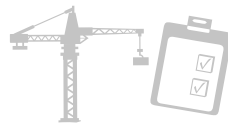
NINE AREAS TO CONSIDER WHEN SETTING UP A BUSINESS IN VIETNAM

STARTING OFF



Starting a business in Vietnam takes an average of eight procedures and 16 days. But the process is inexpensive, with no minimum capital requirements.

DEALING WITH CONSTRUCTION PERMITS



Vietnam ranks well – 25th in the world – for ease of dealing with construction permits. It takes an average of 10 procedures and 166 days to get a permit.

ELECTRICITY CONNECTION



Getting electricity has become much easier in recent years, with Vietnam now ranked 27th in the world. It takes four procedures and 31 days. However, the reliability of supply and cost of connection are issues.

REGISTERING PROPERTY



This is relatively straightforward, with five procedures and little expense. And at 53.5 days, it is quicker than in most comparable economies.

GETTING CREDIT



Thanks to concerted efforts of the Vietnamese government, getting credit is increasingly easier in Vietnam. It is ranked 25th out of 190 economies.

PROTECTING INVESTORS



Protections for minority investors could be improved, with Vietnam ranked 97th in the world.

PAYING TAXES



This has been a problem area in Vietnam, but the most recent ranking of 109th is a significant improvement on previous years. While tax rates are low, businesses spend an average 384 hours annually on tax matters, far higher than the East Asia and Pacific average of 181 hours.

TRADING ACROSS BORDERS



Vietnam is comparable to countries at a similar level of development for ease of cross-border trade, with a ranking of 104.

ENFORCING CONTRACTS AND RESOLVING INSOLVENCY



It takes an average of 400 days at a cost of 29 per cent of the claim to enforce a contract in Vietnam. Resolving insolvency is difficult, earning Vietnam a ranking of 122 on that measure. The recovery rate is low at 21.3 cents in the dollar, and the process takes about five years.



CONTRACT MANUFACTURING IN VIETNAM

Contract manufacturing allows companies to produce goods without operating or owning a factory. Vietnam is an increasingly popular location for contract manufacturing thanks to its affordable and increasingly skilled labour couple with improvements in infrastructure, its legal system and supportive government policy.

2.4. Manufacturing in Vietnam

Vietnam is a thriving centre for manufacturing. Its low-cost, young and increasingly educated workforce, along with its strategic location in Southeast Asia, makes it a magnet for foreign firms wanting to set up factories. Incentives provided by the Vietnamese government, particularly in Key Economic Regions and development zones, have produced a competitive business environment that has lured some of the world's largest and most successful companies. Manufacturing made up 16.7 per cent of GDP in 2019 and will continue to grow as the economy shifts away from agriculture and towards the production of higher-value goods. The high-growth technological community in Vietnam provides an attractive destination for companies seeking an increasingly experienced workforce that won't cost as much as in alternative countries across Asia. The profile of the Vietnamese economy continues to change – moving from agriculture towards manufacturing and greater technological development.

Location and Specialisation

Location is a vital consideration for firms seeking to manufacture goods in Vietnam, with different regions specialising in varying sectors and industries. In the more densely populated cities, for example, infrastructure and concentrated investment allow for heavier industries to grow, while rural areas remain dominated by the extraction of primary resources and agriculture. The textiles industry particularly continues to thrive across Vietnam, and is worth an estimated AUD 56 billion (USD 39 billion) in 2019. Vietnamese

textile and apparel industry got hit by the global pandemic in 2020 and the export revenue is estimate to be AUD 49 billion (USD 34 billion) in 2020.

Establishment

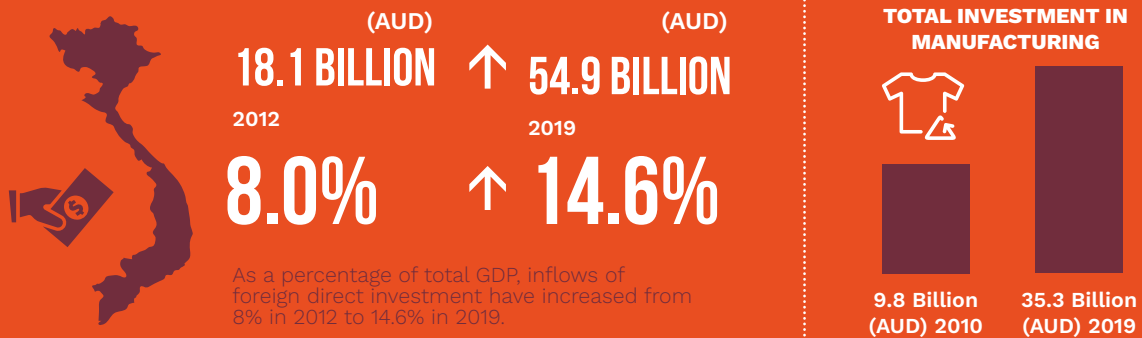
There are numerous options for setting up manufacturing businesses in Vietnam. As well as the choices outlined in section 2.3 of this guide, contract manufacturing is becoming increasingly viable for foreign companies seeking to have clothing or other goods manufactured without having to set up their own facilities. An increasing number of factories are able to adapt quickly to be flexible to the needs of your business. Joint ventures and alternative financing are other options that can be considered when establishing manufacturing operations in Vietnam.

Quality control

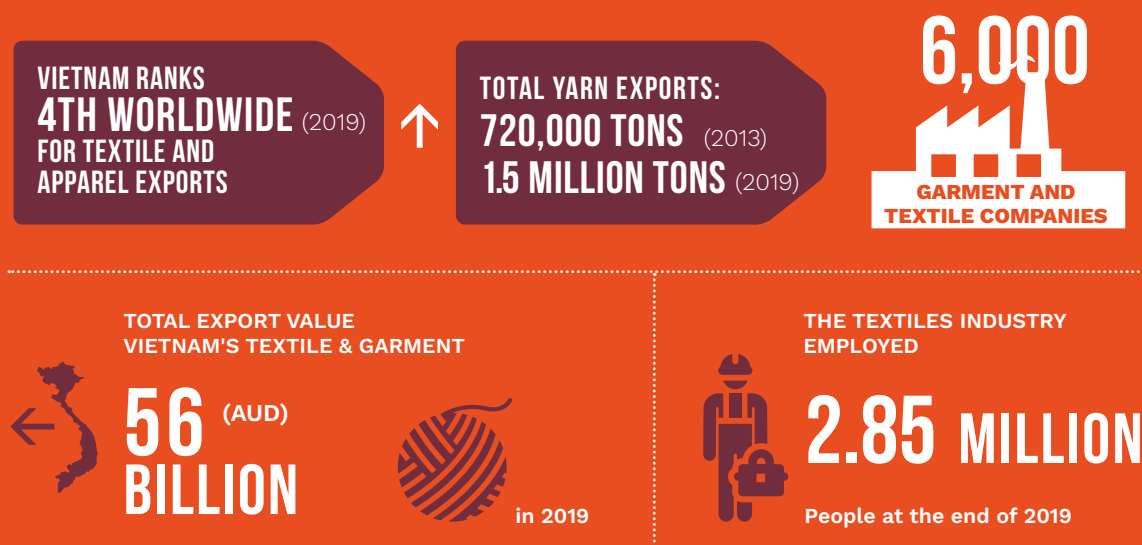
As in any developing country, where the legal system and manufacturing standards are still growing and improving, businesses should be careful to ensure quality control for their products. Businesses should always conduct due diligence and maintain frequent checks to ensure the quality of the product being made.

Manufacturing in Vietnam made up 17% of GDP in 2019. Vietnam's manufacturing sector is particularly strong across two industries – textiles and electronics.

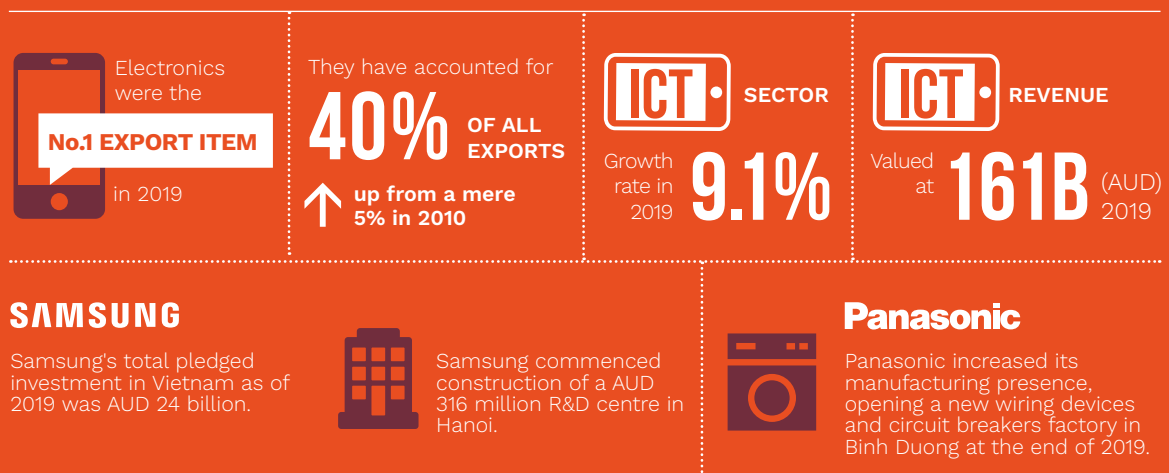
Foreign Investment



Thriving Textile Industry




Electronics



3. Sales and marketing in Vietnam

42



How can you sell and market your products or services in Vietnam? Should you export directly, or use agents or distributors? Should you sell online? Should you set up a franchise? What are the labelling requirements?



There are many choices to make and procedures to follow when marketing and selling your products in the Vietnamese market, and these are discussed in this section. Be aware, however, that the information presented here is not comprehensive; you are strongly advised to conduct due diligence and careful research (beyond this guide) into the marketing and sales strategies that will ensure that your business strategies in Vietnam match your ambitions.

3.1. Direct exporting

Exporting directly to a foreign market means involving yourself with every aspect of exporting, including:

- Market research
- Marketing
- Distribution
- Sales and receivables.

Advantages of direct exporting include:

- Greater control of commercial processes, including sales
- Better margins, as middlemen are avoided
- More direct customer relationships.

While the advantages are clear, going it alone may ultimately involve higher establishment costs in Vietnam, as employing in-house staff and other resources may be necessary to cover various aspects of exporting and sales that you cannot handle alone. To manage some of these costs, you may need to reorganise your company slightly or employ an agent or distributor for part of the process, while still maintaining control over other aspects such as marketing and supply chain.

A potentially lower cost option for exporting directly – particularly if you are selling consumer goods – is to go directly to retailers in the large consumer markets of Hanoi and Ho Chi Minh City. A direct approach to these retailers would be necessary, supported by letters, brochures, catalogues and other information about your business and your products.



This approach also requires regular follow-up contact to build the retailers' awareness and understanding of the products they are selling on your behalf. In return, their intimate knowledge of the Vietnamese market will contribute to the development of your products, pricing and marketing. Selling directly to savvy local retailers can generally cut commissions, reduce expensive travel and create an effective conduit to market.

Agents and distributors

Many Australian firms doing business in international markets rely on agents or distributors. There are key differences in the roles of agents and distributors, and these differences can also vary according to country and industry. It is critical that the roles and responsibilities of prospective overseas representatives are clearly defined in any agreement you have with them. Don't just assume that your agent or distributor will take on the broad array of activities that are generally attributed to such representatives; confirm the specifics in a contract with each operator.

Agents: Agents act as representatives of suppliers, and as such do not take ownership of the products they are trying to sell. They are usually paid on a commission basis, which provides an incentive for them to drive sales of your product. Being based in the target market, they will often represent several complementary products or services. They can be retained exclusively as the sole agent for a company's goods or services or as one of a number of agents for the exporter in a particular market – that is, on a non-exclusive basis.

Distributors: Unlike agents, distributors actually buy the goods from exporters, and then resell them to local customers who may be retailers or direct consumers. In some cases, a distributor may sell to other wholesalers who then on-sell to retailers or consumers. Distributors may carry complementary and competing lines and usually offer after-sales service. They earn money by adding margins to product prices. Distributor margins are generally higher than agent fees because distributors have larger costs – such as for carrying inventory, marketing and extending credit for customers.

Choosing an agent or distributor: Ultimately, whichever your choice, it is essential that you establish a close working relationship with your agent or distributor, one that is built on high levels of trust and regular communication. Be sure to ask your potential agent or distributor for trade references, and you might also seek a credit check through a professional agency to satisfy yourself about their financial stability. It is also best to meet any potential agents or distributors in Vietnam rather than in Australia; this will give them a chance to demonstrate how well they know the market, while providing you with an early opportunity to start building a relationship.

Knowledge of the market: It is vital that your chosen representative has a thorough understanding of the products and prices of your competitors, which will guide you in critical decisions about possible product modification, advertising requirements or changes.

Consider:

- What sort of network and contacts the representative has
- What depth of experience they have in your targeted market sector. (There may often be a trade-off: a well-established company with a good network of contacts might be inflexible and less open to innovative practices. Alternatively, newcomers might lack experience of the sector but be brimming with enthusiasm and energy, and out to prove themselves. Weighing the merits of these alternative profiles can be important)
- The extent and depth of their knowledge of the local market. The more experienced and tuned in, the more likely a representative will be able to identify opportunities and assist you in your marketing.

WHY USE AN AGENT?

Generally cheaper than a distributor.



You have greater control over terms of sale and marketing, and choice of customers to deal with.



Direct contact between manufacturer and customer.

WHY USE A DISTRIBUTOR?

You can pass a great degree of risk onto them.



A distributor has greater incentive to sell your product as they also have to cover the costs of holding stock.



Only have to monitor distributor's accounts rather than all customers.

WHY NOT USE AN AGENT?

It may have tax implications (check the relevant laws for that area).



Maintaining stock inventory can be costly.



An agent may be selling products that compete with yours.

WHY NOT USE A DISTRIBUTOR?

Less control over marketing, terms of sale etc.



The credit risk is with the distributor rather than with customers.



Distribution agreements regulated by local competition law.



3.2. Direct selling

Not every business will choose to access the Vietnamese market through agents and distributors. Alternatively, you may choose to use direct sellers to directly contact end users of your products or services. The Vietnamese direct selling industry is worth USD 623 million (AUD 900 million) and, after online sales, was the second most important non-store retailing channel in Vietnam in 2019. In 2019, the largest direct seller in Vietnam was Amway, with Herbalife and Nu Skin Enterprises recording the highest increase in value share over that year. In 2014, the Vietnamese government introduced regulations stipulating all individuals involved in direct selling activity must be certified by the Vietnam Competition Authority. These regulations were introduced to promote professional conduct amongst direct sellers as well as to increase buyers' trust that such multi-level marketing organisations are selling legitimate products and have a sound business model, as distinct from illegal pyramid schemes.

Direct selling tends to be an unorthodox mode of market entry, particularly given the ease and market penetration capability offered by online sales. It is important to consider how direct selling can be beneficial and challenging for an Australian businessperson entering the Vietnamese market.

On the upside:

- It can eliminate the expense of using middlemen
- It gives you a first-hand opportunity to get to know the needs of your customers and the chance to customise your product accordingly.

But there are distinct downsides:

- You will need to spend a considerable amount of time in Vietnam if you plan to make direct sales to one customer at a time
- A direct selling strategy can require establishing a strong and extensive network of sales agents to cover a diverse geographical area and to scale up your business.

Direct to end users: A further consequence of selling directly to end users means taking charge of all market research and marketing, as well as distribution, shipment, warehousing and delivery, customer and after-sales services and the sales order, billing and collection processes all from Australia, unless you choose to relocate to Vietnam.

To achieve scale in your business, you will need to hire salespeople who buy your product and on-sell it directly to customers. You may also choose to sell directly to retailers, targeting the bigger populations of Hanoi and Ho Chi Minh City. In both cases, it is important to have a suite of marketing materials such as brochures, catalogues and so forth. This approach also requires regular follow-up contact to build your salespeople's or retailers' awareness and understanding of the products they are selling on your behalf. In return, their intimate knowledge of the Vietnamese market will contribute to the development of your products, pricing and marketing. Selling directly to savvy local retailers can generally cut commissions, reduce expensive travel and create an effective conduit to market.

3.3. Franchising

The virtues of franchising are well documented. There are plenty of examples of successful businesses that leverage a great idea or business model by leasing it to others. The practice allows business owners to retain a measure of control while harnessing the energy of franchisees to drive expansion. Franchises project a company's reputation and brand, and while it can prove expensive, building a network of franchises is generally cheaper than owning and operating your own retail or branch offices in foreign markets.

In a franchising arrangement, a franchisee is given the right to use the goodwill of a known firm, company or corporation. Franchising agreements are defined clearly in a contract between the owner of the business and the franchisee, which governs the rights, duties and obligations of both parties.

As a method of organising a business, franchising has been growing by around 15 to 20 per cent per year in Vietnam, with more than 170 international companies now franchising there. When franchising began to emerge in Vietnam in the early 1990s, it was mostly through American and European firms. Vietnamese companies have become active in the franchise game, with Pho 24 and Trung Nguyen Coffee among the more prominent operators. Similarly, franchisors from other Asian countries have looked to exploit the space. Japanese chain FamilyMart has opened 130 stores within eight years of establishment in the Vietnamese market. This acceleration in the number of franchises has been driven in part by Vietnam's joining of the WTO in 2007, which has opened up its consumer market.

Most franchises in Vietnam are fast food chains. Global brands including KFC, Domino's Pizza, Hard Rock Cafe and McDonald's have a large presence.



But there is plenty of room for expansion in other sectors, where franchising remains a relatively rare business model, and for continued expansion in food and beverage. As Vietnamese incomes rise, there will be more demand for entertainment and lifestyle products, and higher-quality consumables, all of which will be potentially open to international franchising.

Certain criteria must be met before opening a franchise in Vietnam, including:

- The franchise must have been established and operational in another country for at least a year
- The operation must be registered with relevant state authorities before transactions commence
- Products and services sold are subject to Vietnamese laws.

The 2005 Commercial Law, 2005 Intellectual Property Law and 2006 Technology Transfer Law are all important in governing franchising. Applying the 2005 Commercial Law, Decree No.35/2006/ND-CP outlines the more general provisions regarding franchising. This has been built upon with Decree 120 and Circular 09 to form the basis of Vietnam's franchise regulation. Franchise activities are governed by The Ministry of Industry and Trade (MoIT).

Businesses looking to enter a franchising agreement are required to register their proposed operation with the MoIT. It costs AUD 1,028 (VND 16,500,000) to register new franchise operations, and AUD 374 (VND 6,000,000) for amendments. Franchise agreements are not given a maximum duration.



Applications for registrations should contain the following, with Vietnamese translations if completed in another language:

- Application for registration of franchising activity (standard form)
- Introduction letter on the franchise system (standard form)
- Certified copy of the franchisor's business registration
- Certified copies of intellectual property rights owned by the franchisor.

3.4. Licensing

Licensing can be a speedy and convenient way to sell intellectual property rights including trademarks, design and patent rights, copyright and software into a foreign market such as Vietnam. Licensing allows rapid market entry, and limited capital is required as it is not necessary to establish expensive production facilities. In order to nullify risks in licence dealings, recognised contracts or agreements need to be in place to protect intellectual property. Licence arrangements must meet international and Vietnamese laws to ensure security.

The Vietnamese Government is a large customer for licences, especially in software. Around 30 per cent of IT software spending in Vietnam stems from the Government's efforts to roll out e-governance

services. About 1000 companies operate in the software sector, and software sales in Vietnam are thought to have exceeded hardware sales in recent years. As internet penetration continues to grow, opportunities to license digital content will also become prominent – an estimated more than 10 per cent of Vietnamese businesses use Consumer Relationship Management (CRM) software.

3.5. Online sales

The continued growth of Vietnam's internet and mobile user base will extend opportunities in online selling. However, not all Vietnamese have access to these technologies, and the volume of online sales is still modest relative to those in more advanced economies. Selling online in Vietnam should therefore be considered alongside other options to reach the rest of the market.

Nonetheless, Vietnam has seen huge growth in internet uptake in recent years, and the Government is keen to further increase access to online technologies. Reflecting its developing nation status, Vietnam was ranked 66th out of 141 countries in the 2019 World Economic Forum report for internet usage. However, when compared to many surrounding states such as Cambodia (99th) and Laos (117th), Vietnam has a high rating for the region. Nearly 70 per cent of the Vietnamese population (around 67 million) now have access to the internet. This figure will continue to increase, as will the average online spend per user.

According to the Ministry of Industry and Trade's e-Commerce and Digital Economy Agency (iDEA), up to 55 per cent of the Vietnamese population will participate in online shopping by 2025, with an average annual spend of USD 600 (AUD 830) per person.

The potential for online selling is enormous, particularly as some of the challenges that have held Vietnam back from a large online sales sector are on the brink of being solved. While the level of online sales currently reflects Vietnam's developing status, it will continue to grow, and Australian businesses looking to sell in Vietnam could take advantage of this upward trajectory.

Accessing consumers: The value of e-commerce conducted in Vietnam is forecast to exceed AUD 14 billion (VND 224 trillion) in 2021, representing a 150% growth from 2016. Growth has been held back due to the traditional preference of Vietnamese consumers to see a product physically before purchase. Marketing is therefore vital in order to establish trust and brand loyalty online.

The most popular products sold online tend to be in the same categories as those in more developed countries – fashion, electronics and home appliances. While electronics is the biggest online seller by total value, clothes and cosmetics together make up the highest volume of sales. More than 60 per cent of Vietnamese e-commerce consumers have at some point shopped online for clothes and/or cosmetics.

Search engines: Google is the dominant search engine in Vietnam, commanding an estimated 92.3 per cent of the market. Yahoo and Bing have market shares of 1.1 per cent and 0.83 per cent respectively. Baidu, though very popular in China, carries only about 0.11 per cent of search engine traffic in Vietnam. New entrants have attempted to penetrate the market with services in Vietnamese and with a greater amount of local information than Google provides – the most notable of these being Coc Coc, a Russian-backed search engine. Coc Coc has secured 5.3% market share as of March 2020.

Online sellers and marketplaces: While global e-commerce sites such as Amazon and eBay are available in Vietnam, local sites such as Tiki.vn, Lazada.vn and Sendo.vn dominate online selling in Vietnam.

- Tiki is a business-to-consumer (B2C) e-commerce site selling goods ranging from electronics, homewares and fashion and many more. Books and stationary are Tiki's biggest sellers. www.tiki.vn
- Lazada is also a B2C e-commerce site selling a range of goods. Founded in Singapore, Lazada is active across Southeast Asia. Lazada is estimated to have 30 to 35 per cent of the e-commerce market in Vietnam. www.lazada.vn

MOST POPULAR SITES IN VIETNAM:

 **Google.com.vn**

 **Coc Coc.com**

 **Vnexpress.net**

 **Zing.vn**

 **Yahoo.com**

 **Youtube.com**

 **Facebook.com**

 **Dantri.com.vn**

 **24h.com.vn**

 **mediafire.com**

- Sendo kept its growth momentum to surpass Tiki and Lazada, reaching the second rank with 30.9 million visits. www.sendo.vn

Social media: Facebook has a significant presence in Vietnam – at last count it had an estimated 43.1 million users and 410 million page views per month. Another popular social network in Vietnam is Zing Me. The Government's social media site go.vn also leads Facebook, with around 750 million page views per month. Zing Me tends to attract those interested in arts and entertainment, while go.vn is focused on history and news. Users of social media in Vietnam should note the Government's rules on censorship and content – particularly the 2010 Law on Telecommunications.

More than half of mobile users in Vietnam use their phones for shopping, which means there is a significant opportunity to develop options for m-commerce (commercial transactions conducted electronically by mobile phone). Instagram has also grown in Vietnam and it now carries advertisements for Vietnamese products.

Online payment methods: The majority of payments for goods purchased online are still made by cash, with high banking fees discouraging consumers from alternative methods. Locals are also becoming

more wary of online fraud and computer viruses. At last count, 51 per cent of online shoppers were thought to have paid cash on delivery, with credit cards accounting for just 11 per cent of sales. As banking increases in sophistication in Vietnam and technologies diffuse to allow for more secure internet platforms, the ease of purchasing will likely increase and lead to improved sales.

3.6. Marketing

To survive and succeed with your product or service in the Vietnamese market, you will need more than a marketing strategy – you must be prepared to conduct regular reassessment and tailoring of your strategy to suit Vietnam.

A useful starting point for your marketing campaign in Vietnam could be to take part in an exhibition or a trade show. These are productive ways to reach out to new consumer bases and potential clients, while also offering useful insights into the operations of competitors and other businesses that are exhibiting. For all your marketing and promotional efforts – at exhibitions or anywhere else you are trying to draw attention to your product – it is essential that information about your products, including technical specifications, is translated into Vietnamese to reach the greatest number of potential customers.

You should also note that advertising is heavily regulated in Vietnam, with the Government requiring registration for firms seeking to advertise in the pharmaceutical, agricultural and cosmetics sectors, and limitations in the mass media on advertising alcohol and tobacco products. Limits on advertising expenditure also exist, so you should check the rules applying to your specific business sector. It may be worth consulting the 2013 Advertising Law to get a more detailed picture of the legal environment for advertising.

Product and service adaptations

One of the keys to succeeding overseas can be to tailor or refine your product range to meet the specific cultural demands of a market. For example, many western fast food chains produce rice and noodle variations of some of their menu items in order to appeal to Asian markets. Vietnamese cultural norms should therefore be deeply considered when entering the market – slight modifications to an already successful foreign product can significantly boost sales.

Demographics can also play a large role in the success or otherwise of market entry. Age, gender and affluence, alongside many other factors, should be considered when developing your marketing strategy. One of the notable demographic features of Vietnam

is its youthful population – 23.2 per cent of the population in 2020 were under age 15. It is possible that this could merit a greater focus on tailoring your product to a younger target audience, if practicable. In general, tailoring your product to specific target audiences will aid the focus and direction of your business strategy.

It is also necessary for products and services to meet local laws and regulations before entering the market. Careful attention must be paid to the different health and safety, commercial and intellectual property issues that apply in various sectors of the economy. The Law on Trade guides regulations on imports and should be consulted alongside the 2018 Competition Law, 2018 Cybersecurity Law, 2005 Commercial Law and 2005 Enterprise Law. The 2011 Law on Consumer Protection outlines the standards that must be met by products and warranties that must be guaranteed. Adapting to these requirements of the market will make business operations far smoother and ensure that the correct standards are maintained for the Vietnamese market. More detailed advice is available from Vietnamese Customs at: <http://www.customs.gov.vn>.

Price consciousness

Although Vietnam's economy is growing rapidly, average incomes remain low relative to other more developed Asian countries. This means that you might have to be more conscious of how you price your product in Vietnam if you are targeting ordinary consumers.

Branding

Branding your product thoughtfully is as critical in Vietnam as in any market, and companies need to research and understand the specific tastes of consumers to achieve success. In Vietnam, as in much of Asia, prominent high-quality brands are in demand as a representation of the wearer's status. According to one survey, more than 60 per cent of Asian consumers are willing to pay more for a designer product, making the region possibly the most brand-conscious in the world. While this can be a disadvantage for brands that are not so well known, it is still possible to establish a reputation in the Vietnamese market through carefully targeted investment and promotion.

Australian firms in some sectors enjoy a branding advantage by simple virtue of their products being made in Australia. Generally, Australian products have a strong reputation in Vietnam – they are seen as well-made and trustworthy. Hence, an emphasis of Australian origin could be a potential marketing tool for firms expanding into Vietnam, particularly firms in the food and beverage and agricultural sectors.



When branding a product for Asian markets, foreign companies should be careful to acknowledge cultural symbols that may or may not be seen as having positive representations and meanings. In Vietnam, companies should be particularly sensitive to any material that could be seen to offend the Government, or the conservative values of Confucianism. See section 1.2 for an explanation of Confucianism in Vietnam and some ways to negotiate cultural difference.

Advertising and media

Australian businesses looking to promote their products or services in Vietnam will find a number of local and international advertising and media companies from which to source professional help. There are more than 1000 domestic advertising companies, and 30 offices of major international media brands to choose from. The Ministry of Information and Communications regulates broadcasting and other media in Vietnam.

Although the Vietnamese population is young – driving the uptake of mobile technologies and internet usage – the penetration of these media types remains limited by international standards, so traditional media could also form an important part of your strategy. Television and print media advertisements remain a highly trusted marketing source across Southeast Asia, and continue to reach the masses. However,

you should ensure that your marketing strategy also reflects the rapid uptake of mobile and internet technology.

Media outlets in Vietnam are careful about the content that they carry, avoiding contentious and sensitive issues. The 2010 Law on Telecommunications should be consulted, with particular attention to Decree 72, which in 2013 banned the use of social networks and personal blogs to discuss or share breaking news. The 2013 Advertising Law details allowances and certain products that are restricted in their marketing, and should also be carefully checked.

Foreign businesses should consider advertising in both English and Vietnamese – particularly with the growing use of English in Vietnam. When translating from English, however, care should be taken to ensure that the meanings in Vietnamese do not have negative or embarrassing connotations. Local interpreters will aid in ensuring the linguistic suitability of your campaign. Section 2.1 of this guide lists key considerations when seeking these types of services.

Sales promotions may also form an important part of your strategy in Vietnam, helping to establish your brand with high-impact campaigns. Providing special discounts and events centred on your brand can be an effective way to build consumer loyalty and bring attention to your product – particularly if your target sector is crowded with incumbents.



Television: The state-run network VTV hosts nine channels alongside numerous regional channels. Pay TV services are also becoming popular. The Ho Chi Minh Television (HTV) network is the second biggest after VTV. You should note that foreign television broadcasts are played on a 30-minute delay and are subject to censoring. The PAL transmission standard, used across Australasia and Western Europe, also applies in Vietnam.

Radio: There are nine state-run national radio stations in the Voice of Vietnam (VoV) network. VoV 5 is broadcast in multiple languages including English, Russian and French. Most cities and local areas also have their own stations, which are outside of the VoV network.

Print media: Vietnam has a diverse print media. The best-selling daily papers are Tuoi Tre and Thanh Nien – both published by youth organisations in Ho Chi Minh City. Nhan Dan is the major national paper and Communist Party media outlet. Both English and French language news is available, with most of the major press organisations publishing in both languages, as well as specific papers such as the Vietnam News and Le Courier du Vietnam. Online news is increasing in popularity, and most of the major papers have websites. VietNamNet and VnExpress are two of the larger online offerings.

The largest online newspapers are Zing.vn, VnExpress, VietNamNet, Tuoi Tre, Thanh Nien, Dan Tri, VTC News, and VietnamPlus.

Magazines, including many of the major Western titles, are widely available. Numerous Vietnamese publications cater to the booming lifestyle and entertainment sectors. Business and current affairs magazines are also popular, with Vietnamese translations of Forbes available alongside local publications such as the Saigon Times.

Direct marketing: Direct marketing methods such as text, email, fliers and telemarketing are growing in popularity in Vietnam. These methods remain somewhat limited due to a lack of consumer data and accessibility to mailing lists, but will grow in importance as internet and mobile phone usage expands.

There are a number of regulations governing direct marketing in Vietnam, and these have undergone significant changes in recent years. It may be worth seeking professional advice on the current regulations before launching a campaign.

3.7. Labelling requirements

Australian businesses seeking to export to Vietnam should collaborate closely with their Vietnamese counterparts to ensure their products are appropriately – and legally – labelled and marked. Labels should always be clear, accurate and consistent. Industry-specific information about labelling can be sourced from the Vietnam Trade Promotion Agency – www.vietrade.gov.vn, and the Vietnamese Ministry of Science and Technology, which manages labelling requirements through the Directorate for Standards and Quality. The Regulation on Labels and Decree No.89/2006/ND-CP govern labelling. Decree No. 43/2017-CP on Goods Labels prescribes the contents and ways of recording, and guide management of the label of goods circulated in Vietnam and imported goods. The 2011 Law on Consumer Protection also provides frameworks for advertising and information on products. Australian exporters are encouraged to re-confirm these requirements with their Vietnamese contacts before dispatching products.

In general, goods imported into Vietnam should be labelled in Vietnamese with:

- The name of the products
- Business name and address
- Origin of the products
- Specific requirements of the sector to which the product belongs.

Additional information requirements can apply to the labelling of some products. Imported pharmaceuticals are subject to particularly detailed labelling rules; information on product use, dosage and expiry dates must be written in Vietnamese on the product.

Various goods do not require labelling. When sold without packaging and directly to a buyer under prior agreements, the following may not need labels:

- Live, fresh foodstuff
- Processed foodstuff
- Fuel
- Raw materials
- Construction materials
- Waste
- Goods required for security and national defence.





Packaging

Packaging should be hardy and able to maintain its integrity in extreme weather conditions – including heat and humidity. Goods should be waterproofed, as imports can often be landed in open barges and left in the open when in transit. Materials such as hay and straw should be avoided. Your distributor should be a good source of advice on what kind of packaging is suitable.

Marking and barcodes: Vietnam uses the GS1 standard barcode system on its products and electronic sale systems. To register barcodes and obtain assistance, businesses can contact the GS1 Vietnam team at: <http://gs1.org.vn/en>.

Special certificates: Certain types of organic materials and animals entering Vietnam require clearance and additional checks before entry into the country. Animals and animal products must be examined by veterinarians on departure and quarantined on arrival in order to secure a certificate of quarantine. If the correct files are submitted and the animal does not exhibit signs of disease, then

this will ease the process of gaining certification for Vietnamese Customs. For plants a similar process exists, where certificates of quarantine are issued on approval from state authorities and the meeting of health and security standards.

Food products for consumption in Vietnam require a certificate of analysis for entry into the country, and pharmaceutical products need to be registered and approved by the Ministry of Health.

Goods that have preferential tax and import arrangements under AANZFTA require a certificate of origin issued in the exporting country. The Australia Industry Group can assist with certificates of origin.

A copy of the insurance certificate for a shipment should be included with your goods, alongside shipping documents. A commercial invoice should also be included, noting a complete description of the contents, product codes, invoice number, volume, net and gross weights, net value at market price, and the country of origin. Diligence and clarity as to what certificates and regulations are applicable will ensure that trading with Vietnam goes smoothly.



The Fred Hollows Foundation

Brian Doolan, CEO

When Brian Doolan landed in Hanoi in 1995 he found streets filled with pushbikes and motorbikes, “and if you wanted a video player you had to fly to Ho Chi Minh City”. Twenty years on, Vietnam is a nation of motorcars, transformed from relative poverty to middle-income status via a natural entrepreneurial spirit and a government intent on modernisation.

Vietnam, says The Fred Hollows Foundation CEO, is a nation “shaking with energy”, and Australian firms hoping to operate there will need to think on their feet and be ready to adapt.

“Change management and openness to change is fundamental to enjoying the experience in Vietnam because nothing stands still,” Doolan says. “People are sponges for new information, new skills, new experience. People don’t stay static. Change is a constant.”

Mr Doolan entered Vietnam as Country Director for Care International, and later worked on factory worker support programs throughout the region for global companies including Nike and Gap.

The Fred Hollows Foundation started working in Vietnam in 1993, one of the first projects in Professor Fred Hollows’ mission to eradicate avoidable blindness, often caused by cataracts. Doolan offers a stunning comparison to illustrate the Foundation’s work: in 1992 about 900 cataract operations a year were performed in Vietnam using modern techniques; today the figure is more than 250,000.

The Foundation has adapted its aims and programs to match Vietnam’s rapidly evolving needs and priorities. It began by training local people to perform eye surgery, then supported them with modern equipment and facilities, and now partners with universities to ensure a

consistent eye health national curriculum. It has worked with government at every step, from local and provincial level to involvement in the national health plan and the current rollout of health insurance.

While Mr Doolan advises business people to tap the Australian Chamber of Commerce in Vietnam early for local advice, he says they should also consider approaching government if they encounter problems.

“Talk to them, get an appointment, don’t be afraid of doing that because if you can present a line of logic behind anything in Vietnam, as long as people can see what it is – this leads to that leads to that – then it’s possible, as long as it’s legal and moral,” he says. “Don’t go there to tell them what you want, go to seek their guidance, seek their help and you’ll find people will be more than happy, where they can, to do that.”

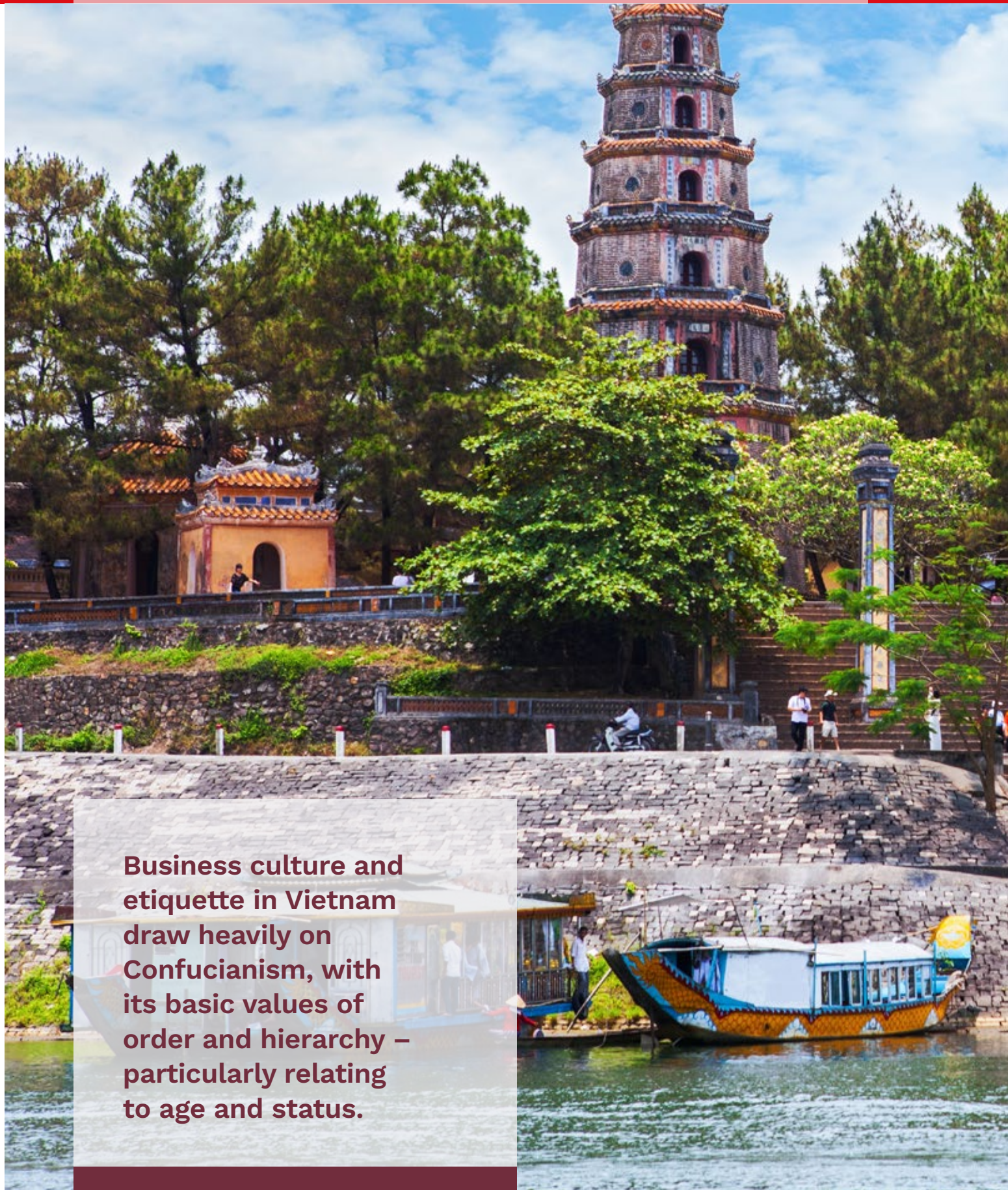
In a nation of entrepreneurs, the Vietnamese will give “120 per cent effort” in the workplace, he says, but most will then head to second or even third jobs with family or side businesses after hours. “Everyone is looking for opportunities and taking opportunities so if you’re a business person it’s a place to be inspired by everyone around you.”

“They are really smart people, they pick up skills very quickly, and people are very honest. If you treat people honourably you’ll be treated very well. If you are going there because you think you can take advantage of a cheaper labour force you’re probably going to come a cropper.”

Doolan stresses that relationships in Vietnam, as in many Asian nations, are “everything”. “Sometimes it takes 12 months or 24 months or even three years to really establish proper trusting relationships,” he says. “But that is the key to both business success and the key to personal enjoyment, because forming those relationships gives you such a rich experience.”

4. Conducting business in Vietnam

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Business culture and etiquette in Vietnam draw heavily on Confucianism, with its basic values of order and hierarchy – particularly relating to age and status.



To build relationships with contacts and prospective business partners in Vietnam, it is crucial to become familiar with local business etiquette and culture. An appreciation of local practices and customs will help to smooth your path in meetings, negotiations and other situations where you will encounter significant cultural differences with Australia. This chapter will help to guide you through some of the essential elements of conducting business in Vietnam.

4.1. Vietnamese culture and business etiquette

When dealing with any foreign culture, respect for the traditions and beliefs of your hosts is essential. Be aware, however, that culture is not an entirely uniform set of standards; individuals within a culture can have different ideas of what is acceptable and polite in a business situation. At times you will need to apply your personal judgment, alongside strategies specific to Vietnamese culture, to navigate your way through negotiations and meetings.

Business culture

Business culture and etiquette in Vietnam draw heavily on Confucianism, with its basic values of order and hierarchy – particularly relating to age and status. Status is mostly determined by someone's formal position and reputation within an organisation, and Vietnamese businesspeople will expect to meet and interact with Australians of equivalent status. Hierarchy will strongly affect how people interact, with those of lower standing – including younger people – expected to be more circumspect in dealings with superiors.

As in many Asian countries, the concept of saving or preserving 'face' is paramount in Vietnamese society and business. You should avoid openly criticising or causing embarrassment to individuals; instead, it will advance your cause to remain calm and diplomatic, and not to show overt signs of anger – regardless of how you might actually be feeling. In this context, don't be surprised if your counterparts go silent during a meeting – if there is disagreement, the Vietnamese will often stay quiet so as to not criticise the speaker openly and cause them to lose face.

Gift giving is an important part of Vietnamese business culture, and must be done in certain ways to maintain 'face'. Gifts, often given during a meal or at the end of a meeting, should be modest in size and value – representing a token of your appreciation and respect. Gifts that are too expensive or large may induce a feeling of inadequacy in the recipient which would affect their standing, or 'face'. Distinctively Australian gifts, such as a bottle of good Australian wine, will be warmly received. If you are invited to a Vietnamese person's home, gifts to your host such as fruit, sweets and flowers would be appreciated. Handkerchiefs, chrysanthemums or gifts coloured black and yellow should be avoided for their negative connotations. Knives, cutlery and sharp objects should also be avoided as they may imply a cutting of the relationship. Any gifts should be colourfully and attractively wrapped, but not in black paper as this represents funerals. When presented with a gift, ask your host whether you should open it at the meeting. Similarly, give them the option to open your gift when they choose.

When giving gifts, be careful not to do anything that might contravene Australia's anti-corruption laws. Information about these laws can be obtained from the Australian Government's Attorney-General Department at: <https://www.ag.gov.au>.

Beyond the above-described issues specific to Asia and Vietnam, most of the usual standards of conduct and behaviour that would be expected in Australia should be applied in Vietnam. Be on time for meetings and confirm appointments or any necessary changes in advance. And be sure to follow up meetings with emails summarising what was covered, and expressing your appreciation for the meeting.

TIPS ON VIETNAMESE BUSINESS CULTURE

- Hierarchy and respect are at the centre of all etiquette
- Saving 'face' is paramount, and should always be considered when negotiating
- Being patient and taking time, including when getting to know someone personally, will be appreciated
- Gift giving is important, and must conform to certain protocols to avoid loss of face
- Make sure you choose the appropriate method of greeting somebody
- Business cards are treated with greater importance than in Australia
- Body language may hold different connotations than in Australia
- Dress codes are generally more formal than in Australia



Greetings

There are specific protocols for business greetings in Vietnam. The most senior person in a meeting should enter the room first, while the oldest person is often greeted or served first. It is worth checking before the meeting on the organisational rankings of those you expect to meet, and to seek advice on where you will sit at a table. Let your Vietnamese contact lead the greetings, and follow their example.

Handshakes generally take place at the start and completion of a meeting, but sometimes only between people of the same gender. Vietnamese may use a two-handed shake, with the left hand placed on top of the right wrist. If somebody does not extend a hand to shake, the usual etiquette is to display a slight bow of the head.

Seniority will determine how you address your contact. When writing, the Vietnamese lead with the family name before middle names and first name. In business, it is usual to address somebody by their title and surname. When dealing with Vietnamese government agencies, it is appropriate to address people with their professional title, such as Chairman Nguyen or Manager Nguyen. You may wish to clarify the way you address a person early in your meeting, and then ensure you are consistent.

In more general situations, the Vietnamese use the first name alongside a title, which depends upon their status and age. Given that a large proportion of the population have the same surnames, first names tend to be more distinctive.

Business cards

Exchanging business cards is an important part of doing business anywhere in the world, and Vietnam is no exception. If you expect to spend a significant amount of time conducting business there, you should consider having one side of your business card translated into Vietnamese. Take great care with the placement and treatment of business cards to show respect to your counterparts. Try to provide all meeting participants with a card – it can sometimes be challenging to identify the senior members, and providing a card for each person is a sign of respect. However, this may not be practicable if there is a particularly large delegation.

When presenting your card, offer it to the most senior person at the start of the meeting. Present the card with two hands, and face the writing towards the recipient. If your card is double-sided, present the

side written in Vietnamese. Similarly, receive business cards with two hands, and ensure that you are seen to carefully read their details before placing them on the table for the duration of the meeting. This displays interest and respect.

Dress code

When conducting business in Vietnam, dress conservatively – bright colours and exposure of skin are less acceptable than in Australia, and jewellery should be minimal. Dark coloured suits with ties for men are appropriate, while women should wear conservative suits or blouses or skirts that are longer than knee-length. High heels are not recommended, especially if they make the wearer taller than the host. In general, extravagance should be avoided.

Business wear in the south of Vietnam tends to be less formal than in other parts of the country. It is acceptable not to wear a suit jacket in the south – and this also applies to other parts of the country in the hotter months. If in doubt about your clothing options, the safe option is to dress more formally than you may consider necessary.

Dining

Entertainment and social events are an important part of doing business in Vietnam, and foreign businesspeople are expected to participate. Many social events centre on food – so a basic understanding of Vietnamese dining etiquette will help when building relationships with local contacts.

Meals usually involve multiple courses, and it is polite to try each of these. If you have been invited for dinner, you should reciprocate with a dinner invitation to your hosts later during your stay.

Toasting is an important ritual during meals and drinking sessions. The host, usually the member with the highest status, often starts with a toast to welcome the guests. Toasts continue throughout the meal, including toasts between individuals. When giving a group toast, you should stand and raise your drink with both hands, facing the most senior Vietnamese member. An accompanying speech with comments about friendship, collaboration and the virtues of Vietnam would be appropriate.

Guests are expected to initiate their own departure following the final sweet course. You should shake hands with each of the hosts and express thanks.

VIETNAMESE TABLE MANNERS

- Wait to be shown where to sit by your host
- The oldest person should sit first
- Pass dishes with both hands
- The most common utensils are chopsticks and a flat spoon
- Chopsticks should be placed on the table or a chopstick rest after every few mouthfuls or when breaking to drink or speak
- People hold bowls close to their faces
- Hold the spoon in your left hand while eating soup
- Try to finish everything on your plate
- When you are finished eating, rest your chopsticks on top of your rice bowl
- Cover your mouth when using a toothpick.

Body language

Vietnamese tend to be friendly, but subdued in their body language, which can make it difficult at times for Westerners to gauge the true feelings of their Vietnamese counterparts.

Smiling is an important part of non-verbal communication, and can convey meanings other than satisfaction and happiness. Vietnamese people often smile when they do not understand something, or when they are irritated and nervous. Smiles are seen as brushing off the situation and maintaining a positive attitude, even when a negative event or discussion has taken place. If your Vietnamese counterpart clearly does not understand proceedings, it is best to apologise for your lack of clarity than to point this out – doing so could cause them to lose face.

Ultimately, showing respect and an appreciation of cultural differences will serve you well in Vietnam. The Vietnamese are proud people with rich cultural traditions, and relationships can be soured if these are not respected. You should be clear and open in negotiations, while avoiding the appearance of aggression, superiority or disrespect.

4.2. Building relationships in Vietnam

Investing time and effort in the formation of business relationships is crucial for success in Vietnam. The strength of your relationships can have a knock-on effect across multiple aspects of commercial life – such as in procurement and contracting, dealing with bureaucracy and gaining credit. Building relationships takes time and patience, often requiring extensive face-to-face contact with people of a similar status and age.

Business partners

Forming relationships

Business relationships in Vietnam are often initiated by referrals from existing contacts. However, with the increasing use of the internet for business and a more competitive environment, direct contact without prior communication is now more common.

Business relationships tend to be more social and personal than in Australia, which means your suitability for a deal may be partly judged on personal/social criteria. In early communications, you should expect questions from the Vietnamese that are not directly related to business – it is seen as important to get to



TOPICS FOR SMALL TALK IN VIETNAM

As family is central to Vietnamese culture, talking about family is a popular topic for small talk when first meeting someone. What might be considered personal information and inappropriate to ask in an Australian business setting may not be so in Vietnam.

- It is common to be asked if you are married and if you have children when first meeting someone
- You may be asked how much you earn
- It is polite to ask about someone's family as this shows genuine interest in them.

know one another on a personal level first. For example, you may be asked to share details of your family and hobbies. It is also appropriate to ask someone's age, which can both demonstrate your interest in the person and help you to gauge how you should address them. Displaying an interest in Vietnamese culture and language will also help in forming relationships. However, it would be inappropriate to discuss religion, politics or death and accidents.

Relationship building can take more time than you might hope or expect, and you should not push too quickly or too hard to initiate serious business conversations. Comfort and trust will make proceedings smoother and more successful in the long run. Building relationships from afar is difficult – you should plan for frequent face-to-face contact with your Vietnamese counterparts. For some businesses, this might mean establishing a branch or local representative office in Vietnam.

Given the social nature of business relationships, you will tend to spend a lot of time building them outside of meeting rooms. You should embrace invitations to eat and drink with your counterparts and, when appropriate, reciprocate with social invitations.

Maintaining relationships

Once a level of trust and familiarity has been established, it is vital to nurture and maintain personal ties with your Vietnamese counterparts between meetings. Changing a critical contact should be avoided, as it will involve having to start from scratch in building a new relationship.

Local government and authorities

Prospective business partners are not the only people with whom you must build relationships in Vietnam. Key government agencies and industry associations will also need to be consulted throughout the process of setting up your business. Some of these agencies can also be useful for initiating contacts, in addition to being helpful partners.

The main agencies and their areas of authority relating to foreign businesses are:

Ministry of Planning and Investment: Its main role is to control national-level investment and development schemes, such as Vietnam's economic zones and regional development programs. It produces the overarching strategies and policies for encouraging foreign direct investment into Vietnam, and provides information for potential investors. www.mpi.gov.vn

Foreign Investment Agency: The agency administers and manages the foreign investment policies of the Ministry of Planning and Investment. It includes six divisions spread across the country, and has representatives in nine countries. It produces sector-specific information that may be helpful for potential investors and other foreign business owners. <http://fia.mpi.gov.vn/Home/en>

Ministry of Industry and Trade: This ministry promotes and directs Vietnamese trade. It sends trade missions overseas and runs educational institutions and centres to advance knowledge and ties to Vietnam. www.moit.gov.vn

Vietnam Trade Promotion Agency: Also referred to as Vietrade, this agency provides information, opportunities and solutions for foreigners trading with Vietnam. Vietrade conducts research and produces a newsletter on the activities of the Vietnam Trade Office in Australia, which can be a useful resource for Australian businesses. www.vietrade.gov.vn

Vietnam Chamber of Commerce and Industry/ Vietnam Business Forum: The Vietnam Chamber of Commerce and Industry, which includes the Vietnam Business Forum, seeks to advance the interests of Vietnamese businesses. It organises conferences, exhibitions and training to improve the efficiency and competitiveness of Vietnamese businesses. The chamber also provides assistance for companies across a wide range of sectors, including for foreign firms operating in Vietnam. www.vccinews.com

**General Department of Vietnam Customs:**

Vietnamese Customs manages imports and exports in and out of Vietnam. The department is a useful source of information for foreign businesses on matters such as tariffs and regulations. www.customs.gov.vn

Ministry of Foreign Affairs: This ministry formulates Vietnamese foreign policy and represents Vietnam abroad. It is important in facilitating the productive relationship between Vietnam and Australia and in projecting Vietnam internationally.

www.mofa.gov.vn

State Bank of Vietnam: This central banking agency sets monetary policy and manages the Vietnamese currency with a view to achieving stability and reliability. It reviews the national money market and credit institutions, responding to economic factors to seek to stabilise and facilitate growth. It also provides statistics on the performance of the Vietnamese economy, and supervises Vietnam's banking sector. It is a useful source for Australian businesses seeking an overview of economic conditions in Vietnam.

www.sbv.gov.vn

Ministry of Finance: While the State Bank sets monetary policy, the Ministry of Finance presides over government fiscal policy. It implements the Government's budget, manages the tax system and sets five-year financial plans for Vietnam. It also offers financial services, alongside overseeing ownership rights in companies, and managing securities, pricing and accounting. It can be a helpful resource for Australian businesses that wish to clarify their tax or ownership statuses in Vietnam.

www.mof.gov.vn

Ministry of Justice: Responsible for Vietnamese legal system, the ministry implements laws and regulations across a broad range of sectors. The ministry can offer help and guidance on Vietnamese laws that may affect your business or your personal legal rights in Vietnam. Its website is a useful source of information on frequently changing legislation affecting the conduct of business in Vietnam. www.moj.gov.vn

4.3. Negotiations and meetings

Vietnamese will rarely do business with you before they have got to know you face-to-face and established a relationship of trust with you. You will probably need to meet several times before serious negotiations can begin.

Setting up a business meeting

To set up a meeting, you should send an email stating the purpose of your visit, some key facts about your company and, if possible, mentioning a personal connection that you have to the company or an individual staff member. You should provide as much information about your company as possible, with brochures and annual reports helping to contextualise your request. You should also send a list of your representatives prior to each meeting, and request one in return.

When scheduling more than one meeting in a day, ensure that you provide ample time to get from one appointment to another – punctuality is critical to demonstrate reliability and respect. In Vietnam, it is unlikely that meetings will be confirmed more than a week in advance. In such situations, you should reconfirm in the days leading up to the meeting.

Ahead of the meeting you should also try to establish whether language barriers will mean hiring of an

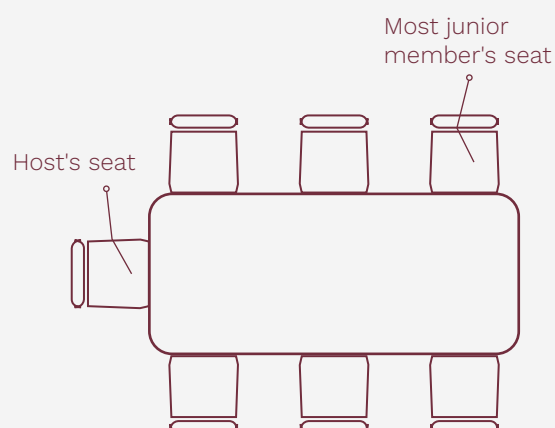
interpreter is necessary (see Chapter 2 for information on how to find an interpreter). If you do use an interpreter, be sure to direct your remarks to your Vietnamese business counterparts and maintain eye contact with them, rather than the interpreter. If the Vietnamese party wants to use their own interpreter, you may still benefit and gain more insights from bringing your own.

Meeting etiquette

There are two common seating arrangements for meetings in Vietnam. The most common of these is for the most senior representatives to sit at the centre of the table, opposite one another. Advisers and interpreters should be on either side. Often, the hosting party will take the side of the table facing the entrance, with the visiting delegation to sit on the side with their backs to the entrance. In a slight variation of this seating arrangement, the most senior delegate of the hosting party sits at one end of the table, and the delegations sit on either side in order of importance, with the most senior of these sat at the end of the table of the host.

Alternatively, with high-ranking officials, the most senior delegates may sit side by side, so as to more easily share information. The purpose of the meeting determines the seating arrangements. More informal meetings at the start of a relationship may take place around a circular desk.

SEATING ARRANGEMENTS



When preparing to enter a meeting, remember to be mindful of your dress (conservative) and your body language, and to have your business cards ready. Formality, respect and displaying a general awareness of Vietnamese culture will help to make a positive impression on your Vietnamese hosts. Also keep in mind the importance of hierarchy and harmony.

Meeting structure

Meetings are likely to begin with the most senior representatives entering the room, followed by handshakes and the trading of business cards. The next stage will usually entail small talk, which will continue until both groups are comfortable.

The host will then make introductory remarks about the meeting and the host company. Take notes and be seen to be taking a keen interest in what they say about their company. This should be reciprocated by the visiting delegation, with remarks addressed to the most senior Vietnamese representative and providing a broad overview of your company and business proposal. Facts such as number of employees, mission statement, annual growth and years in business are all suitable. You should also introduce members of your delegation. Take your time to do so, as the Vietnamese respect and feel more comfortable once they know a bit about who they are dealing with.

It is only after all these initial formalities that it will be time to discuss the specifics of the business proposal and get on with the meeting proper.

It is usually the responsibility of the visiting group to end a meeting. Handshakes should again be extended.

Negotiating in Vietnam

Negotiations in Vietnam tend to be less direct than in Australia, and occur over a longer timescale. Patience is the most important quality you can bring to the negotiating table – informal relationship building will form a large proportion of early meetings, and is important in establishing trust and confidence. Taking your time to create this understanding will prove fruitful in the longer term.

Business decisions are rarely made during meetings. If immediate decisions are required, you should send written proposals in advance to give the Vietnamese party sufficient notice and information. Decisions within Vietnamese companies are often made by consensus, which means strict deadlines will often not be appropriate or feasible. Avoid trying to use deadlines as a negotiating tactic; it may be far less profitable than in Australia. Instead, staying the course

and being persistent yet not pushy will earn respect and be more likely to deliver results in Vietnam.

You need to be particularly mindful of cultural considerations, particularly the notion of saving face, when negotiating with the Vietnamese. Care should be taken to not appear superior, and to maintain respect and neutrality at all times. Anger and open confrontation will be likely to harm negotiations, and should be avoided. On the other hand, the Vietnamese will usually be receptive to tasteful joking and light-heartedness in meetings.

Important issues tend to be raised indirectly to avoid risking embarrassment or loss of face to any individual in the room. Feedback is generally not offered immediately, and you may have to ask a third party to get a better idea of how the negotiations went. Vietnamese tend not to answer with a simple 'yes' or 'no'. If you disagree with something raised during the meeting, try to find diplomatic phrasing in response, or a suggestion for improving on the other side's proposition, rather than dismissing it. Saying 'yes' often does not mean agreement, just understanding, and you may need to seek clarification to determine when an agreement has been reached. Following the advice provided earlier in this chapter about cultural sensitivity will help to ensure that positive relationships are maintained through the negotiation phase.

Regardless of whether a deal appears to have been reached in a meeting, you should expect negotiations to continue afterwards. The longer-term, consensual approach to decision making in Vietnam means that the businesspeople with whom you are dealing may seem to change their minds after a meeting, or attempt to amend any written agreements. The approach is less legalistic and the Vietnamese party

KEYS TO NEGOTIATING IN VIETNAM

- Consider the concept of 'face' in your interactions
- Exercise patience and understanding
- Be respectful and trustworthy
- Cultivate personal relationships
- Adopt a long-term mindset for negotiations.

should be given time to discuss and confirm points before reaching the contractual stage, in order to reduce the changes that may occur later in the process. Flexibility and understanding should be exercised in this process of continual negotiation.

One final thing about negotiations in Vietnam: the Vietnamese are highly price-conscious, and so you should demonstrate the value of your product carefully during meetings. There is also a preference for proven and stable products, so it will serve your cause well to demonstrate your strong brand reputation and track record in other markets.

After a meeting

Every meeting should be followed up with thanks and acknowledgements to your Vietnamese counterparts for their time and consideration. Follow-up correspondence will indicate your continued interest in the relationship, and can also be used to ensure any promises made during the meeting are fulfilled. Requests for further information or more complex agreements should be addressed as soon as possible following the meeting.

Various modes of communication can be used when dealing with business contacts in Vietnam. With government departments, it is appreciated if messages are written in Vietnamese. Each method of communication is subject to different nuances and etiquette, including:

- **Email:** Given the relatively high cost and lower penetration of the internet in Vietnam, email is not as prominent for business communication as it is in Australia. In some organisations, emails are not delivered directly to the intended recipient, and this can add extra time for responses. Keep in mind, however, that the Vietnamese will appreciate prompt responses from you.
- **Written letter:** Business letters in traditional style are appropriate. Handwritten letters will carry greater weight if dealing with personal or sensitive issues.
- **Phone calls:** These will usually be brief and will not go into substantial detail – this will be saved for meetings. Many misunderstandings can occur on the phone. Call costs in Vietnam are quite high, so the company or individual may expect you to phone them.

While Australian businesses tend to seek written agreements for all business conducted – and this should occur for protection of their interests – agreements in writing have less weight for the Vietnamese, particularly if they feel they have not yet



fully digested the contents of the agreement, or that they were pressured to agree. So don't be surprised if they seek changes later on.

4.4. Due diligence and avoiding scams

Australian firms looking to do business in Vietnam should be mindful of potentially serious consequences under Australian law if they fail to observe high standards of corporate behaviour. Individuals and companies can be prosecuted in Australia for offences committed while doing business overseas, including bribery of foreign officials. Further information on asset security and intellectual property protection is contained in Chapter 5.

It is essential for your own protection to conduct thorough background checks on your prospective foreign business partners and others with whom you may be dealing. In particular, you need to look at their financial, legal and reputational standings. Many companies that have encountered problems doing business in Vietnam in the past could have avoided these with proper due diligence. Different degrees and methods of due diligence may be applicable for different situations, and it is advisable to seek professional advice to develop strategies specific to your business.

When investigating a company's finances, check its equity structure – including major shareholders, forms

of investment and capital availability ratio – as well as its general state of financial affairs. One good indicator of a company's ability to pay you is whether it can produce a letter of credit from a bank.

Another import aspect of your due diligence is to gain an understanding of the company's legal status within Vietnam. This can be achieved quite easily by getting a copy of a company's business licence, which will tell you:

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

Check that information contained in licences and other documentation matches what you have already been told about the company. Should it not match, make further inquiries. Note that many of these documents will be in Vietnamese and you may need a translator to understand them.

The more you know about who you are dealing with, the greater your security. A thorough examination of your potential business partner will be time consuming and expensive, but provide valuable insurance. Be aware, however, that company accounts in Vietnam are unlikely to be audited with the same rigour that might be expected in Australia, and may prove inadequate for assessing their credentials. Use such data with caution and only in conjunction with information gathered elsewhere. Numerous sources should be consulted before business commences, and due diligence should be maintained throughout a business relationship.

There are many reputable accounting and legal firms in Vietnam that can assist with due diligence. These range from leading international audit, tax and advisory specialists to private business consultants who have been based in Vietnam for some years.

Dispute resolution

In the unfortunate event that you become involved in a commercial dispute in Vietnam, it will be essential to seek professional legal advice in Australia and/or in Vietnam. The preferred route for handling a dispute will depend upon the specifics and scale of the dispute. Formal legal frameworks for dispute resolution are less developed than in Australia, making professional advice very important. Austrade can refer you to law firms in Vietnam that specialise in dispute resolution.

Arbitration and mediation

To avoid costly and potentially damaging court-based litigation, arbitration and mediation are available in Vietnam. The Australian Government supports arbitration as a preferred method of commercial dispute resolution with foreign companies, but does not endorse one arbitration body over another.

The Vietnam International Arbitration Centre, established under the Vietnam Chamber of Commerce and Industry, promotes alternative dispute resolution. Mutually agreed settlements are sought without resorting to a court, and tribunals determine whether Vietnamese or foreign laws should be applied in individual cases.

Judgments issued by foreign courts will be recognised in Vietnam if the foreign country has a bilateral treaty with Vietnam covering legal issues. However, these do not cover all commercial judgements, and you would need to check on the specifics of your case. The 2011 Law on Commercial Arbitration and the Law on Enforcement of Civil Judgements should be considered when you are involved in a dispute. The Arbitration Centre's website provides information on the method, rules and potential costs of both arbitration and mediation: www.viac.vn/en.

Scams in Vietnam

Vietnam has its share of fraud and scam artists. Foreigners can be targeted by petty crime and overcharging scams, among others. If you believe you have encountered a scam online, ignore the communication and delete immediately. As stated previously in this chapter, you should carry out thorough due diligence before conducting a transaction or entering into a business relationship with a company or individual in Vietnam.

Several websites document examples of known scams operating in Australia and abroad. Scam "alerts" are available at: www.scamwatch.com.au.



GroupGSA

Matt Young, General Director Vietnam

Building personal relationships is generally considered essential to succeeding in business in Asia. But where do you start your networking? How do you make your first all-important contacts in the foreign market that you are trying to crack?

According to Australian architect Matt Young, there is no better place to start networking than in the resident expatriate community. Young, who heads the Vietnam office of Australian architecture firm GroupGSA, says he got his first serious breaks in Vietnam through connections with other foreigners living in Ho Chi Minh City.

"I reached out to the Australian community and the wider expat community first," he says. "They spoke my language, I was used to dealing with Australian businessmen and there was a support network there where people in similar situations help each other out. That's always a good place to start."

He strongly recommends joining the local Australian Chamber of Commerce (known as AusCham) in Vietnam, and other formal networking organisations for expatriates. Opportunities can also arise from mingling in your residential neighbourhood – particularly if you live in a foreigner enclave.

One of Young's neighbours in Ho Chi Minh City, an Englishman of Vietnamese origin, introduced him to local Vietnamese businessmen. "It's very much a referral system," Young says. "There is no Yellow Pages."

And it takes time and patience. "You can't expect to walk into a networking event, give them a business card, and you're on your way," says Young. "It's just not going to happen. It's going to take a year or so just to build networks and contacts. They want to have confidence in you to do the work that they want you to do."

After GroupGSA's Vietnam office opened in 2014, its first local job – a coastal resort masterplan – came through a referral from another of Young's expat neighbours. The firm's second local job – doing a concept plan for an opera museum outside Ho Chi Minh City – came via an Australian whose Vietnamese wife is involved in the local arts scene.

After considering all the various options for structuring the firm's Vietnam operation, it was decided to launch as 100 per cent foreign-owned investment firm, which enabled it to hire Vietnamese staff and to solicit for local contracts. Young was guided through the legal and administrative complexities of setting up in Vietnam by an Australian consultancy in Vietnam, Star Corporate.

GroupGSA started with just three people in the Ho Chi Minh office. It now employs 18, most of them Vietnamese, and has a branch office in Hanoi. During the leaner early period, Young was able to keep the operation viable by getting Vietnam-based staff to do work for the firm's large Australian-based operation.

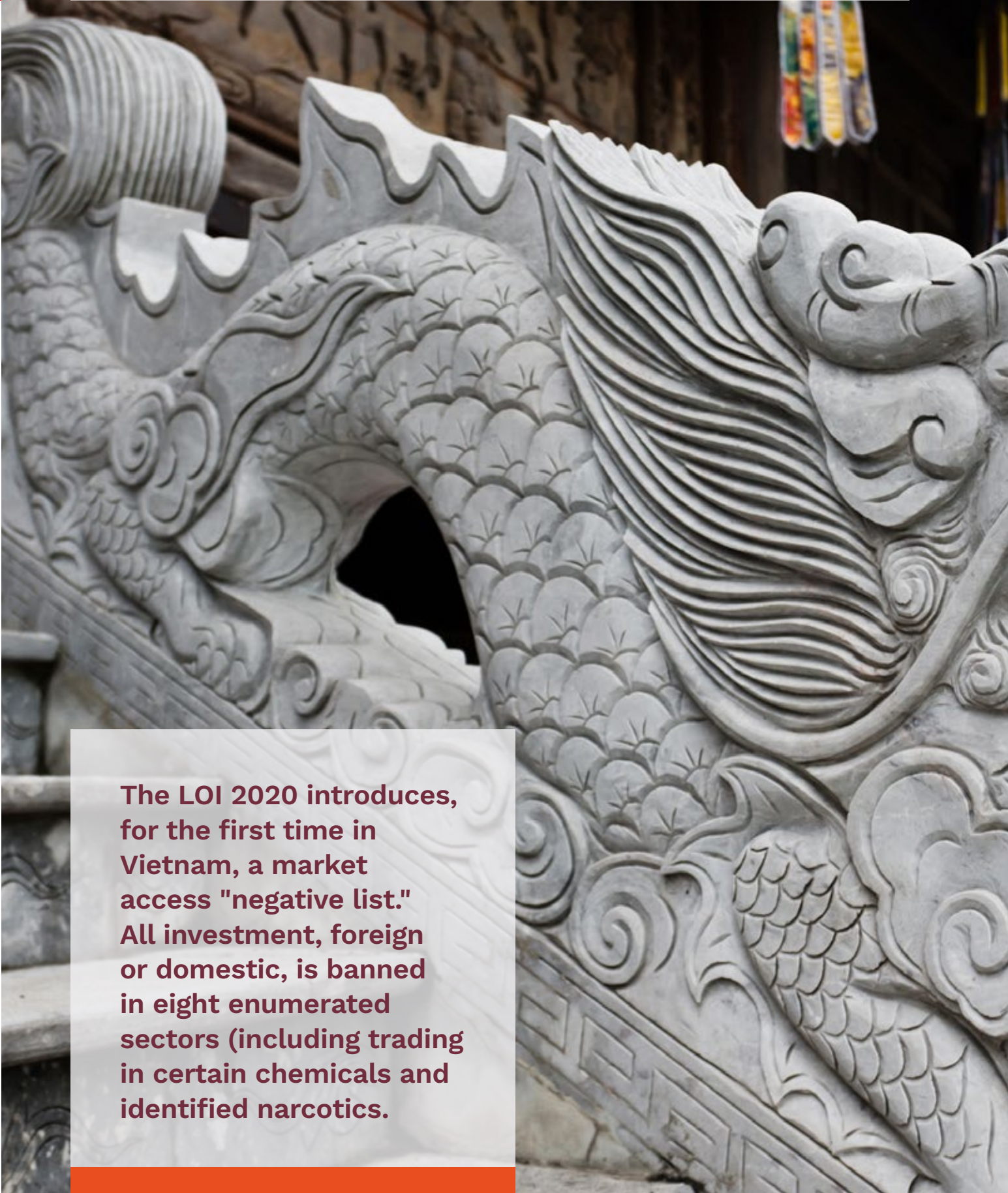
"That was a good initial income stream that we would have struggled without. Any start-up business has cash flow issues. Before you even set up, you want to know where your first six months of cash flow is coming from to pay those bills because the reality is you might have to do pro bono work to build trust."

After GroupGSA's tough initial slog in Vietnam, the paid work has now started to flow. Its largest current project in Vietnam is a \$15 million United Nations international school in Hanoi, on which construction has begun.

Young says one of the keys to gaining the confidence of prospective clients in Vietnam has been to receive regular visits from GroupGSA's Sydney-based managing director Mark Sheldon, and other key people. "It's very important," Young says. "It pretty much helped me get a few proposals across the line and turn them into real jobs."

5. Business practicalities in Vietnam

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The LOI 2020 introduces, for the first time in Vietnam, a market access "negative list." All investment, foreign or domestic, is banned in eight enumerated sectors (including trading in certain chemicals and identified narcotics).



For Australians conducting business in Vietnam, coming to grips with the practicalities of local laws and regulations is vitally important. The information in this chapter presents an overview of the main areas that need to be considered – including taxation, employment, intellectual property and import duties. But it is strongly recommended that you seek professional advice in areas where you require more specific information.

5.1. Laws and regulations

Investment rules

The Law on Investments (LOI) details the rules and regulations for foreign investment into Vietnam. It was updated in 2020. The LOI 2020 introduces, for the first time in Vietnam, a market access "negative list." All investment, foreign or domestic, is banned in eight enumerated sectors (including trading in certain chemicals and identified narcotics). Certain sectors are considered "conditional" for all investors, foreign or domestic, and may require formal approval. Such conditional sectors must "satisfy necessary conditions for reasons of national defense, security or order, social safety, social morality, and health of the community."

Foreign ownership is capped in some industries though this has been changed in recent reforms. In addition, permission is required for foreign businesses to invest in some sectors. Foreign investment in the following areas or that meet certain criteria require Prime Ministerial approval:

- Investments of over AUD 310 million (VND 5 trillion)
- Projects that require the relocation of over 10,000 people in the highlands, or 20,000 in other areas
- Construction and operation of air and sea ports
- Air transport
- Gambling
- Petroleum exploration, extraction and refining
- Cigarette production
- Development of infrastructure in economic zones
- Construction and operation of golf courses
- Provision of sea transport, telecommunications services, afforestation, journalism, publishing and the establishment of wholly foreign-owned science and technology companies.

Policies for investment promotion

Tax incentives

The Vietnamese Government offers a number of corporate income tax (CIT) concessions to encourage

investment in certain regions and sectors. The Foreign Investment Agency, which is part of the Ministry of Planning and Investment, plays a key role in promoting and facilitating investment in Vietnam. The below table summarises some of the investment incentives available and their criteria.

CIT RATE	CRITERIA	PERIOD APPLICABLE	CIT EXEMPTION*	50% CIT REDUCTION WHEN CIT EXEMPTION PERIOD EXPIRED**
10%	<ul style="list-style-type: none"> Location: Difficult socio-economic conditions Economic Zones, High Tech Zone established under Prime Ministerial decision. 	<ul style="list-style-type: none"> 15 years from the first year of revenue generation 	four years	nine years. (five years for newly-established enterprises in the Socialization Sectors operating in areas other than areas with difficult or specially difficult socio-economic conditions)
	<ul style="list-style-type: none"> Sector: High technology, scientific research and technology development, investment in development of important infrastructure facilities and production of software products. 	<ul style="list-style-type: none"> 15 years from the first year of revenue generation (maximum 30 years at PM's approval) 		
	<ul style="list-style-type: none"> Enterprises operating in 'socialised sectors'. This includes education and training, occupational training, health care, culture, ports and the environment. 	<ul style="list-style-type: none"> 15 years 		
	<ul style="list-style-type: none"> Large scale manufacturing (a): Investment projects of over AUD 374 million (VND 6 trillion) that generate revenues in excess of AUD 623 million (VND 10 trillion) per annum, or whose average head count is over 3,000 within four years of operation. 	<ul style="list-style-type: none"> 15 years within five years from the first year of revenue generation 		
	<ul style="list-style-type: none"> Large scale manufacturing (b): Projects over AUD 747 million (VND 12 trillion) that produce internationally competitive goods. 	<ul style="list-style-type: none"> 15 years from the first year of revenue generation 		
15%	<ul style="list-style-type: none"> Enterprises engaging in cultivating, breeding animals, processing agricultural and aquaculture products in an area other than disadvantaged areas or particularly disadvantaged area 	<ul style="list-style-type: none"> During the whole operation period 	two years	four years
17%	<ul style="list-style-type: none"> Enterprises engaging in manufacturing high-quality steel, power-saving products, machinery and other equipment. 	<ul style="list-style-type: none"> 10 years from the first year of revenue generation 	two years	four years
20%	<ul style="list-style-type: none"> People's credit funds, micro-finance and agricultural service co-operatives 	<ul style="list-style-type: none"> During the whole operation period 	N/A	N/A
	<ul style="list-style-type: none"> Newly established enterprises from investment projects in areas with difficult socioeconomic conditions. 	<ul style="list-style-type: none"> 10 years 	two years	four years
	<ul style="list-style-type: none"> Standard rate for all projects except for projects in the fields of oil and gas or rare and precious mineral exploitation, which are subject to 32-50% CIT rates 	<ul style="list-style-type: none"> N/A 	N/A	N/A

Land and property rights

Land ownership: Under Vietnam's Constitution, all land is collectively the property of all the people. As such, no-one, Vietnamese or foreign, is permitted to 'own' land, in the sense of holding indefeasible title. Instead, the right to use land is obtained in one of several ways:

- By allocation from the state, for a definite or indefinite period
- By lease from the state
- By sub-lease from the developer of an industrial zone or urban zone
- By transfer from an existing land user
- By way of capital contribution from an existing land user.

The availability of each of these options and the nature of the land use rights conferred by them, such as whether they are for a definite or indefinite period, and whether the land user has the right to lease or sub-lease, will depend on whether the land user is:

- Vietnamese (either an individual or a domestic entity);
- 'Overseas Vietnamese' (an ethnically Vietnamese individual who is not a Vietnamese citizen); or
- Foreign (either an individual or a foreign-invested enterprise established in Vietnam).

A 'Certificate of Land Use Right, House Ownership and Other Assets attached to Land', commonly referred to as a land use rights certificate, proves that someone has land use rights and ownership of assets located on the land.



Intellectual property (IP)

Vietnam has been a member of the World Trade Organisation (WTO) since 2007, which means it is required to establish intellectual property (IP) laws in line with minimum international standards. As a result, there should be few major differences between Vietnam's laws and those of developed countries.

The two principal laws governing the protection of intellectual property rights in Vietnam are the Civil Code and the Law on Intellectual Property, which codifies government regulations on intellectual property. Both laws were introduced in 2006 to enable Vietnam to conform to WTO standards on intellectual property protection.

The Vietnamese IP system is administered by three different organisations:

The National Office of Intellectual Property (NOIP) is responsible for industrial property rights. The NOIP also acts as the chief coordinating authority.

The Copyright Office of Vietnam covers copyright and related rights.

The Plant Variety Protection Office administers rights to plant varieties.

Trademarks: Granted by the NOIP, trademarks are granted on a 'first-to-file' basis. Rights to use a trademark are established by registering a trademark first, rather than proof of first use (which applies in Australia).

To be considered a trademark under articles 72 and 73 of the IP law of 2009, three conditions must be met:

- A trademark must consist of words, letters, drawings or images – or a mixture of these in one or more colours.
- A trademark must be unique – it has to be able to distinguish the trademark holder's goods and services from others.
- A trademark must not be an image or other entity that is excluded from being able to be registered. Excluded entities include images or words that are not distinctive, that are widely used, that are descriptive of goods or services provided by the company, or that are identical or similar to other trademarks.

The registration of a trademark can take up to 15 months. Once it is granted, a trademark is valid for 10 years and can be renewed indefinitely for further 10-year periods as long as the renewal fees are paid.



To renew the validity of a certificate, the trademark owner must apply for renewal and pay the renewal fee within six months before the expiry of the preceding validity term. Renewal requests may be filed up to six months late, subject to a fine of 10 per cent of the renewal fee for each month overdue.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) came into force on December 30 2018 between the first six signatories, Australia, Canada, Japan, Mexico, New Zealand, and Singapore. Vietnam, the seventh country to ratify the new agreement, officially joined the CPTPP on January 14 2019. The CPTPP introduces a number of significant changes in Vietnam from an intellectual property perspective, some of which took immediate effect on January 14 2019. The CPTPP eliminates the requirement for recording (registering) a trademark license to establish the validity of such license.

Patents: Three types of patent are available in Vietnam:

1. Patents for inventions
2. Patents for utility solutions
3. Patents for industrial design.

Vietnamese patents take effect on the date of issue and end 20 years from the filing date for inventions (subject to annuity payment), without any renewal term. Patents for utility solutions are effective for 10 years from the filing date, while patents for industrial design are effective from the granting date and last for five years from the filing date. They can be renewed for two further five-year terms, subject to payment of renewal fees.

Copyright: Copyright automatically arises when an original work is produced. Registering the copyright for an original piece of work, however, establishes the date of production, which can be used for proving originality.

Plant varieties: New plant varieties can be registered in Vietnam. Administered through the Plant Variety Protection Office, most new plant varieties can be protected for 20 years. In the case of trees and vines, a term of 25 years applies.

OVERVIEW OF IP IN VIETNAM

Type	Description	Duration of Protection
Patent for Invention	A technical solution presenting worldwide novelty and an inventive step applicable in socio-economic fields	20 years from the date of application
Patent for Utility Solution	A new technical solution that is achievable in current economic technological conditions	10 years from the date of application
Industrial Design	The external appearance of a product that is novel, inventive throughout the world, and capable of serving as a pattern for an industrial or hand-crafted product	five years from the date of application which is renewable for an additional two periods of five years (a total of 15 years maximum)
Layout Design of Integrated Circuit	Three dimensional circuit elements and their interconnections in the integrated circuit which is original and not widely known in the relevant field	The earlier of: (i) 10 years from the date of grant; (ii) 10 years from the date of the first commercial use by owner or an assignee; (iii) 15 years from the creation of the design.
Trademark	Marks used to distinguish goods or services of one person from similar goods and services of another person. They may take the form of words, images, or any combination presented in one or more colours	10 years from the date of application (renewable for successive 10-year periods without limit)
Geographic Indication	Information indicating territorial origin of a product with characteristics or qualities pertaining to the territory	In perpetuity from the certification of protection
Trade Name	Names of individuals or entities used in business activities	As long as it is in formation and usage



5.2. Import duties, tariffs and regulations

When exporting to Vietnam, Australian businesses need to be aware of the various import regulations and tariffs and duties that may apply to their goods. Although the terms tariff and duty are often used interchangeably, they are not the same – tariffs are taxes levied on imports only, whereas a duty can apply to both imports and domestically sourced products. This section will highlight core information on tariffs, duties and other taxes that may affect Australian businesses, and provide an overview of Vietnam's import regulations. Tariffs and import regulations are frequently revised and subject to change, so you should reconfirm your situation before exporting to Vietnam.

After Vietnam joined the World Trade Organisation in 2007, its economy was liberalised in a number of areas, including the trade of goods. Foreign invested enterprises based in Vietnam are allowed to establish

distribution networks to sell products they make in Vietnam (or directly distribute them) and can directly export them. In order to protect domestic distribution enterprises the Vietnamese government has attempted to limit retail distribution, enforcing an approval process. If more than one retail outlet is involved in the distribution an Economic Needs Test (or in some cases a simplified version) must be taken prior to approval so that licensing authorities may well-informed in considering the following criteria:

- Existing service suppliers in a particular geographic area
- Market stability
- Geographic Scale
- Impact on traffic, environmental sanitation and fire prevention in the geographic area
- Contributions to socio-economic development, creating local jobs, developing the retail sector, improving the environment and living conditions for locals, and contributions to the state budget.

Tariffs/import duties

Import and export duty rates are subject to frequent changes, and it is always prudent to check the latest position.

Import duty rates are in three categories: ordinary rates, preferential rates and special preferential rates. If a country's status is classified as a Most Favoured Nation (MFN) with Vietnam then imported goods are subject to preferential rates. MFN rates are applicable to goods imported from countries that are members of the WTO, since they are in accordance with Vietnam's WTO trading obligations. Australian goods enjoy special preferential rates through the operation of the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA).

A relevant Certificate of Origin must accompany imported goods for them to be eligible for preferential or special preferential rates. If the goods are being imported from a country that is not favoured then they do not receive preferential treatment, instead receiving the standard ordinary rate. This rate is the equivalent of the MFN rate with a surcharge of 50 per cent.

To find the tariff rate for specific goods, visit the FTA Portal maintained by the Department of Foreign Affairs at: <https://ftaportal.dfat.gov.au/>.

The Customs Department of Vietnam is responsible for levying tariffs on imported goods. For up-to-date information visit: www.customs.gov.vn.



Calculations

In principle, Vietnam follows the WTO Valuation Agreement on imported goods with certain variations. The dutiable value of imported goods is typically based on the transaction value (i.e. the price paid or payable for the imported goods and, where appropriate, adjusted for certain dutiable or non-dutiable elements). Where the transaction value is not applied, alternative methodologies for the calculation of the dutiable value will be used.

Specific Sales Tax (SST) applies to some products in addition to import duties. Value Added Tax (VAT) will also be applied to imported goods and services (unless exempt under the VAT regulations).

Exemptions

Import duty exemptions are provided for projects involving 'encouraged sectors' and for goods imported in certain circumstances.

The sectors of import duty exemption include:

- Machinery & equipment, specialised means of transportation and construction materials (which cannot be produced in Vietnam) comprising the fixed assets of certain projects
- Raw materials, spare parts, accessories, other supplies, samples, machinery and equipment imported for the processing of goods for export, and finished products imported for use in the processed goods
- Machinery, equipment, specialised means of transportation, materials (which cannot be produced in Vietnam), health and office equipment imported for use in oil and gas operations.

Refunds

There are various cases where a refund of import duties is possible, including for:

- Goods for which import duties have been paid but which are not actually physically imported
- Imported raw materials that are not used in production and which must be re-exported
- Imported raw materials that were imported for the production of products for the domestic market but are later used for the processing of goods for export under processing contracts with foreign parties.

Export duties

Export duties are charged only on a few items – mainly natural resources such as sand, chalk, marble, granite, ore, crude oil, forest products plus scrap metal. Rates vary from 0 up to 40 per cent. The tax base for computation of export duties is the free on board /delivered at frontier price, i.e. the selling price at the port of departure as stated in the contract, excluding freight and insurance costs.

Import and export regulations

The Ministry of Industry and Trade (MoIT) is responsible for regulating trade in Vietnam. It issues regulations, usually in the form of 'circulars', which provide the legal basis for what can be imported to or exported from Vietnam. The most recent regulations from MoIT on what goods can be imported or exported are contained in Circular 39/2015/TT-BTC. The Customs Department of Vietnam enforces trade regulations in Vietnam.

The following goods are not allowed to be imported into Vietnam:

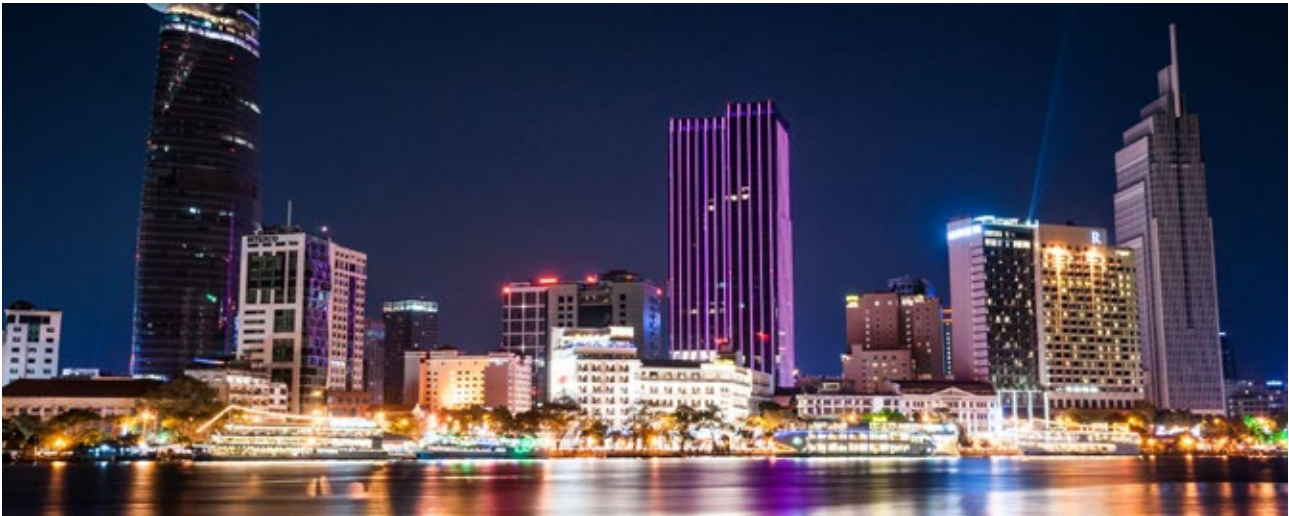
- Weapons, ammunition and explosive materials (except industrial explosives), military technical and equipment
- Second-hand consumer goods such as textiles, electronics, white goods, vehicles and medical equipment

- Cultural products prohibited from dissemination and circulation in Vietnam
- Radio equipment inconsistent with Vietnamese radio frequency planning or technical regulations
- Vehicles from which the frame or engine number has been removed, or which are designed for driving on the left side of the road
- Chemicals listed in Appendix III of the Rotterdam Convention and other toxic chemicals and pesticides, plus products containing asbestos or Chlorofluorocarbon (CFC) waste and scrap.

The following goods may not be exported from Vietnam:

- Weapons, ammunition, explosive materials (except industrial explosives) and military equipment
- National relics and antiques; cultural products in the category prohibited from dissemination and circulation in Vietnam
- Round timber and sawn timber produced from domestic natural forests
- Rare and precious wild fauna and flora
- Equipment used for the encryption of national secrets
- Type-one toxic chemicals stipulated in the Treaty Prohibiting Chemical Weapons and in Annex III of the Law on chemicals and its Decrees.





Documents required

Goods imported or exported across Vietnam's borders need to have the correct paperwork with them. Failure to do so may result in delays or fines.

Documents to export

Bill of lading
Commercial invoice
Customs export declaration
Packing list
Technical standards certificate

Documents to import

Bill of lading
Cargo release order
Certificate of origin
Commercial invoice
Customs Import Declaration
Inspection report
Packing list

5.3. Taxation

Vietnam's General Department of Taxation, part of the Ministry of Finance, imposes a wide-ranging tax regime on businesses and individuals that incorporates income taxes (corporate and personal), turnover and indirect taxes (VAT and specific business tax), as well as property tax, stamp duty, excise, customs duties and municipal taxes. This section provides an overview of the primary taxes that Australian enterprises can expect to face when establishing in Vietnam. But professional advice from firms operating in Vietnam is vital for understanding tax rules specific to your business. Not all applicable taxes are covered in this guide, and the information provided is of a general nature.

Corporate income tax

Enterprises are subject to the tax rates imposed under the corporate income tax (CIT) law. The standard CIT rate was reduced from 25 to 22 per cent in 2014, and to 20 per cent from 2017. Depending on the location and specific project conditions, oil and gas companies (or related industries) face a CIT rate ranging between 32 to 50 per cent. Similarly, depending on location, companies involved in prospecting, exploration and exploitation of mineral resources face CIT rates of either 40 or 50 per cent.

Tax treaty: Vietnam has signed a number of agreements with other countries, including Australia, to avoid double taxation.

Capital gains: Capital gains are taxed at the standard corporate rate of 20 per cent.

Thin capitalisation rule: There is currently no thin capitalisation or prescribed debt-to-equity law applicable in Vietnam.

Withholding tax: Under domestic law, Australian businesses pay a 5 per cent interest and 10 per cent royalties withholding tax when doing business in Vietnam (VAT may also apply to the latter).

Indirect taxes

Value added tax (VAT):

Domestic businesses in Vietnam are required to charge VAT on top of the value of goods or services that they supply. This applies to goods and services in Vietnam that are used for production, trading and consumption (even if purchased by non-residents). VAT is charged at three different rates:

- **0 per cent:** This applies to exports and includes goods and services processed for export or in-country export (conditions apply), those sold to and/or consumed in non-tariff areas, those sold to duty free shops, construction and installation contracts for enterprises that process exports, marine, aviation and international transportation services.
- **5 per cent:** This applies generally to essential goods and services, including but not limited to books, unprocessed foodstuffs, various agricultural products and services, teaching aids, clean water, fertiliser production, medicine and medical equipment, husbandry feed, sugar and by-products, technical/scientific services, cultural, artistic, sport services/products and social housing.
- **10 per cent:** This standard VAT captures all other activities that are subject to VAT.

Special Sales Tax (SST): This is a form of excise tax that applies to the import or production of certain goods, including tobacco products, and the provision of certain services, particularly entertainment services. There are various anti-avoidance rules that specify minimum prices for SST purposes. For example, where a manufacturer produces goods subject to SST and sells such goods through an agent, the minimum price for calculation of SST is 93 per cent of the average selling price of the agent. A "trading entity" is the first entity within the distribution network that has no parent - subsidiary relationship with or does not have the same parent as the manufacturing or importing company. For imported cars outside of ASEAN with less than 24 seats sold via a trading entity, the SST taxable price is the importer's selling price, but this cannot be lower than 105 per cent of the imported car cost (import price + import duty + SST at import stage).

If SST liable raw materials are used in the production process of SST liable goods, taxpayers producing these goods may claim a tax credit to cover the amount paid on raw materials. For example, taxpayers who pay SST both when importing materials as well as selling the final good may credit the SST at importation against the SST when selling.

SST is applied to two broad groups:

1. Commodities, including: liquor, air-conditioners up to 90,000 BTU, motorcycles, boats, airplanes, automobiles with less than 24 seats, petrol, cigarettes, votive papers, playing cards; and
2. Service activities, including: massage, karaoke, gambling, discotheques, lotteries, casinos, golf clubs and entertainment with betting.



Natural resources tax

Natural resources tax applies to industries exploiting resources such as petroleum, minerals, forest products, seafood and water. The rates vary from 1 per cent to 40 per cent depending on the resource being exploited. A resource's taxable value is the selling price of one unit of the resource and tax is per unit sold. NRT reductions or exemptions apply to natural water used for generation of hydro-power that is not part of Vietnam's power grid, offshore fishing by high-capacity vessels, and soil/combined soil products used for construction or ground leveling. Petroleum, natural gas and coal gas are taxed at progressive tax rates which depend on the average amount of the good produced daily.

Property taxes

The payment of land use rights by foreign investors (if not contributed as capital) is in effect a form of property tax. It is usually known as land rental, and the range of rates is wide depending upon the location, the infrastructure connected to the land and the industrial sector in which the business is operating.

Land tax is charged to owners of houses and apartments (based on the specific land area used). Progressive tax rates ranging from 0.03 to 0.15 per cent, as well as the price of the given land per square metre, dictate the amount of tax payable.

Environment protection tax

This is an indirect tax applicable to the production and importation of goods that, when used, are deemed to cause negative environmental impacts. Examples of such goods are coal and petroleum. Products that are exported are exempt from environment protection tax. The tax rates are as follows:

ENVIRONMENT PROTECTION TAX		
Goods	Unit	Tax rate
Petrol, diesel, grease, etc.	litre/kg	AUD 0.06-0.25 (VND 1,000–4,000)
Coal	ton	AUD 0.93-1.86 (VND 15,000–30,000)
HCFCs	kg	AUD 0.31 (VND 5,000)
Plastic bags (*)	kg	AUD 3.1 (VND 50,000)
Restricted use chemicals	kg	AUD 0.03-0.06 (VND 500–1,000)

Other Taxes

Various other taxes apply in Vietnam, often in the form of fees. Examples include foreign contractor tax, capital assignment profits tax (gains derived from the sale of a Vietnamese company), business license tax and registration fees on the transfer of certain assets.

Compliance

Tax year and tax returns: The tax year is the same as a calendar year in Vietnam. Tax returns need to be filed within 90 days of the end of the tax year.

Individual (personal) income tax

Tax residency

People who meet one or more of the following criteria are classified under Vietnamese law as tax residents:

- Have been physically present in Vietnam for 183 days or more in either the calendar year or for 12 consecutive months from the first arrival date
- Have a permanent residence in Vietnam
- Have a leased house (or hotel room, guest house, location of office etc.) in Vietnam with a total term of 183 days or more in a tax year, and unable to prove tax residence in another country (by providing a foreign certificate of tax residency).

Vietnamese personal income tax (PIT) applies to tax residents' total taxable personal income, regardless of whether it is paid or received domestically or not. Employment income is taxed on a progressive rates basis, however certain employment related income streams, for example employee training fees paid to training centres and compensation for labour accidents, are not subject to tax. Other income, such as income from business, capital investments, real property transfers, capital transfers, royalties, prizes or winnings, inheritance, gifts and franchises is taxed at a variety of different personal income tax rates.

A non-resident is classified as an individual who does not meet the tax resident criteria. Various PIT rates apply to non-residents' personal income streams. A flat PIT rate of 20 per cent applies to non-residents' employment income from Vietnam. However, the double taxation agreement between Australia and Vietnam may affect this rate.

Tax year

As stated earlier, the Vietnamese tax year is the calendar year. In the event that an individual does not meet the criteria of having been in Vietnam for more than 183 days, their first tax year is instead the year-long period starting from their arrival date. Thereafter, their tax year reverts to the standard calendar year.

Employment income

For an employee in Vietnam, taxable employment income broadly covers all cash remuneration received by the employee as well as other monetary benefits. As mentioned earlier, certain types of employment income are exempt from taxation. Tax exempt income streams include:

- Payments for business trips, uniform/stationary costs, and telephone charges (caps apply).
- Overtime premium- the additional payment above the ordinary wage
- One-off payments for relocation to Vietnam for expatriates, to Vietnam for Vietnamese residing overseas on a long-term basis and returning to Vietnam to work, and from Vietnam for Vietnamese working overseas
- Annual home leave round trip airfare for Vietnamese citizens and expatriates working in foreign countries
- School fees up to high school in Vietnam or overseas for children of expatriates/Vietnamese working overseas
- Training

- Mid-shift meals (a cap applies when paid for in cash)
- Certain benefits in kind provided collectively (such as membership fees, entertainment, healthcare, transportation to and from work etc.)
- Airfares costs for employees who are working consistently on a rotation basis in certain industries such as petroleum or mining.

Foreign tax credits

PIT paid in a foreign country is creditable for tax residents with foreign income.

Tax deductions

Allowable tax deductions include:

1. Contributions to mandatory social, health and unemployment insurance schemes
2. Contributions to local voluntary pension schemes (a cap applies)
3. Contributions to certain approved charities
4. Tax allowances:
 - Personal allowance of AUD 685 (VND 11 million) per month
 - Dependent allowance of AUD 274 (VND 4.4 million) per month per dependent. To receive the dependent allowance the taxpayer needs to register qualifying dependents and provide supporting documents to validate their claim.



Individual income tax rates

PERSONAL INCOME TAX RATES

Residents – employment income

Annual taxable income	Monthly taxable income	Tax rate
AUD 0 - 3,737 (VND 0–60 million)	AUD 0 - 311 (VND 0–5 million)	5%
AUD 3,737 - 7,475 (VND 60–120 million)	AUD 311 - 623 (VND 5–10 million)	10%
AUD 7,475 - 13,454 (VND 120–216 million)	AUD 623 - 1,121 (VND 10–18 million)	15%
AUD 13,454 - 23,919 (VND 216–384 million)	AUD 1,121 - 1,993 (VND 18–32 million)	20%
AUD 23,919 - 38,868 (VND 384–624 million)	AUD 1,993 - 3,239 (VND 32–52 million)	25%
AUD 38,868 - 59,797 (VND 624–960 million)	AUD 3,239 - 4,983 (VND 52–80 million)	30%
More than AUD 59,797 (VND 960 million)	More than AUD 4,983 (VND 80 million)	35%

Residents – other income

Type of taxable income	Tax rate
Business income	0.5%–5% (based on the type of business income)
Interest/dividends	5%
Sale of shares: (*)	0.1% of the sales proceeds
Capital assignment	20% of the net gain
Sale of real estate: (*)	2% of the sales proceeds
Income from copyright	5%
Income from franchising/royalties	5%
Income from winning prizes	10%
Income from inheritances/gifts	10%

* From January 1 2015, income from the sale of shares and real estate became subject to PIT at deemed rates of 0.1 and 2 per cent respectively. The previous allowance for declaring PIT based on net profit has been abolished.

PERSONAL INCOME TAX RATES

Non-residents

Type of taxable income	Tax rate
Employment income	20%
Business income	1%-5% (based on type of business income)
Interest / dividends	5%
Sale of shares	0.1% (on sales proceeds)
Sale of real estate	2% (on sales proceeds)
Income from royalties / franchising	5%
Income from inheritance / gifts / winning prizes	10%

Dividends: No tax is levied on dividends when paid by a company in Vietnam to its shareholders.

5.4. Audit and accountancy

Accounting records are generally required to be maintained in the local currency, Vietnamese dong. Foreign-invested business entities can select a foreign currency to be used for their accounting records and financial statements provided that they meet all stipulated requirements. Accounting records must be maintained in Vietnamese, but this can be combined with a commonly-used foreign language such as English. At the end of a financial year, the entity must perform a physical count of its fixed assets, cash and inventory.

Companies operating in Vietnam are required to comply with the Vietnam Accounting System (VAS). It is possible to diverge from the standard VAS, but this is subject to specific approval from the Ministry of Finance. The tax authorities treat VAS non-compliance as a basis for tax reassessment and imposition of penalties, including withdrawal of CIT incentives, disallowance of expense deductions for CIT purposes and disallowance of input VAT credits/refunds.

The annual financial statements of all foreign-invested business entities must be audited by an independent auditing company operating in Vietnam. Audited annual financial statements must be completed within 90 days of the end of the financial year. These financial statements should be filed with the applicable licensing body, the Ministry of Finance, the local tax authority, the Department of Statistics and other local authorities if required by law.

The following are some other key features of the audit and accounting systems of Vietnam:

- The accounting period is the calendar year.
- Most businesses must report their tax affairs annually. State-owned enterprises, however, must provide a mid-year update.
- If a company's financial records are maintained in a foreign language, they will need to be translated into Vietnamese if submitted as part of a tax return or required as part of an audit.
- All companies must retain records used in the preparation of their accounting books for 10 years, and five years for other accounting documents.
- Companies can use electronic documents as accounting records, but must nevertheless print out and file those electronic papers in accordance with the Law on Accounting.
- Vietnam has issued 26 accounting standards and 47 auditing standards (42 standards were issued in and after 2013 and five old standards are still effective), which are primarily based on international standards with some local modifications.

Vietnam is expected to adopt International Financial Reporting Standards (IFRS), replacing the current Vietnamese accounting standards (VAS), from 2025 as part of its efforts to improve transparency.

5.5. Employing workers

Vietnam's Labour Code provides the legal framework setting out the rights and obligations of employers and employees with respect to working hours, labour agreements, payment of social insurance, overtime, strikes, and termination of employment contracts.

In a labour contract with Vietnamese workers, wages and salaries must be set in Vietnamese dong. The wages of employees are subject to minimum rates determined by the Government. Foreigners working in Vietnam must generally have a work permit issued by the labour management authority. To obtain a work permit, foreigners assigned to work in Vietnam are required to show a degree of proprietary knowledge, a special skill or a manager/ executive-level skill not readily available in the domestic labour market.

Labour market

Vietnam has near full employment, with an unemployment rate hovering around 1.9 per cent in recent years. With a young and growing population, the workforce of over 56 million will continue to expand in years to come. As a result, the availability of labour is a key attraction of doing business in Vietnam.

The literacy rate: With universal access to primary education and growing enrolments in secondary education, Vietnam has a literacy rate of about 95 per cent.

Skill level: The skill level of Vietnamese workers is increasing thanks to higher levels of secondary education completion. However, skills shortages persist in some areas. The Vietnamese Government recognises the need for greater enrollment and higher quality post-secondary training and education. To address shortages, the Government has set out a number of policies and programs. Currently over 75 per cent of Vietnamese had completed secondary education, and around 10 per cent had received a tertiary education.



Minimum wage: In 2019, monthly minimum wages were increased by 5.8 per cent and ranged from AUD 182 (VND 2.92 million) to AUD 260 (VND 4.18 million). In 2020, the new minimum wages range from AUD 191 (VND 3.07 million) to AUD 275 (VND 4.42 million). As detailed in the “Minimum Wage Adjustment Road Map” released by the Vietnamese Government, the minimum wage will increase on an annual basis. Skilled workers must be paid at least 7 per cent more than the regional minimum wage.

Despite these increases in the minimum wage, wages in Vietnam are generally still significantly lower than in comparable countries in the region, including Indonesia, Thailand and the Philippines.

Human resources and employment law

Labour protection laws: The Labour Law, updated in 2019, sets out the safeguards for workers in Vietnam. It also covers employee entitlements and responsibilities.

Working hours: Under Vietnamese law, the normal working week can be up to 48 hours. In practice, the normal working week comprises five eight-hour days, totalling 40 hours.

Holidays: Workers employed for more than 12 months are entitled to 12 days of paid leave. For every five years of service this entitlement increases by one day. For workers employed for less than 12 months, annual leave is accrued on a pro-rata basis. Regardless of how long they have been in a role, employees are entitled to all 10 paid national holidays.

Overtime: Overtime is limited to 200 hours per year, or up to 300 hours per year under special circumstances. In addition, overtime should not exceed 30 hours in any month. Total hours worked by an employee must not exceed 12 hours in one day. Employers have the right to request overtime, though employees can refuse to do it.

Overtime Rates

Standard Day	Time and a half (150 per cent of normal pay)
Weekend	Double time (200 per cent of normal pay)
Holiday/Paid leave	Triple time (300 per cent of normal pay)

Sick leave: Under the Labour Law, Vietnamese workers' sick leave entitlements are determined by how long they have been contributing to the social insurance fund.

- An employee who has contributed to the social insurance fund for less than 15 years is entitled to 30 days per year.
- An employee who has contributed to the fund for a full 15 years but less than 30 years is entitled to 40 days per year.
- Those who have contributed for a full 30 years are entitled to 60 days per year.

Social, health and unemployment insurance

contributions: Social insurance (SI) and unemployment insurance (UI) contributions are applicable to Vietnamese individuals only. Health insurance (HI) contributions are required for both Vietnamese and foreign individuals employed under Vietnam labour contracts. For foreign employees, unemployment insurance is not applicable. From December 1 2018 to December 31 2021, employers of foreign employees, are contributing 3.5% to the social insurance. From January 1 2022, qualified foreign employee and employer starts contributing 8% and 17.5%, respectively.

Contribution rates for social, health and unemployment insurance are as follows:

	SI	HI	UI	Total
Employee	8%	1.5%	1%	10.5%
Employer	17.5%	3%	1%	21.5%

The amount of salary subject to these insurance contributions is capped at 20 times the minimum salary for SI/HI contributions and 20 times the minimum regional salary for UI contributions. The minimum salary is currently AUD 275 (VND 4.42 million) for most of the districts in Hanoi and Ho Chi Minh City, and the minimum regional salary varies from AUD 191 (VND 3.07 million) to AUD 259 (VND 4.42 million) depending on each region. These minimum salaries are subject to change during the year.

The statutory employer contributions do not constitute a taxable benefit to the employee. The employee contributions are deductible for personal income tax purposes.

Ending employment: Employment ends at the expiration of a contract, by mutual agreement or by unilateral termination. Employees enjoy extensive protection under Vietnamese law, which can make

unilateral termination difficult. If possible, it is best to reach a mutual agreement. In cases where a mutual agreement cannot be reached, unilateral termination is allowed if at least one of the five conditions is met:

- Employee performance is below that set out in the contract or agreement. The employee must receive two written warnings in one month for this to be valid.
- The employee has been absent from work due to sickness or injury for a specific length of time. The period of time depends on the type and length of the labour contract.
- Due to circumstances outside of its control, such as a natural disaster, a business needs to reduce production and staff numbers.
- Employment may be suspended if an employee is in custody or called up for military service.
- A business's operating environment changes because of a merger, economic challenges, restructuring or new technologies.

Severance pay: In certain cases, if an employer terminates the employment of an employee who has been with the organisation for more than 12 months, severance pay must be provided. In cases of employee misconduct or illegal activity, severance does not need to be paid. The minimum severance pay is half a month's salary for each year of employment.

Recruitment channels

Online advertisement: Advertising a job online is a great way to get a large number of applicants. There are a number of useful websites in Vietnam for online advertising:

- **VietnamWorks** is the most popular online job search portal. It can be accessed in both English and Vietnamese. Prices to advertise a job range from AUD 93 (VND 1.5 million) to AUD 666 (VND 10.7 million), depending on the package chosen. <http://www.vietnamworks.com/>
- **CareerLink** is another popular job search site in Vietnam. While similar to VietnamWorks, it is aimed more at Vietnamese professionals. Some of the website is in English. <https://www.careerlink.vn/en>
- **Tim Viec Nhanh** is a recruitment portal in Vietnamese. It advertises lower to middle-level roles. <http://www.timviecnhanh.com/>
- **Aphabe** is a professional networking site like LinkedIn, tailored for Vietnam. It is a suitable platform for finding professionals and building your network. <http://www.aphabe.com/>



Executive search: For a tailored search for more senior roles, using an executive search firm may be more appropriate. International firms such as ADECCO, Harvey Nash, Talentnet, Robert Walters and Odgers Berndtson have offices in Vietnam. In addition, there are numerous smaller local firms such as Anh Duong Talent.

Job fairs, employee referrals and internships can also be useful options for finding staff in Vietnam.

Work permits

Work permits for foreigners in Vietnam are issued by the Ministry of Labour, Invalids and Social Affairs. Permits are valid for three years, and can be renewed on application.

In order to be eligible for a work permit, the applicant must be:

- At least 18 years of age
- In good enough health to satisfy job requirements
- A manager, executive director or expert with technical skills and knowledge necessary for the job
- Not currently subject to criminal prosecution or any criminal sentence in Vietnam or overseas, or have a criminal record.

If you have a work permit that is valid for at least one year, you can apply for a Temporary Residential Card. This is valid from one to five years and expatriates who hold a card can enter and exit Vietnam freely without a visa.

Managing a Vietnamese team

To ensure successful cross-cultural management in Vietnam, it is essential to maintain harmonious relationships and be cognisant of the need for people to retain face in all dealings. People must be treated with respect and deference at all times. Public criticism or displaying anger causes a loss of face and may jeopardise future business relationships.

Cross-cultural management is more likely to succeed in Vietnam if you bear in mind that each person often has a very distinct role within the organisation, and that maintaining that role helps to keep order. Vietnamese people generally believe that their supervisors have been chosen because they have more experience and greater knowledge than those they manage. It is therefore unnecessary, and even inappropriate, for them to consult with lower-ranking individuals when making decisions.

In Vietnam, as in other hierarchical societies, managers may adopt a somewhat paternalistic attitude towards their employees.

Timelines and priorities: The Vietnamese sometimes have a relaxed attitude towards schedules and timelines. They may not wish to upset others in order to meet a deadline, and while appointments and schedules need to be set in advance, these sometimes need to be viewed as flexible. Patience is therefore a necessary attribute for successful cross-cultural management.

Decision making: Vietnam is a hierarchical culture, with most decisions made at the top and then implemented by employees. There may be informal



networking among employees or between managers and subordinates, but actual power is generally held in the hands of a few key people at the top of an organisation.

5.6. Banking in Vietnam

Banking environment

Generally, all foreign companies establishing a presence in Vietnam will need to open a bank account in order to conduct their business. Foreign companies may open accounts denominated in Vietnamese dong, as well as US dollars and other foreign currencies. The banking sector includes domestic commercial banks, state-owned commercial banks, 100 per cent foreign-owned subsidiary banks, foreign bank branches and cooperative banks.

Vietnam's central bank, the State Bank of Vietnam (SBVN), has a number of responsibilities for the banking and financial sector. These include:

- Promotion of monetary stability and formulation of monetary policies
- Promotion of institutions' stability and supervision of financial institutions
- Provision of banking facilities and recommendation of economic policies to the Government
- Provision of banking facilities for financial institutions
- Managing the country's international reserves
- Printing and issuing banknotes
- Supervising all commercial bank activities in Vietnam, and lending state money to commercial banks

- Issuing government bonds, organising bond auctions
- Being in charge of other roles in monetary management and foreign exchange rates.

There are four main types of banks in Vietnam:

- State-owned banks
- Joint stock commercial banks
- Joint venture and wholly foreign-owned banks
- Cooperative banks.

The Law on Credit Institutions allows commercial banks to provide a wide range of products and services, from traditional financial products to fund management and securities business.

Bank accounts

To open a bank account in Vietnam, you will most likely need to visit a branch, and to present your passport as proof of identity. You will also need proof of employment in Vietnam (such as a contract or a letter from your employer). If you have a business in Vietnam, the business certificate will be required. While it varies between banks, an initial deposit of AUD 6.2 (VND 100,000) may be required to open a bank account.

Some Australian banks, such as ANZ Vietnam, allow you to start the process of opening a bank account in Vietnam online. You will still need to visit a branch to complete the process.

The three types of bank accounts available in Vietnam are:

- **Normal local/foreign currency bank account.** This is the most common type of bank account. Funds can be transferred into and out of this type of account, usually without a monthly limit. Accounts can usually be opened in either VND or USD.
- **Deposit bank account.** As the name suggests, deposit bank accounts are designed for taking deposits and accumulating savings over time.
- **Offshore foreign currency bank account.** This is a special type of account that may be useful for some businesses and individuals. In addition to meeting certain criteria, approval is required from the State Bank of Vietnam to open these accounts.

Australian banks in Vietnam: A number of Australian banks have operations in Vietnam. ANZ operates as a wholly foreign-owned bank, ANZ Vietnam. It has eight branches and transaction offices plus two representative offices. It has an established presence in Hanoi, Ho Chi Minh City, Can Tho and Binh Duong. Commonwealth Bank has a branch in Ho Chi Minh City and a representative office in Hanoi. NAB has a representative office in Hanoi.

Currency regulations

Foreign exchange control: The VND is not freely convertible and cannot be remitted overseas. The Government has been implementing measures to gradually reduce the country's dependence on the US dollar. All buying, selling, lending and transfer of foreign currency must be made through banks and other financial institutions authorised by the State Bank of Vietnam. As a general rule, all monetary transactions in Vietnam must be undertaken in VND.

Foreign invested enterprises may, subject to certain conditions, buy foreign currency from banks to make foreign currency payments to overseas parties. The outflow of foreign currency by transfer is only authorised for some transactions such as:

- Payments for imports and services from abroad
- Repayment of offshore loans and the payment of interest
- Transfers of profits and dividends
- Transfers of technology/royalties.

Foreign enterprises and foreigners working in Vietnam are permitted to transfer abroad profits and income earned in Vietnam, and any remaining invested capital at the end of an investment project. Supporting documents showing the legitimate purpose of transferring foreign currency abroad must be submitted to the remitting bank in order to purchase and remit foreign currency.

5.7. Repatriating profits and getting paid

Profit remittance: Foreign investors are permitted to remit their profits annually at the end of the financial year or upon termination of the investment in Vietnam. Foreign investors are not permitted to remit profits if the investee company has accumulated losses.

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

Choosing the right payment option: Payment terms can prove decisive when competing for business, and savvy negotiators will often use such detail as leverage for clinching a deal.

Options for payment terms can include:

- Receiving some – or possibly all – of the payment upfront as a down payment
- Documentary collection, where goods or services are shipped but the seller retains control of them until payment – or until a legal undertaking of future payment is received from the buyer
- Open account (or open credit), which affords the buyer certain credit terms. Goods or services are delivered with an invoice demanding payment by a specific date.

It is worth erring on the side of caution in your initial business transactions by using secure methods of payment, such as letters of credit. The default currency for payment, quotes and invoices – if not VND – is US dollars.

Risks of non-payment: Little in the commercial world is entirely risk-free, but risks of default on payments are best managed by choosing some form of pre-payment or documentary credit. This may be difficult to achieve from the outset of a business relationship and can be something of a Catch-22 – by the time you have established a track record with the buyer it will be clear whether or not pre-payment is necessary for continuing business transactions. Some independent assessment of the buyer with the help of your bank or an international business consultant may be worthwhile, as well as seeking their advice on the best payment options.

Managing exchange risk: This is an essential part of conducting foreign business transactions, which should be discussed with your professional adviser and bank. Bank websites usually outline key information regarding exchange rate products.

6. Visiting Vietnam

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Since the start of 2015, foreigners have no longer been able to change the status of their visa after entering Vietnam, and must use only one passport for entry to and exit from Vietnam.



Visiting Vietnam is a crucial part of doing business there. This chapter covers some of the basic information that you will need for travelling to, and within, Vietnam.

6.1. Visas

**Due to the COVID-19 pandemic situation, Vietnam is not accepting any visa applications at this moment (as of April 2021).

To enter Vietnam, your passport must be valid for at least six months following the date of your arrival. You must also hold a valid visa, a visa exemption document, or an approval letter for a visa on arrival. Since the start of 2015, foreigners have no longer been able to change the status of their visa after entering Vietnam, and must use only one passport for entry to and exit from Vietnam. From July 1 2020, the amendment of immigration law is allowing visitors to apply to change their visas under a number of circumstances: visitors who can prove they are investors or representatives of foreign organisations; family members of invitees; and foreign workers who receive job offers in Vietnam.

Vietnam has an online portal where you can find out more information about visas and download the relevant application form. Go to: <http://visa.mofa.gov.vn/>.

You can also apply for a visa and obtain visa information from the Vietnamese Embassy in Canberra, or from one of the Vietnamese consular offices in Australia's main capital cities. More information can be found at: <http://vietnamembassy.org.au/thu-tuc-cho-cong-dan-Viet-Nam-va-nguoi-goc-Viet>.

There are numerous categories of visa issued by the Vietnamese Government:

From December 2017, Australians are eligible to apply online for a single entry electronic visa (e-visa), valid for up to 30 days.

NG visa: Issued to political and diplomatic visitors or residents, and members of delegations invited by the Vietnamese Government. There are four different categories (NG1, NG2, NG3, NG4), and they are valid for up to 12 months.

LV visa: Issued to working partners of Vietnamese Government administration bodies and ministries in two categories (LV1, LV2). Valid for up to 12 months.

DT visa: For foreign investors and lawyers seeking to operate within Vietnam. Valid for up to 10 years.

DN visa: For working partners of Vietnamese businesses. Valid for up to 12 months.

NN visa: three classes (NV1, NV2, NV3) issued to representatives and working partners of international organisations, NGOs and representative office workers. Valid for up to 12 months.

DH visa: For students and interns. Valid for up to 12 months.

HN visa: For foreigners attending conferences or seminars. Valid for up to three months.

PV visa: two classes (PV1, PV2) for foreign journalists, covering short-term visits and residency. Valid for up to 12 months.

LD visa: For foreigners seeking to work in Vietnam. Valid for up to two years.

DL visa: For tourists. Valid for up to three months.

TT visa: For the spouses or minors of foreigners who have been granted any of the above-mentioned visas, or for those in a relationship with a Vietnamese citizen. Valid for up to 12 months.

VR visas: For those visiting relatives in Vietnam. Valid for up to six months.

SQ visas: For those with diplomatic notes or working relations with a Vietnamese visa agency abroad and seeking to enter for medical purposes, tourism, visiting relatives or market survey. Valid for up to 30 days.

Visas are usually issued within three working days of submission of a complete application, except for NG1 and NG2 visas, which are normally issued within one working day. Processing times within agencies or postal services can add to your waiting time. Visas must be received in advance of entry into Vietnam, with the following exceptions:

- Arriving from a country where there is no visa-issuing agency
- You have travelled through many countries before reaching Vietnam
- Visiting on an international tour operated by an agency from Vietnam
- Crew member on a vessel docked in a Vietnamese seaport
- Visiting a seriously ill family member or attending a funeral
- Entering to assist with emergency response at the request of a Vietnamese authority.

Visas have variable costs. A 30-day tourist DL visa costs AUD 75 for a single-entry option, or AUD 120 for multiple entry. You may be able to apply for a visa exemption if you are the spouse or child of a Vietnamese national. Certificates are valid for five years and allow multiple six-month entries.

Visas can be extended provided your passport is valid for at least six months following extension approval. Overstaying your visa in Vietnam or holding an invalid visa may result in the delay of your onward travel, and lead to penalties. If you intend to enter and exit Vietnam more than once, a multiple-entry visa will be required.

Arriving foreigners are required to register the address of the place where they are staying with the local police or immigration office. If staying at a hotel, registration should be done as part of the standard check-in procedure. Hotels will require your passport details and may ask you to leave your passport in reception. This is common practice, though not a legal requirement for the hotel. If you are staying at a private residence, you must register by visiting the local police station.

When seeking a visa, be aware of numerous fraudulent visa agents who are not endorsed by the Vietnamese Government and to whom you should avoid submitting applications. Many of these offer visa on arrival services with pre-payment. Travellers are encouraged to apply through official Vietnamese Government agencies before travelling. The Vietnamese Embassy in Canberra provides helpful information on which agents to avoid and which channels are legitimate.

Note that the immigration laws and processes have been subject to recent reform, and travellers should check with the relevant authorities when planning trips.

6.2. Currency

The Vietnamese dong (VND) is the official currency of Vietnam, though US dollars (USD) are also widely used and many prices may be quoted in USD.

The official symbol for the dong is **₫**. Notes are available in denominations ranging from VND 500,000 down to VND 100. Some notes of identical value have different designs due to updates in note technology. Coins are used for VND 5,000 downwards, other than VND 100.

Vietnam is largely a cash-based economy. While the use of credit and debit cards is increasing and ATMs are increasingly available, they can still be hard to find,



VIETNAM'S CURRENCY IS THE VIETNAMESE DONG (VND)



is the symbol for dong



Banknotes in circulation are VND 500,000, 200,000, 100,000, 50,000, 20,000, 10,000, 5000, 2000, 1000, 500, 200, 100



Coins in circulation are VND 5000, 2000, 1000, 500, 200



It is always best to exchange foreign currency at official outlets of banks or well-known exchange companies. Beware of exchanging at any unofficial vendors, where you may be targeted by pickpockets and exchange rates may be poor.

especially in rural areas. ATMs are also likely to charge a fee of up to AUD 1.87 (VND 30,000) to users who are not customers of the providing bank. ATMs usually allow withdrawals of up to AUD 124 (VND 2 million), although ANZ and HSBC ATMs allow up to AUD 248 (VND 4 million).

Visitors should exercise caution when changing money in Vietnam. The high denominations of the dong can make exchanges confusing, and the exchange rate can fluctuate. Visitors should keep track of current exchange rates in order to know the present value of the currency, and money should only be changed at banks or outlets of well-known exchange companies – some others are illegal and may offer poor exchange rates.

6.3. Air travel and airports

Airlines

About 30 international airlines fly to Vietnam, including Australian carriers and budget providers. The national carrier is Vietnam Airlines. Note that all Vietnamese airlines and airports require travellers to show their luggage tags when leaving airports.

Airports

Most Australians enter Vietnam through one of two major airports – Tan Son Nhat International Airport in Ho Chi Minh City or Noi Bai International Airport in Hanoi.

Tan Son Nhat International Airport has separate domestic and international terminals, and is located 6km from the centre of Ho Chi Minh City. Its airport code is SGN.

Travel into the city centre is easiest by taxi. The main taxi rank is just outside the main terminal exit. Taxis leaving from the airport are subject to a AUD 0.62 (VND 10,000) surcharge, and the fare to most parts of the city centre should be between AUD 9.3 (VND 150,000) and AUD 10.6 (VND 170,000). You should only use metered and official taxis, and always ask for the meter to be switched on when starting your journey. You can also arrange taxis at the Mai Linh desk in the terminal. These will cost of around AUD 18.7 (VND 300,000) for a ride into town.

Noi Bai International Airport is 45km from central Hanoi and has separate domestic and international terminals. Its airport code is HAN.

Taxi is the easiest way to reach central Hanoi. The trip should take around 30 minutes and cost approximately AUD 20 (VND 320,000). Be sure to take only a metered official taxi from the airport taxi rank. Alternatively, minibuses run to and from the Vietnam Airlines office in the city centre, with fares for foreigners AUD 2 (VND 32,000). Public buses 7 and 17 also connect the airport to the city, for AUD 0.31 (VND 5,000).



5,000). The buses run every 15-20 minutes between 5am and 10pm and take roughly an hour to reach Kim Ma bus station and Long Bien bus station. The bus stop is just outside the terminal exit.

Among the other international airports in Vietnam, the most significant is Da Nang, which serves routes to regional hubs such as Singapore, Kuala Lumpur and Seoul.

There is also an extensive domestic passenger air network in Vietnam servicing smaller cities and regional airports, as well as the major international hubs.

Mobile Phones

Your Australian mobile phone should work straight off the plane in Vietnam, provided your Australian contract allows for international use. However, beware of very high charges if you have not purchased an international roaming package from your Australian telco before departure. Alternatively, you can buy a pre-paid SIM card in Vietnam. These are widely available and will provide a good quality service at competitive rates for both data and calls if you buy from one of Vietnam's three major telco network operators: Mobifone, Vinaphone and Viettel. However, you will not be able to use your Australian phone number, and this option is not available if your phone is 'locked' to a specific provider in Australia. In that case you should buy an international package from your Australian provider before leaving for Vietnam.



6.4. Ground transport

Taxis

Taxis are generally safe and cheap in Vietnam, with average fares around AUD 0.75 (VND 12,000) to AUD 0.93 (VND 15,000) per kilometre.

However, there can be pitfalls for foreigners, including taxi scams. Tourists have fallen prey to meters that charge excessive rates, or to drivers who exploit foreigners' unfamiliarity with the currency by claiming insufficient payment. Drivers may also attempt to take you on a long route, or drop you at places where they will receive commission. To avoid being scammed in this way, try to research the journey before you travel, and order the driver to stop if you feel you are being targeted. Always ask for a receipt with the driver's personal licence details, which will enable you to complain if necessary.

The best way to avoid these issues is to travel only with reputable taxi companies. Vinasun and Mai Linh are both nationwide companies with good reputations.



There are many firms with deliberately similar names and phone numbers – so double check the details before taking a ride.

Cyclos and rickshaws remain common in Vietnamese cities, though are in decline with the increased use of motorbikes and taxis. Overcharging is rampant, so make sure you have a clearly agreed price before taking a ride and have exact change ready. Short journeys around the city centre should cost between AUD 1.9 (VND 30,000) and AUD 2.5 (VND 40,000). Ensure you pay by the journey, not per passenger.

Driving

Vietnam has a large network of roads connecting all regions of the country. While the standard of regional roads is not as good as in more developed countries, major highway projects are underway, and the standard of road travel should improve in the future. Unlike in Australia, the Vietnamese drive on the right side of the road.

Australian driving permits are not recognised in Vietnam, and non-Vietnamese citizens are only allowed to drive if they hold a valid temporary Vietnamese drivers licence. You must also hold a valid licence to ride a motorbike of 50cc or greater. A good flexible option is to hire a rental car with a driver, which costs between about AUD 111 (VND 1.8 million) and AUD 173 (VND 2.8 million) per day for a standard car, and more for a four-wheel-drive. Be clear with your driver about where you want to go, and beware of visiting their favoured stores and restaurants – often they will be paid commission for taking you there.

It is against the law in Vietnam to ride a motorcycle without a helmet, and criminal charges can apply to anyone involved in an accident without a helmet. Vietnam has a high rate of road accidents – driving standards are poor and sub-standard roads, while improving, still contribute to risks.

Major cities can have significant congestion, so allow plenty of time to get to your appointments.

Rail transport

Vietnam has an extensive rail network, with the Hanoi – Ho Chi Minh City ‘Reunification Express’ route a key transport artery. Most regional cities are covered by the rail network, which is operated by state carrier Vietnam Railways. Trains are mostly slow and operate on single-track lines, but gradual improvements are being made and new high-speed links are being planned.

The Vietnamese rail network operates mainly two models of train: SE and TN. SE models are more modern, with air-conditioned options and restaurant cars. Most trains have multiple class options, the most common being hard seat (cheapest), soft seat, hard sleeper and soft sleeper (most expensive). Hard sleepers often place six people in a berth, while soft sleepers hold four per berth.

Cost varies according to class and the speed/model of the train.

You can book tickets for a journey up to 90 days in advance, and it is advisable to book at least a week ahead for longer journeys that have less frequent services. You can book tickets on the rail network booking website (<http://dsvn.vn/#/>) or through many agents internationally who may accept a wider range of payment options. Schedules change regularly, so be sure to confirm your travel plans both before and on your day of travel. Transport schedules around the time of the Tet Festival are particularly prone to change. The network’s website (<http://www.vr.com.vn/en>) is a useful resource for information on specific journeys.



Note that petty crime is an issue on sleeper trains in Vietnam and public transport generally. When sleeping, keep valuables close to you and attempt to tie your bag to you.

Buses

Buses serve both local routes within cities and regional routes across the country. Major cities all have multiple bus stations.

Local buses depart when full, and are often crowded and make frequent stops. Deluxe buses are more commonly used by foreigners, with allocated seats and air-conditioning as standard, and beds for longer journeys.

‘Open tour’ buses cater for tourists and tend to depart from central places in cities. These allow for multiple stopovers on long journeys, providing flexibility for travellers to get on and off wherever they want. A ticket from Ho Chi Minh City to Hanoi should cost between AUD 44 (VND 0.7 million) and AUD 106 (VND 1.7 million), depending on the route and provider. The price increases if you add more stops and options to your ticket.

Reservations are usually not required on short point-to-point routes, but are advisable for longer journeys or stopping services. You should pay through ticket offices

rather than drivers, who have been known to attempt to overcharge people by up to 10 times. The Sinh tourist and Mai Linh Express are both popular and reputable providers.

6.5. Hotels and dining

Careful travel planning can help you make the most of your trip to Vietnam and save valuable time on the ground. Look for hotels that are convenient to where you need to meet contacts, and that are close to transport. Considering these issues before you leave Australia can make your stay in Vietnam more productive and enjoyable.

Staying in Hanoi

Hanoi has a large variety of accommodation options to suit all tastes and budgets. One of the most convenient and popular areas in which to stay is the Old Quarter, which is part of the Hoan Kiem district. It is in the centre of the city and ideally located for transport. The district is popular for its narrow streets and history, as well as its proximity to the Hoan Kiem Lake. The Hoan Kiem district is also Hanoi’s central business district.

The Cathedral District, at the southern end of the Old Quarter and close to Hanoi Railway Station, is also

APPS IN VIETNAM:

Popular communication apps in Vietnam include **WhatsApp, Line, Viber** and **Facebook Messenger**. All can be used on Android, iPhone and other operating systems.



WhatsApp is one of the largest messaging services in the world and is popular throughout Asia.



L-Lingo is a free Vietnamese language app available on both iPhone and Android systems, offering a multichannel learning platform.



Grab and Uber are ride-sharing taxi-booking apps available in Vietnam and many other Southeast Asian countries for Android, iPhone and other systems. With these apps you can order and track drivers, and also get a fare estimate.



Vietnam Travel Guide by Triposo is a popular travel app available on Apple devices and Android. It covers Ho Chi Minh City, Hanoi and other major destinations, offering information on museums, restaurants, bars, hotels and more. This app can be used offline.



Vietnammm.com allows you to browse menus, order food and arrange delivery from local restaurants without having to call or email. This free app is very popular in Vietnam's major cities.

popular with travellers. The area is home to many unique architectural features and combines Hanoi's past with its bustling and vibrant modern energy.

Many global hotel chains are represented in Hanoi, and there is also an extensive array of budget accommodation, including hostels and basic hotels.

Staying in Ho Chi Minh City

Ho Chi Minh City also has the full range of accommodation options. The city is divided into 24 districts, with Districts 1 and 3 home to most of the transport and activity options, and the most popular areas in which to stay.

District 1 is the most modern and central part of Ho Chi Minh City. Situated on the edge of the Saigon River, it was developed by the French during the colonial period, and as a result has wide roads, extensive parklands and historical ambience in some areas. Today it is both the major commercial and financial centre, as well as a magnet for visitors. Budget travellers are often attracted to the Pham Ngu Lao area within District 1, partly due to favourable prices. Most of the city's 5-star hotels are also located in District 1.

Districts 2 and 3 are not far away, and are slightly cheaper. District 3 is more peaceful and removed from the commercial areas. District 2 follows the bends of the Saigon River and offers a high standard of living for resident expatriates.

Business dining and entertaining in Hanoi

Hanoi offers a variety of dining options. All budgets and tastes are catered for. Its street food is fantastic, and the alleyways of the Old Quarter are particularly good for cheap and delicious dining.

Hanoi's French colonial history is still evident in its cafe culture. Coffee is popular, and many fantastic cafés can be found around the Hoan Kiem Lake.

Business dining and entertaining in Ho Chi Minh City

Cuisine and entertainment options in Ho Chi Minh City are diverse and cater for all tastes. You will find authentic Vietnamese flavours across the city, as well as up-market modern dining.

Adjacent to District 1, where many of the more expensive restaurants are located, District 5 is the city's Chinatown, with a large number of pagodas and temples – and Chinese food to accompany them. It is easily accessible by public transport.

District 10 also offers an abundance of culture, with a large student population and vibrant cafe scene, alongside authentic Vietnamese eating options. Despite its congested roads, its location close to the city centre makes it easy to reach if you are staying in a central location.

Tipping

Tipping is not a traditional part of the dining culture in Vietnam and is generally not expected. However, in Western or more up-market establishments, a tip may be included in the bill. Growth in foreign tourism has also made tipping become more common in certain sectors. Wages are generally low, so if the service has been exceptional, then a small tip is appreciated. Vietnamese people are proud, so the amount should be proportional to the level of service provided.

Electricity

Vietnam uses 220-volt wall sockets with plug types A, C and G – which means standard Australian appliances require plug adaptors to be used in Vietnam. Adaptors can be bought at airports and in many major retail stores.

6.6. Health and welfare

Health and personal safety should always be considered in advance when you travel abroad. Vietnam, like most countries, has its own unique risks that should be noted and managed. Australian travellers should consult

www.smartraveller.gov.au regularly, which provides updates for travellers on particular countries and regions. Registration with DFAT is also recommended before making a journey, in case of emergency while on your trip.

Insurance and vaccinations

Australians are strongly advised to take out comprehensive health insurance coverage before travelling to Vietnam. It should cover any medical costs and any specific activities that you will be doing in Vietnam. Some things to look out for when choosing a policy are:

- How long does it cover me for?
- What is the excess on treatment?
- What activities are covered by the policy?
For example, am I covered if I am injured riding a motorbike?

A multi-trip policy may be the best and most economical option if you plan to visit Vietnam and other countries several times in one year. Before heading to Vietnam, consider your current physical and mental health, and the suitability of the trip. You should also research your vaccination options well before you travel. Some vaccinations may require multiple visits to the doctor starting at least eight

weeks before departure.

Many doctors will recommend the following vaccinations for Vietnam. You should also note that the Vietnamese Government requires by law evidence of vaccination against Yellow Fever for people who have come from a risk area. Consult with your doctor, as the vaccinations you need may be specific to your needs and precise itinerary.

- Diphtheria
- Hepatitis A and B
- Japanese Encephalitis
- Polio
- Rabies
- Tetanus
- Typhoid

Hospitals and medical services

Health services in Vietnam are in the main not as good as in Australia, and they operate differently. Some hospitals may request upfront payment before providing services, while others may contact your insurance company. The great majority of hospitals are public, although the private hospital sector is expanding quickly.

Larger population centres tend to have more comprehensive health services than the regions, although city hospitals in the public system can be crowded. You should carry a copy of your health insurance certificate when travelling, and a list of local Vietnamese healthcare providers that you may need during your stay.

Health risks

There are multiple health risks to consider when travelling to Vietnam.

- Pollution is a real problem in many cities, posing particular risks to people with asthma and bronchial and sinus conditions. Those with heart or respiratory problems should reduce their exertion and seek to stay indoors on days of high pollution. Air pollution conditions are reported on many websites and apps, including the site of the US Embassy in Vietnam. Masks, which are widely available for sale, can protect against disease transmission and the impacts of pollution.
- Tap water in Vietnam should not be drunk because of the risk of infection with diseases such as cholera. You should drink bottled or filtered water at all times, and avoid ice cubes and unpasteurised dairy products.

- Food-borne, water-borne and other infectious diseases occur sporadically, so it is advisable to avoid raw and undercooked food. Food poisoning is less common in Vietnam than in other developing countries, but exercise the usual precautions – if something looks risky, don't eat it.
- Malaria and other mosquito-borne illnesses such as dengue fever, Japanese encephalitis and Chikungunya exist in Vietnam. While malaria occurs mostly in rural areas and there is a low chance of transmission, precautions should still be taken. Dengue fever occurs throughout Vietnam, but particular care should be taken in the south of the country where it is more prevalent. Travellers can avoid mosquito bites by wearing clothes that cover skin, using bed nets at night, removing any nearby standing water sources, and using insecticides. Consult your doctor before travelling as to whether any medication is recommended – though bite-prevention is the best course of action as medication is not available for all conditions.
- Hand, foot and mouth disease is common across Vietnam, with outbreaks peaking in May. Conventional hygiene precautions restrict its transmission.
- Vietnam has many high-altitude mountainous regions. This may affect your respiratory or pulmonary functions, and there is a risk of acute mountain sickness. Do not over exert yourself, and consult a guide before undertaking any activities at high-altitude.
- Multiple health risks arise from animals across Vietnam. There have been reported cases of avian influenza in chickens, and rabies in dogs, bats, monkeys and other mammals. Travellers should avoid interacting with animals in the country and seek immediate help if bitten.
- Many people transit through Vietnam, which makes it vulnerable to global health risks such as ebola and SARS. Travellers should check specific risks before departing.

Natural disasters and severe weather

Vietnam is prone to tropical cyclones between May and November, particularly on the east coast. Travellers should check potentially threatening weather systems and make themselves aware of local evacuation and emergency procedures. The Vietnam National Centre for Hydro-Meteorological Forecasting and the Japan Meteorological Agency are both good sources for tracking incoming storms.

USEFUL NUMBERS FOR EMERGENCIES INCLUDE:



POLICE

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AMBULANCE

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FIRE

114



PHONE DIRECTORY

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Personal safety

Vietnam is generally very safe for Australian travellers, and the majority of visits are trouble-free. However, business travellers are encouraged to consult the Australian Government's guide to travel (<https://www.smartraveller.gov.au/before-you-go/activities/business>) during preparations for a trip.

Most crime in Vietnam is petty. Violent attacks are rare, though not unheard of in the larger cities. Spiking of drinks and food has been reported, as well as theft and sexual assault. Pickpocketing and snatch-and-grab offences are the most common crimes, and can be avoided with attentiveness and common sense. Pay attention to your belongings at all times and try not to carry too many valuables.

Foreigners can also be targeted by scams, and common sense should be exercised. When riding taxis, use only official taxis with meters, pay close attention to your route and the amount of change provided.

Protests and civil unrest are rare in Vietnam. If you encounter a demonstration, stay away and do not take photographs. Similarly, avoid disrupting the work of the military or the police, and observe no-go zones, particularly near country borders.

Terrorism is a threat across the world, and while Vietnam has not experienced any major attacks, terrorists have in recent times targeted a broad range of Western interests across the globe. Attacks are often indiscriminate. Caution should be exercised and you should report any suspicious activity.

Penalties for drug possession and other crimes

Drug possession and trafficking attract harsh penalties in Vietnam, including the death penalty and life in prison. A number of Australians are currently serving long sentences in Vietnam for drug offences. Never carry packages or luggage on behalf of another person, and familiarise yourself with restrictions on any medication that you may wish to bring into or out of Vietnam. Long jail sentences are also imposed for crimes such as sexual assault and fraud, while the death penalty has been applied to serious crimes such as rape and hijacking.

Some activities that may not be seen as criminal elsewhere can attract large sentences in Vietnam. For example, gambling outside state-sanctioned casinos is illegal, as is possession of pornography and non-state sanctioned political and religious material. Foreigners suspected of undertaking non-sanctioned activities, including online, may be subject to detention and deportation. Be sensitive to local laws and customs and be sure that you understand the implications both in Vietnam and Australia if a law is broken. Be aware also that under the Vietnamese legal system, you can be detained for an unlimited period without charge.

Australian nationals should also remember that they remain subject to some Australian laws when abroad. Specifically, they can face prosecution back in Australia for child sexual exploitation, bribery, money laundering, terrorism, and others offences.

Dual nationals

Dual nationals should seek specific advice on their rights and regulations that apply to them when travelling. Vietnam recognises dual nationality only in some cases. If you enter Vietnam on a Vietnamese passport, the ability of the Australian Government to assist you may be limited. It is recommended that dual nationals travel on an Australian passport.

Clothing

Appropriate clothing for your trip will depend upon the time of the year, and the region that you are visiting. Much of Vietnam is tropical or sub-tropical, with cool/dry and warm/wet seasons. Ho Chi Minh City and other parts of the south have a consistently tropical climate. The further north you travel, the more variable the seasons become. In general, you should wear loose-fitting clothes that cover your skin; in this way you will both respect cultural preferences and help to protect yourself from mosquito bites. During the wet season, you should have waterproof clothing for downpours. If you are travelling to high altitudes, especially in the north, warmer clothes and jackets may be needed in the cooler months.

As a general rule, Vietnam is more socially conservative than Australia. This means revealing clothing should be avoided, especially when visiting religious and cultural sites.

Useful phrases

The standard of English is improving quickly across Vietnam, and many locals will be able to hold at least basic conversations with you. However, in some rural areas this will not be the case. Most Vietnamese people respect a foreigner who makes an effort to communicate in their language. Some helpful phrases to assist you are:

USEFUL PHRASES

Word/Phrase	Spelling	Pronunciation
Hello	xin chào	sin chow
How are you?	bạn khỏe không?	ban kweh kaumng
Please	làm ơn	lam uhn
Thank you	cảm ơn bạn	guhnm uhnn ban
Sorry/Excuse me	xin lỗi	sin loy
I need help	tôi cần giúp	toy kuhn zoop

USEFUL PHRASES

Word/Phrase	Spelling	Pronunciation
Do you speak English?	bạn có nói tiếng Anh không?	ban co noi tyeng ang kaumng?
I don't understand	tôi không hiểu	toy kong hugh
My name is . . .	tên tôi là...	ten toy la...
Yes	đạ	Northern = zah Southern = yah
No	Không	kaumng
Goodbye	Tạm biệt	tam byet
Today	hôm nay	home nai
Tomorrow	ngày mai	ngay my
How do I get to...?	làm sao để tôi đi đến ?	lamb sow deh toy dih den
How much?	bao nhiêu?	bow new
Too expensive	quá đắt	kwah dat
I need a doctor	tôi cần bác sĩ	toy kuhn bark see

PUBLIC HOLIDAYS IN VIETNAM

Public holidays for 2021 and 2022 are listed as follows. Note that some public holiday dates vary from year to year and are often set by the Vietnamese Government at shorter notice than in other countries.

Name	2021	2022
New Year's Day	Jan 1	Jan 1
Tet Holiday	Feb 10 - 16	Jan 31 - Feb 4
Hung Kings Temple Festival	Apr 21	Apr 11
Reunification Day	Apr 30	Apr 30
Reunification Day Holiday		May 2
International Labour Day	May 1	May 1
International Labour Day Holiday	May 3	May 3
National Day	Sept 2-3	Sept 2

7. Engage with us

100

A photograph of three people in a professional setting. On the left, a man in a blue and white checkered shirt is seen in profile, looking towards the center. In the center, a man in a light blue button-down shirt is gesturing with his right hand while speaking. On the right, a woman with blonde hair tied back, wearing a black and white striped shirt, is looking down at a document. They appear to be in a collaborative meeting or presentation.

Supported by extensive market research and customer intelligence, Asialink Business is uniquely positioned to provide tangible support to Australian businesses wishing to maximise their economic opportunities.



Asialink Business

Asialink Business was established in 2013 as the National Centre for Asia Capability.

Our founding partners include the Australian Government's Department of Industry, Science, Energy and Resources (DISER), the University of Melbourne and the Myer Foundation.

Our business-focused capability development programs, advisory services, and public events assist organisations to develop essential knowledge of Asian markets, business environments, cultures and political landscapes to engage more effectively with the region.

The organisation brings deep knowledge about doing business in Asia, proven methodologies to unlock opportunities in the region, and an extensive business, government and academic network. This combination uniquely positions Asialink Business to support Australian businesses wishing to maximise their growth opportunities.

To start a conversation about how we can help unlock Asia opportunities for your business, please get in touch.

Asialink Business

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Resources and contacts

Australian Embassy in Vietnam

8 Dao Tan Street
Ba Dinh District
Hanoi, Vietnam
Tel: +84 4 3774 0100
Fax: +84 4 3774 0111
Website: <http://vietnam.embassy.gov.au/hnoi/home.html>

Australian Chamber of Commerce in Vietnam

2nd Floor, Eximland Building,
179EF Cach Mang Thang Tam Street,
Ward 5, District 3,
Ho Chi Minh City, Vietnam
Tel: +84 8 3832 9912/13/14
Fax: +84 8 3832 9915
Email: office@auschamvn.org
Website: www.auschamvn.org

Embassy of Vietnam in Australia

6 Timbarra Crescent,
O'Malley, ACT
2606, Australia
Tel: +2 6286 6059
Fax: +2 6286 4534
Email: vembassy@inet.net.au
Website: www.vietnamembassy.org.au

GS1 Vietnam

8 Hoang Quoc Viet,
Cau Giay,
Hanoi, Vietnam
Tel: +84 4 3836 1463
Fax: +84 4 3836 1771
Email: info@gs1vn.org.vn
Website: www.gs1vn.org.vn

Ministry of Finance, Government of Vietnam

28 Tran Hung Dao Street,
Hoan Kiem District,
Hanoi, Vietnam
Tel: +84 4 2220 2828
Fax: +84 4 2220 8091
Email: support@mof.gov.vn
Website: www.mof.gov.vn

Ministry of Justice, Government of Vietnam

58-60 Tran Phu,
Ba Dinh District,
Hanoi, Vietnam
Tel: +84 4 6273 9718
Fax: +84 4 6273 9359
Email: banbientap@moj.gov.vn
Website: www.moj.gov.vn

Vietnam Customs, Government of Vietnam

Block E3,
Duong Dinh Nghe Street,
Yen Hoa,
Cau Giay,
Hanoi, Vietnam
Tel: +84 4 3944 0833
Email: webmaster@customs.gov.vn
Website: www.customs.gov.vn

Vietnam Trade Promotion Agency

20 Ly Thuong Kiet Street,
Ba Dinh District,
Hanoi, Vietnam
Tel: +84 4 3934 7628
Fax: +84 4 3934 8142
Email: vietrade@vietrade.gov.vn
Website: www.vietrade.gov.vn

Websites

In addition to the websites mentioned in this country starter pack, these sites may be useful for establishing a business in Vietnam.

CIA World Fact Book

<https://www.cia.gov/library/publications/the-world-factbook>

This website is a good starting point for research, providing detailed and up-to-date country profiles.

Digitalbusiness.gov.au

www.digitalbusiness.gov.au

This website provides guidance for small businesses, not-for-profits and community organisations to establish and/or enhance their online presence so they can access the benefits of participating in the digital economy.

Export Council of Australia

www.export.org.au/eca/homepage

The Export Council of Australia is the peak industry body for the Australian export community.

Export Finance and Insurance Corporation

www.efic.gov.au

Efic provides information on overseas markets and support to Australian businesses looking to expand overseas.

Kwintessentials

www.kwintessential.co.uk

Find out more about culture and doing business around the world at the website for this UK-based company.

OFX

www.ofx.com

Provides current and historical exchange rates for a range of currencies.

World Bank Doing Business Report

www.doingbusiness.org

The annual World Bank Doing Business Report measures business regulations in 189 economies and selected cities. It ranks countries on areas such as infrastructure and approvals processes.

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Australian Trade Commissioner (Austrade)
Department of Agriculture and Water Resources
Department of Foreign Affairs and Trade
Export Finance and Insurance Corporation
IP Australia

Other:

Association of Southeast Asian Nations
Australian Chamber of Commerce in Vietnam

Brian Doolan, Chief Executive Officer,
The Fred Hollows Foundation

Euromonitor

Export Council of Australia

Fitch Ratings

GS1

International Labour Organisation

International Monetary Fund

International Transport Forum

Invest in Vietnam

Law Council of Australia

Matt Young, General Director Vietnam, GroupGSA

McKinsey

Ministry of Finance, Vietnam

Ministry of Foreign Affairs, Vietnam

Ministry of Industry and Trade, Vietnam

Ministry of Justice, Vietnam

Ministry of Planning and Investment, Vietnam

Mondaq

Moody's

OFX

National Office of Intellectual Property of Vietnam

Organisation for Economic Co-operation and Development

Organisation of Motor Vehicle Manufacture

Phil Johns, Executive Director, AusCham Vietnam

Statista

Standard & Poor's

International Trade Centre

Tourism Australia

Transparency International

United Kingdom Foreign and Commonwealth Office

United Kingdom Intellectual Protection Office

United Kingdom Trade and Investment

United Nations Conference on Trade and Development

University of Sydney

Vietnam Trade Promotion Agency (Vietrade)

World Bank

World Economic Forum

World Intellectual Property Office

World Shipping Council

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Note on currency

All money amounts are in Australian dollars unless otherwise indicated. Exchange rate used is the 2020 average from OFX.

AUD 1 = USD 0.6911

AUD 1 = VND 16,054.38

Disclaimer

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