APPENDIX-C

INVESTMENT AND TRADE PROMOTION

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INVESTMENT AND TRADE PROMOTION

C.1 Promotion of Foreign Investment

1) Comparison of Investment Environments

In implementing industrial development policies, Vietnam has an advantage to learn how to manage the industrialization from the experiences of such economies as Asian industrializing countries. It will also be possible to introduce most advanced technologies in the process of caching up the industrialization. On the other hand, Vietnam is faced with a hard competition with these countries. Therefore, it will be effective to compare the investment environment of Vietnam with that of Thailand, Indonesia and China. In this section, the industrial environment of these countries will be compared with Vietnam, particularly with respect to the legal, institutional, organizational system, as outlined in Table C.01.

Vietnam has three notable advantages in the investment environment. The first one is the relatively large market. The population is the third largest in the East and Southeast Asian region (refer to Table C.02). The second advantage is the abundant natural resources. A wide variety of resources is an advantage for industrial development. The third advantage is a favorable condition for food production. Abundant rainfall and large delta zones make it possible not only to supply foodstuffs for a relatively large population but also to export surpluses. These conditions are favorable for the industrial development in Vietnam.

On the other hand, notable problems lie in the management of huge potentials for development. From the viewpoint of legal and administrative management systems, investment promotion of Vietnam can be compared with other Asian competitors in order to find out advantages and disadvantages of the investment environment of Vietnam.

The policy to promote foreign investments was adopted in Thailand, the Philippines, Indonesia and Malaysia in the 1960s, and in China in 1978 . Although Vietnam is a late comer on this issue, it has established a strong position with the legal preferences for foreign investors, because the privileges are by no means inferior to incentives in other countries. The political and social governance of Vietnam appears to be stable and flexible under the fundamental principle of "Doi Moi". Tax incentives for foreign investors in Vietnam is superior than other countries. The most favorable condition in Vietnam is the supply of labor force in better quality and at lower wages than other countries. The literacy rate in Vietnam was 88% in 1990, while it was 73% in China and 77% in Indonesia. This implies that labor intensive projects could possibly enjoy better competitiveness by producing commodities for export to the international market than other Asian countries.

The most notable disadvantage is a lack of experiences in the promotion of foreign investments. Slow process of licensing, opaque or unfair treatments by authorized officials at central and local levels, frequent changes of standards or rates, weak management ability of Vietnamese partners in Joint Venture projects have been caused mainly by little experience and weak knowledge of the market economy. These problems could be gradually overcome in the future.

At the end of July 1995, Vietnam became a member of ASEAN. It means that Vietnam will be able to enjoy cooperative schemes of ASEAN, and at the same time should get through hard economic competition not only with ASEAN countries, but also with Hong Kong, Taiwan, Republic of Korea, and China.

2) Overview of Direct Foreign Investments

Vietnam has got excellent results after enactment of the Direct Foreign Investment Law in 1987. Accumulated invested capital of licensed projects exceeded 10 billion US dollars except for canceled projects and oil & gas projects by the end of 1994. Direct Foreign Investment (DFI) has greatly contributed to the industrialization and modernization of the Vietnamese economy in its process of renovation. The accumulated number of licensed projects and amount of invested capital are summarized below.

a) Number of DFI projects and amount of invested capital

Licensed projects besides the oil & gas exploitation projects:

Total number of licensed projects	:	1,217 (US$12,001 million)
Number of acting projects	:	1,028 (US$10,901 million)
Number of canceled projects	:	189 (US$1,100 million)
Number of oil & gas projects	:	26
Grand total of licensed projects	:	1,243

b) DFIs by country/economic region

Licensed projects from Hong Kong and Taiwan have been dominant in terms of both number and invested capital. These two countries accounted for more than 17% of accumulated invested capital. They are followed by South Korea, Australia and French in invested capital, and by South Korea, Singapore and Japan in number of projects. Details are shown in Table C.03.

c) DFIs by regions

The South Northeast Region, including Ho Chi Minh City, is dominantly enjoying more than half of DFI projects (569 of 1,028), followed by the Red River Delta, including Hanoi (241 of 1,028). The South Central Coast Region including Da Nang City is ranked third. It is observed that the number of licensed projects has notably increased in the northern regions, particularly in Hanoi City in the latest two years, 1993 and 1994. The accumulated number of licensed projects in Hanoi City is 178, accounting for 17.3% of the total accumulated number of DFIs. A trend of foreign investments by region is given in Table C.04.

d) DFIs by sectors

Valid DFIs are classified by sectors as summarized below.

Sector	Number of Projects	Invested Capital (million US$)
Agriculture and Forestry	32	264
Fisheries	21	58
Mining Industry	52	1,298
Processing Industry	599	4,193
Electricity, Gas and Water	5	227
Construction	43	1,220
Trade and Repair	9	13
Hotels and Restaurants	118	2,404
Transport, Storage and Communication	53	497
Finance and Credit	12	170
Real Estates	71	533
Education and Training	1	1
Health and Social Services	2	1
Cultural and Sports Activities	5	19
Activities Serving Individuals	4	4
TOTAL	1,028	10,901

e) DFIs in Hanoi City

The total number of licensed foreign investment projects in Hanoi city reached 178 as of the end of 1994. They are classified by type of DFI as follows:

	Business Contract	Joint Venture	100% Foreign	Total
1989		4	1	5
1990	1	7	1	9
1991	2	13	0	15
1992	2	23	7	32
1993	3	42	3	48
1994	6	55	7	69
Total	14	145	19	178

Valid DFIs in Hanoi City (178 projects) can be classified by sector as follows:

Sector	Number of Project	Invested Capital (million US$)
Agriculture and Forestry	4	6
Mining Industry	3	22
Processing Industry	63	561
Construction	12	338
Trade and Repair	3	7
Hotels and Restaurants	33	770
Transport, Storage and Communication	11	322
Finance and Credit	5	70
Real Estates	41	300
Cultural and Sports Activities	2	3
Others	1	115
TOTAL	178	2,516

Even though the processing industry is superior in term of number of projects (63 projects or equivalent to 35.4% of total number), the amount of invested capital of the processing industry (US$561 million, 22.3%) is less than that of the hotels & restaurants sector (US$700 million, 27.8%). Further, 63 projects of the processing industry sector can be classified into such branches as shown in the column "H" of Table C.05. Location coefficient of Hanoi is superior in such branches as "Publishing and Printing", "Other Electric Machinery", "Medical, Measuring and Optical Machinery" and "Metal Articles".

In term of number of projects, dominant countries are Hong Kong (36 projects), followed by Japan (21 projects), Singapore (14 projects), French (13 projects), Australia (11 projects) and Republic of Korea (9 projects), as shown in Table C.06.

3) Legal Framework for Promotion of Direct Foreign Investments

Since the Government recognized the importance of attracting foreign capital and technology, the Law on Foreign Investment has been adopted by the National Assembly in December 1987. In order to keep up with changing conditions and international practice, the law has been amended twice since 1987. The first amendment was made on June 30, 1990. The major points of amendment were:

a) To authorize private economic organizations having a juridical status to make direct business cooperation with foreign parties,

b) To broaden the form of "bilateral" joint venture into "multilateral" one to authorize several organizations and individuals to stand as an independent party in a joint venture; and

c) To allow joint-venture enterprises producing substitutes for imports to enjoy privileges to the same extent as export- oriented enterprises.

The second amendment was promulgated on December 23, 1992. The 1990's Law authorizes Vietnamese economic organizations to cooperate with foreign partners. However, it defined only joint-stock companies and limited companies as the juridical persons and excluded private enterprises. The amended law allowed private enterprises to cooperate with foreign parties to formulate joint ventures. And it also added the development of Export Processing Zones to investment activity which would be licensed. At the same time, BOT contract have been privileged by the new law. These amendments seem to provide more opportunities for investors.

Direct foreign investment may be in three forms: business cooperation contract, joint venture enterprises, or a 100 per cent foreign owned company. Besides, there are such categories as: (i) product sharing contracts in oil and gas exploration and exploitation (26 contracts have been licensed); (ii) investment in Export Processing Zones (which include construction of infrastructure; 6 EPZs have got licenses); and (iii) BOT contract on infrastructure development. These three types of investment may be expected to be one of very important measures to improve the backward infrastructure of Vietnam and will contribute to the investment promotion and economic development of the country. The definitions and functions of EPZs and Industrial Zones are given below.

Export Processing Zones (EPZ)

a) EPZs have been authorized by the "Decree on Special Export Processing Zones" (No.322-HDBT issued on 18 October 1991) and "Regulations on Special Export Processing Zones in Vietnam" by the Council of Ministers.

b) "EPZs are industrial zones under central authority which are dedicated to the production of goods for export and the provision of services relating to the export of goods" (Article 1 of above regulations) and "EPZs shall be established by the Government at locations convenient for the production of goods for export and for their actual export" (Article 2). The Government guarantees equitable and appropriate treatment for foreigners who invest in EPZs.

c) Investors who establish operations in EPZs are entitled to preferential treatment stipulated in Articles 21, 22 and 25 of the Law on Foreign Investment and are able to enjoy all the privileges stipulated in "Regulations on Special Export Processing Zones".

d) In EPZs, investors may establish operations in the fields of (i) Production, processing and assembly of export products, and (ii) Providing such services in relation to exports as transport, loading and unloading, repairs, insurance, and banking.

e) The management body of EPZs is the "Management Committee of Special Export Processing Zones" (Article 6). "The members of the Management Committee shall be appointed by the Chairman of the Council of Ministers in accordance with the proposals made by the Chairman of SCCI and the Chairman of the People's Committee of the province or city where EPZ is located."(Article 58). SCCI has responsibility for examining and approving projects, guiding and supervising the activities of the Management Committee. The revenue received by EPZs shall be paid to the State treasury, all expenses incurred by the zone shall be paid from the State budget (Article 60).

f) Investors shall submit an application to the Management Committee to establish their enterprises in EPZs. Within three months, the Committee shall notify the investor of its decision. Although the duration of operation of an enterprise in EPZs shall not exceed fifty (50) years, it will be possible to apply for an extension of its operation.

g) The Regulations on EPZs stipulate financial incentives as follows:

(a) Profit tax : In respect of Production enterprises shall pay 10 % of profit, and service enterprises 15 % of profit.

(b) Exemption from payment of corporate profit tax : Production enterprises shall be exempted for a period of 4 years, and service enterprises shall be exempted for a period of 2 years.

(c) Payback of profit tax : If investors reinvest profit earned back into an enterprise operating within the territory of Vietnam for a period of 3 years or more, the profit tax shall be refunded.

(d) Exemption from payment of import duty and export duty : Enterprises operating within EPZs shall be exempted from payment of import duty for import of equipment, materials, and goods to EPZs, and shall be exempted from payment of export duty.

(e) Tax on profit transfer abroad : Foreign investors shall pay tax on the transfer at a rate of 5% of the total amount of profits transferred abroad.

(f) Other duties and fees : Enterprises in EPZs shall be required to pay customs duties, duty on registration, stamp duties on certification, fees for the management and organization of EPZs, and other related fees in accordance with the provisions in force at the locality where the Zone is located.

Regulations on Industrial Zones

a) An idea to establish the Centralized Industrial Zones (CIZs) has been proposed in June 1994 in order to improve the development and management of EPZs. SCCI has been assigned the task of working on this idea in cooperation with SPC, MOF, Ministry of Commerce, the General Customs Bureau, and the Central Institute for Research & Management in drawing out the plans for CIZs. The "Decree on promulgation of regulations on Industrial Zones" (No.192/CP) and "Regulations on Industrial Zones" were promulgated on December 28, 1994.

b) The "Industrial Zone" is defined as a concentrated Industrial Zone which is established under the decision of the Government and specialized in industrial production (Article 2). And, there may be Export Processing Zones and Export Processing Enterprises in the Industrial Zone (Article 3).

c) Management Board of Industrial Zones : "The Industrial Zone and the Management Board of the Industrial Zone shall be under the control of the

State Ministries, ministerial level agencies and governmental agencies. Depending on the nature of each Industrial Zone, the Prime Minister shall determine the State agency to directly control the Industrial Zone. Ministries, ministerial level agencies and governmental agencies shall authorize the Management Board of the Industrial Zone to perform duties on State management in the Industrial Zone." (Article 18). All the budget revenue in the Industrial Zone must be paid to the State Budget. Expenses for the activities of the Management Board shall be covered by the State Budget."(Article 22).

d) Rights and obligations of the Management Board are stipulated in Article 20, as follows:

(a) To work out the plan for the development of the Industrial Zone and the Charter of the Industrial Zone so as to have them submitted to the authorized State agency for approval;
(b) To promote investment into the Industrial Zone;
(c) To give guidance to and receive documents applying for investment into the Industrial Zone; pass those documents to the authorized agencies for construction of and decision on the issuance of the Investment License;
(d) To issue the construction permit on the basis of approved designs;
(e) To examine and inspect the implementation of the Investment License and Business License, contracts for processing, contracts for providing services and other stipulations of the laws on labor and wages;
(f) To implement the regulations on the management of security, safety and public order in the Industrial Zone;
(g) To control servicing activities in the Industrial Zone;
(h) To consider and approve land rentals, service charges defined by the infrastructure development companies and service companies;
(i) To reconciliate labor disputes, economic disputes as required by the parties concerned.

e) Responsibility of Local People's Committees are stipulated in Article 19, as follows:

(a) Perform the State management functions over the Industrial Zone within their territory.

(b) Participate in the formulation of the plan for development of the Industrial Zone;

(c) Supervise and examine the implementation of the rules and regulations on labor, safety, environmental hygiene, fire and explosion prevention, security and order in the Industrial Zone;

(d) Create favorable conditions for the Management Board to fully accomplish their duties.

f) Profit tax rates for foreign enterprises (Article 15):

(i) With respect to manufacturing enterprises, the tax rate shall be eighteen per cent (18%) of the profit earned. With respect to enterprises who export at least eighty per cent (80%) of their products, the tax rate shall be twelve per cent (12%) of the profit earned. The above enterprises are entitled to an exemption from profit tax for two (2) years.
(ii) With respect to enterprises engaged in services, the tax rate shall be twenty two per cent (22%) of the profit earned, These enterprises are entitled to an exemption from profit tax for one (1) year.

4) Organizational Framework for Promotion of Foreign Direct Investments

a) Agencies Concerned

Chapter V of the Law on Foreign Investment and Article 6 of the Decree 18 stipulate that SCCI shall be the sole office to issue licenses for all forms of investments. SCCI is expected to coordinate with such organizations as SPC, Ministry of Commerce and Tourism, State Bank of Vietnam, Ministry of Science, Technology and Environment, State Committee for Science, and Ministry of Finance. It is noted that the World Bank's Foreign Investment Advisory Services (FIAS) has been assisting in streamlining foreign investment approval procedures and improving coordination among the agencies concerned.

It should be noted that the local government is also involved in the process of getting approval to invest in Vietnam. Investors have to submit feasibility study reports and required documents to the People's Committees of Provincial Governments before submitting these to SCCI. Once investors get permission from SCCI, they have to obtain land use right through the People's Committees. Therefore, local authorities play an important role in the licensing process. Approval process for foreign investment is shown in Figure C.3.

b) Tasks and powers of SCCI

SCCI is not only an organization which issues licenses to investors, but also it evaluates desirability of proposed projects from the viewpoint of the country. Article 2 of Decree No. 39 dated June 9, 1993 stipulates the function, powers, responsibilities and organization of SCCI, as follows:

i) To build a strategy, orientation and priority structure for DFI, and to give guidance to Ministries and corresponding bodies on plans and programs for DFIs in local branches,

ii) To prepare and submit to the Government draft bills, draft ordinances, and draft agreements on DFIs in Vietnam,

iii) To give guidance to foreign and Vietnamese parties in making investment in Vietnam,

iv) To organize and evaluate conditions for issuance of investment licenses to DFIs,

v) To manage the scope of activities to attract DFIs in Vietnam,

vi) To give guidance and supervise activities of various branches in their implementation of State policies and programs concerning DFIs in Vietnam,

vii) To supervise and inspect operations of foreign invested enterprises and business cooperation contractors.

5) Remaining Problems to be Solved

While great improvements in the investment environment have been achieved in past years, constraints still remain for further promotion of DFIs. These constraints include:

- Many foreign investors state that licensing is still time-consuming and procedures are not transparent;
- The licensing fee, which is equivalent to 0.01% of the total invested capital, may be an obstacle;
- A good registration system for land titles is needed in order to prevent conflicts regarding the utilization and transfer of rented land;

- Prices of land right have rapidly escalated in major urban areas and expenses for compensation for former residents have been enormously increasing;
- The rent of plots in EPZs is high in comparison with other countries in the region;
- Labor hiring regulations are too complex;
- The country's financial and other support services for industry are still weak;
- Too many agencies and too many levels of government have been involved in the Vietnamese side;
- Too much information requested in the early stages of the approval process at a great cost of investors;
- Vietnamese officials do not always have the expertise or skills to evaluate projects;
- The absence of uniform interpretation of foreign investment rules and regulations is observed;
- Foreign investors must hire local consultants who are not always capable;
- It is difficult for foreign investors to find appropriate local partners;
- Illegal actions under various forms are presumed to be prevalent;
- Weak mortgage and collateral mechanism hamper private investors, particularly foreign investors;
- Frequent changes and amendments of laws, regulations, circulars, and ordinances applicable to foreign investors have been concerned by investors;
- New laws and regulations are not always clear or consistent with other legal frameworks;
- The rules requiring unanimity of board members of joint venture enterprises will affect the operation of joint venture businesses;
- The cumulative bureaucratic hardness involved in establishing investment projects have been one of the problems for investors because they have to get approval of the feasibility study report before submitting application to SCCI.

It is recommended that SCCI and the authorities concerned study these complains expressed by the potential foreign investors.

6) Recommendations on Foreign Investment Promotion

In order to further accelerate foreign investments, particularly in the manufacturing sector, it is recommended that the following issues be taken into serious consideration:

(a) Legal structure concerning the promotion of foreign investment: The legal system has been established in a shorter period, including the Foreign Investment Law, Law on Business Bankruptcy (30 December), Circular 333 on BOT Contracts (28 February), Circular on Overseas Vietnamese Investment (24 March), Circular 28 on Transfer of Technology (22 January), Decree 100 on Insurance Business (18 December), Decree on Independent Auditing (29 January), Law on Domestic Investment Encouragement (22 June) and Regulations on Establishment and Operation of Representative Offices, all enacted in 1994. However, the Civil Code, Law on State Enterprise, and Law on Mortgage are still under preparation. It is hoped that the enactment of these laws, regulations, and detailed rules is finalized at the earliest.

(b) Foreign investment in privatization (equitization) of SOEs: At present, shares of equitized SOEs cannot be held by foreign investors. Foreign investments would make up the shortage of capital and SOEs would acquire knowledge and technologies from foreign shareholders. It is desirable that the reinvestment in equitizing SOEs by Joint Venture Enterprises be allowed even though the upper limit of share holding could be imposed.

(c) Acquisition of land use right: Many projects are facing difficulties in getting land use rights. In case of industrial projects, the implementation rates of the licensed projects at the end of 1993 was estimated to be around 25%. In particular, many investors have trouble of being claimed unexpected expenses for compensation. It is suggested that practical rules be worked out in deciding land use right and compensation. The regulation on the rents of land promulgated under Decision No. 1417 of December 31, 1994 would facilitate to some extent.

(d) Skyrocketing price escalation for foreign investors: The rates of land use right, charges for accommodations and office floor rent, compensation for inhabitants and transportation charges have been enormously increased in recent years. Although prices of commodities and services needed for the people's ordinary life have become stable recently, prices for foreigners have risen surprisingly. It is desirable that prices be maintained within a reasonable range for foreign investors, particularly in the manufacturing sector, which would create employment opportunities for local workers.

(e) Extra preferences for investors in the Hanoi Area: Investors in the northern areas would be handicapped in building and operating their businesses. Therefore, some extra privileges on tax incentives (in rates or effective period), tariffs, rates of various services (electricity, water supply, transportation, etc.), price and charges for lease or rent of lands should be considered until the gap between the northern areas and southern region is mitigated.

(f) Efficiency in licensing procedure: The SCCI has achieved a great deal in providing licenses for DFIs, and licensing procedures have been gradually improved. However, there still remains room for improvement in the following issues:

(i) A reform BOI is recommendable, because it will be required to manage domestic investments as well after enactment of the Law on Domestic Investment.

(ii) One-door services for both domestic and foreign investors should be strengthened. One-door services by BOI in Thailand and MIDA in Malaysia have been greatly appreciated by investors who want to make contact with a single authorized agency to submit application documents and to get investment licenses.

(iii) More efforts should be made to make the procedures transparent. It will be effective to publish a guide book for foreign investors, which will explain procedures and criteria for getting license, as well as information on available land and procedures to get land use rights.

(iv) Sales promotion for potential investors is desirable, by setting up an information gateway in the target countries for investment promotion.

(g) Institutional organization to promote the technology transfer from foreign investors to SOEs: One of the major objectives of inducing foreign investments is to transfer advanced technologies to domestic enterprises. In many cases, foreign investors would like to procure some sorts of parts, materials and intermediate inputs domestically, but the capability of domestic producers is not sufficient to meet the required quality by foreign investors. In such a case, mediators could introduce such information to domestic enterprises, and encourage them to do efforts to produce the required items. Foreign investors would present their knowledge and technology to domestic enterprises in order to procure the items domestically. Therefore, the establishment of an institutional instrument called "Technology Mediator" could be effective to promote technology transfer.

(h) Infrastructure improvement for industrial development: The level of infrastructure is still weak, and industrial development might be obstructed by such weakness. In this context, the development of industrial estates should be implemented at the earliest, together with the improvement of the transportation infrastructure.

C.2 Promotion of Domestic Investments

1) Contents of the "Domestic Investment Law"

In order to protect and encourage Vietnamese organizations, citizens, overseas Vietnamese, long-term foreign residents in Vietnam to make investments in various socio-economic fields in Vietnam's territory, the Law on Internal Investment Encouragement was promulgated on June 22, 1994, and it has been enacted at the beginning of 1995.

Economic activities to be promoted for domestic investments have been defined as follows:

(a) Investment for establishment of production/business enterprises pertaining to all economic sectors;
(b) Investment for expansion of production scale, enhancement of productivity, research on development and technological innovations of existing production/business enterprises; and
(c) Purchase of stocks and shares of business enterprises, capital contribution to businesses including state-owned enterprises allowed to diversify forms of ownership.

Under the Law on Internal Investment Encouragement (Article 7), the domestic investments are promoted in the following manner:

(a) Allocation of land in accordance with legal regulations on land;
(b) Construction of floor space in the industrial areas;
(c) Establishment and encouragement of investment promotion funds for medium and long-term investment loans.
(d) Provision of investment capital by commercial banks and financial corporations to production/business enterprises
(e) Assistance in various investment promotion programs, including, (i) consultancy on management and business administration, (ii) legal consultancy, (iii) vocational and technical staff training, (iv) management know-how training and enhancing, and (v) provision of economic information;
(f) Dissemination and transfer of technology

Under the Law, privileges are granted to the investments in the following areas (Article 9):

(a) Investment areas :

(i) Afforestation, perennial tree cultivation, breeding of aqua products, and off-shore fishing;

(ii) Construction of infrastructure, development of urban public transport, development of educational, training, health, and ethnic minority cultural facilities; and scientific and technological research;

(iii) Processing of crop and forestry products, and aqua products;

(iv) Manufacturing of export products.

(b) Investments in ethnic minority regions, highlands, islands and in other regions with harsh living conditions;

(c) Investments in establishment of production enterprises using high-tech and/or extensive labor.

The Government shall stipulate the lists of branches and trades in each field of operations, as well as the limits of the regions, technological norms and the extent of labor employment, which are given preferential conditions.

Tax incentives and privileged financing are granted to encourage domestic investment, in the following manner:

(a) Newly-established production/business enterprises: a 50% reduction of profit tax for a maximum period of two years.

(b) Re-invest in production expansion and technology innovations shall be exempted from paying profit tax in a year following the year of re-investment.

(c) Special encouragement projects shall be exempted from paying import duties with respect to equipment, machinery, and spare parts/ accessories.

The Law on Internal Investment Encouragement specifies that the investing party shall be given priority in getting medium and long-term credits from various investment promotion funds. It also stipulates that the export manufacturing enterprises pertaining to the development priority list shall be granted export credits. However, it is uncertain whether such funds are practically made available to the investors.

2) Recommendations on Domestic Investment Promotion

(a) The law has been promulgated. Detailed rules and provisions for implementation should be drawn up as soon as possible.

(b) Since the promotion of domestic investments is closely related to the privatization program of SOEs, promotional preferences for SOEs under the Law on Domestic Investment Encouragement should be taken into account.

(c) The Foreign Investment Law should be partially amended to approve reinvestments by the joint ventures and 100% foreign enterprises as domestic investments.

(d) Transfer of technology by foreign investors will contribute to the efficient promotion of domestic investments. Therefore, some extra preferences (for instance, acceleration of application or additional tax incentives) should be given to the foreign investors who transfer their technologies to licensed domestic investors.

(e) An authorized agency should be established to evaluate applications, to provide licenses, and to encourage domestic enterprises to get promotional preferences. It is desirable that SCCI be reorganized into BOI which would manage both foreign investments and domestic investments.

(f) The most serious constraint for promotion of domestic investments is a shortage of investment capital to establish or expand productive enterprises. It is therefore recommended to promote a "Two-Step Loan" scheme under financial cooperation of international lending agencies.

C.3 Trade Promotion

1) Import and Export Control

Import and export control has been significantly relaxed in Vietnam. The country is moving in the right direction in the trade policy in line with the liberalization of the economy. This policy change would contribute to the trade promotion, however further improvement of the environment for foreign direct investment is needed, as the foreign direct investment is the key to promote exports of Vietnam.

(a) Certificates for foreign trade

Foreign trade of Vietnam has long been virtually monopolized by specified state-designated trading enterprises. Foreign trade was recently opened to manufacturers of export products. However, certificates for foreign trade were required for them to export their products and to import materials for production of the export products. To obtain certificates for foreign trade, the enterprises must the specified minimum invested capital and minimum annual production.

These conditions for obtaining certificates have been abolished for manufacturers. However, trading companies must still obtain certificates. The conditions for obtaining this certificate are to have a certified minimum working capital of 200,000 US$ and a minimum level of turnover.

(b) Import permits

All products being imported into Vietnam are subject to import permits. However, except for the 15 products (in 1993) listed in Table C.07, only an import permit issued by the local department of the Ministry of Trade located in 6 major cities, is needed. This permit is mainly for the trade statistic purpose and is issued rather automatically.

For the specified 15 products, an import permit issued by the main office of the Ministry of Trade in Hanoi, as well as an import permit issued by the local department, was required for import. In other words, these 15 products were subject to a "dual permit system".

These 15 products were subject to the annual import quota determined by the Government. However, this quota has been reviewed from time to time and altered flexibly reflecting changes in demands and supplies of these products.

Since 1994, the products subject to the "dual permit system" have been reduced to 7 products.

(c) Export permits

Until June 30, 1994, all products were subject to export permits. However, since July 1, 1994 export permits have been abolished except for crude oil, rice and wood products. Export of these three products are subject to the "dual permit system", which is similar to the "dual permit system" for imports. These 3 products are subject to the annual export quota determined by the Government. The quota of these three products is flexibly reviewed in a way similar to the import quota.

2) Tariff Code

Import-export tax policies are managed by MOF. Based on proposals from the ministries and the economic development policy of the State, MOF prepares draft amendments of tax laws and ordinances including the Import-Export Law to submit to the Standing Committee of National Assembly. However, the responsibility of determining export and import tax as to be imposed on enterprises with foreign investment is assigned to the Ministry of Trade in order to realize "One-stop service" for foreign investors.

There are currently 28 different rates of custom duties ranging from 0% to 200% as shown in Table C.08. The average rate is approximately 12%, and almost four-fifth of products are subject to 20% or lower rates.

Consumer goods are generally subject to highest custom duties rates. Custom rates of certain categories of goods, together with examples of goods being subject to higher rates in a category, are shown in Table C.09 to provide a general idea on the level of custom rates in Vietnam. Custom rates of the goods subject to higher rates in Indonesia and Malaysia are also shown in the same table to make an international comparison. As seen in the table, custom rates of consumer products in Vietnam are ranging from 35% to 50%, except tobacco which is taxed at 120%. Custom duties of the selected goods are significantly higher than those of Malaysia, and slightly higher than those of Indonesia except household aluminum products.

An escalated custom rate system is adopted for motor vehicles. Under this system, custom duties are reduced according to value added. Custom duties on completed motor vehicles are high ranging from 50% to 200% as shown in Table C.10. The escalated custom rate system is also adopted in Indonesia and Malaysia, and the highest custom rate on completed motor vehicles is 200%.

In Vietnam, a duty drawback and exemption system is actually working well and contributing to export promotion. Under this system, importers are exempted from import duties when importing inputs, or alternatively can claim refund of duties already paid, if the products are exported after processing within 3 months.

3) Trade Policy and Vietnam Economy

In establishing trade policy in Vietnam, some characteristics of Vietnam economy should be taken into account. They are:

(a) Rampant smuggling

It is observed that a huge amount of goods is smuggled into Vietnam. The rampant smuggling would be attributable to various factors, including:

- Vietnam has long border lines in coastal areas and mountainous areas;
- Inadequate capability of the custom offices because of the limited number of officers and poor administration;
- Informal financial economy in Vietnam is large, and US dollars, gold and precious stones held by the people and not circulated in the official financial market are considerably large in amount. These unofficial money sources could be used for smuggling goods into Vietnam.

It is estimated that remittances from overseas Vietnamese amount to about 500 million US$ a year, which is approximately one sixth of the monetary fund held in the official financial market.

(b) Limit of effectiveness of high custom duties policy

Effectiveness of high custom duties policy for protection of domestic industries is quite limited because of smuggling. High custom duties result in an increase in costs of goods officially imported and, consequently, domestically manufactured products are less competitive than smuggled goods. It should be noted that exemption or refund of custom duties can be applied to export goods but cannot be applied to domestic products competing smuggled goods in Vietnam.

(c) Import substitution and export promotion

Because of the prevailing smuggling, Vietnamese domestic products are competing with smuggled goods. In other words, Vietnamese products have to compete in both the export markets and domestic market. "Import substitution" is, in this respect, the same as " export promotion" in Vietnam, as goods overcoming competition against smuggled goods can be exported to overseas markets.

(d) Trade policy in Vietnam (Import Substitution Policy vs. Export-Oriented Policy)

Most of the East Asian countries adopted the "Import Substitution Policy" at the initial economic development stage, then subsequently shifted to the "Export-Oriented Policy" in the course of economic development, though the length of the "Import Substitution Policy" period and the timing of shift to the "Export-Oriented Policy" vary among these countries.

However, it would not be practical to expect that Vietnam will adopt the same industrial development policies as the other East Asian countries, in view of the Vietnam economy as discussed above. Vietnam is obliged to pursue both the "Import Substitution Policy" and "Export-Oriented Policy" at the same time. The trade policy of Vietnam should be established in line with this target.

This policy is a fundamental policy not only for trade promotion but also for industrial development in Vietnam. It is suggestible that further in-depth discussions be made on this issue by higher authorities of the Government of Vietnam.

4) Recommendations for Trade Promotion

(a) Promotion of foreign investments

The key issue for the promotion of foreign trade of Vietnam, especially exports, is to produce products competitive in the international market. To produce internationally competitive products, enterprises should generally have the following factors in their organization:

- Production facilities (machinery and equipment)
- Products of international standards and quality
- Market information for developing internationally competitive new products
- Knowledge and skills for the management of enterprises
- Well trained working force for production of products, for development of new products, and for the administration of enterprises
- Funds, including foreign currency funds, to purchase production facilities, to develop products, and to market these products.

Enterprises in Vietnam are generally lacking most of these factors. As these factors are held by private sectors in the market-oriented economy, the only solution to this problem would be to promote foreign private investments into Vietnam. Know-how of production, know-how of development of new products, and market information will initially be "imported" into Vietnam by direct investments, and all of this expertise will be transferred to the local economy through local management and workers. Foreign investments would be the "spring-board" for take-off of the Vietnam economy.

For promotion of foreign private investments, the investment environment should be further improved and become more favorable for foreign private investors, as discussed in Appendix-C.1.

EPZs provide relatively more favorable conditions for foreign investors. EPZs have a free trade condition and liberal regulatory environment including so-called "one window facilities" for various procedures needed for starting an operation. Enterprises operating in EPZs are also provided with favorable tax incentives. As current operation of EPZs is limited compared with the planned capacity, the current contribution of the enterprises in EPZs to the total export of Vietnam is still limited. However, it is expected that enterprises in EPZs will contribute to the export of Vietnam and to the national economy when they reach full operation.

The investment environment outside EPZs is to be also improved further. One window facilities, at least, are to be extended to other industrial estates (non-EPZ). It is desirable for trade promotion that provision of tax incentives and other incentives to the enterprises operating in non-EPZ industrial estates, should be considered by the Central Government and the local governments.

(b) Simplification of custom duties rates

The existing 28 different rates of custom duties should be reduced, say, to five or six. This will be one of the efforts to simplify the administration procedures. The highest rates should be reduced from 200% to less than 100% in a short term. The highest rates should be further reduced to less than 50% in a medium or long term to adjust to the level of custom duties in other countries.

(c) Taxation commensurate with industrial development policy

i) Lowering the rates of custom duties on consumer products and materials for processing:

The high import tariff policy will make import substitution industries more profitable, increase product costs, and result in an increase in smuggling.

The high tariff will also prevent improvement of productivity and efficiency of the domestic industry.

Considering the negative effects of the high tariff policy, the rates of custom duties on consumer products, materials and semi-products for input to production process should be significantly reduced. Even though the custom duties are one of the major sources of Government revenue, contributing nearly 20% of the total revenue, it is considered that Vietnam could generate a substantial amount of revenue by increasing indirect taxes. According to the explanation obtained from MOF, change in the custom duties system is now promoted in this direction, namely reduction of custom duties rates. In 1995, Vietnam joins AFTA of ASEAN (Association of South-East Asian Nations), and this will accelerate the movement of lowering rates of custom duties.

ii) Accelerated customs tariff rates on motor vehicles

Accelerated customs tariff rates are currently applied to motor vehicles in Vietnam. These rates should be maintained, at least for the time being, to develop the motor vehicle industry in Vietnam, for the following reasons:

- Motor vehicles are not easy to smuggle due to their physical size and weight, and
- Manufacturing of motor vehicles would be a key industry for industrial development of a country since it involves wide spread supporting industries.

iii) Tax incentives for export promotion

Tax concession measures, such as investment tax credit and tax concession for overseas market development costs, should be provided to qualified exporters meeting certain criteria in addition to exemption or refund of indirect taxes for exported goods.

iv) Abolishment of turnover tax and introduction of VAT

The Turnover Tax increases costs of domestic products and, accordingly, competitiveness of domestic products against smuggled goods deteriorates. Further, the Turnover Tax paid doubly in the preceding stages in the distribution channel can not be recouped by an exemption or refunding of the Turnover Tax when exporting. The Turnover tax also deteriorates the competitiveness of Vietnamese products in the international markets. For these reasons, too, the turnover tax is to be abolished and VAT should be introduced, instead.

(d) Establishment of an institutional framework for trade promotion

i) Finance for foreign trade

Despite the financial reform, the majority of credits provided by the banks are still directed to the public sectors. A significant portion of finance for foreign trade is still being provided by Vietcombank, to which access by small and medium enterprise is rather limited. L/Cs issued by Vietcombank and other local banks often require endorsement by foreign banks. Local and foreign banks require a 100% of the L/C value to be deposited for the L/C to be issued, which in effect makes import on a cash basis. Further, borrowers do not have sufficient mortgages to raise funds from banks.

Under these circumstances, financing for foreign trade is quite tight in Vietnam. Improvement of the availability of bank loans including foreign currency funds is essential for promotion of foreign trade of Vietnam.

The Government credit policy, which is still oriented to finance the public sectors, should be modified, as the domestic funds in the official financial market are limited. One possible solution would be to establish a financial scheme for foreign trade. Under this scheme, finance for foreign trade is provided by a governmental agency to importers and exporters, including pre-shipment and post-shipment. This financial scheme facilitates foreign trade of Vietnam. Finance for export is relatively more important than for import, as it is limited to mainly well-established exporters and still the lending period is short, less than 6 months. Therefore, this scheme would make a significant contribution to export promotion of Vietnam.

ii) Trade insurance scheme

An export insurance scheme organized and funded by the Government should be considered to protect exporters from possible risks caused by unusual events such as restriction/prohibition of foreign exchange or import in the trading country, and natural disaster, which are usually not covered by private insurances.

iii) Export promotion agency

Vietnamese exporters are lacking information on export markets, as Vietnam's trading partners were mainly CMEA countries up to the mid-

1980s. Therefore, exports would be substantially promoted, if an export promotion agency is established by the Government to provide information on the western export markets to Vietnamese exporters.

A chart of inter-relationship of recommended points for trade promotion is illustrated in Figure C.2.

Table C.01 Comparison of Investment Environment in Selected Asian Countries (1/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
1 INVESTMENT PROMOTION 1-1 Back ground and Policy Direction	- The governmen.. appreciates the great contribution of Foreign Investment to the growth of national economy, and decided to continue the promotion of Foreign Investment. - Rapid growth of national economy brought the expansion of income disparity, heavy concentration of economies into the Bangkok metropolis and environmental pollution. Therefore investment in rural regions and in knowledge intensive sectors will be given higher priority. - The 7 th Economic Plan proposed the change of policy direction from expansion of economy to improve the quality of life and emphasized the sTable 3.3.1 growth which realize the balance of economies. - The new guideline of investment promotion policy announced in April 1993 stated that the promotion of export oriented investment and improving of infrastructure should be continued and also proposed to provide more favorable privileges to the investment in rural regions than in major urban regions and also to encourage relocation of industries from urban to rural. - BOI expects the investment in supporting industries to strengthen the competitive ability of existing industries in particular.	- Economic slump which affected by the low price of crude oil in the later half of 1980s made the policy direction change from the promotion of oil & gas production to encouraging of non-oil export and increase of job opportunities. - Major measures are on the deregulation for foreign investment. In April 1992, 100 % foreign investment was approved in conditions and in June 1994 these conditions were relaxed drastically. - A duty to increase gradually the Indonesian share of capital and management stuff was eliminated. - Foreign investment was allowed in wider range of business than ever, even in Mass Media and Infrastructure Development including industrial estate.	- The policy to induce foreign investment started in 1979 when China open its door to the world. - In 1986, Law on Foreign Enterprises was promulgated to promote export oriented and technology oriented investment. - The experimental renovation program to harmonize market economy with socialism has been adopted since 1984. The reform of state owned enterprises has gradually been encouraged. - Five Special Economic Zones (SEP) and fourteen coastal port cites have been designated for inducing foreign investment. - Rapid economic growth in these years has brought two major problems, one of which is widening economic difference between coastal industrializing regions and inland agricultural regions, and another problem is the creeping inflation. - There still remain a problem in economic management system, because there is still working a centralized command regime which is facing challenges by local authorities.	- After adopting "Doi Moi" in 1986, Vietnam has overcome the hyper inflation, and achieved a favorable economic growth in 1990s. - Foreign investment has been increased since the foreign investment law promulgated in 1987 and accumulated approved amount of capital exceeded 10 billion dollars in 1994. - Although the legislative system have been gradually established to encourage foreign investment, investors have still claimed more improvement of legal and administrative system and infrastructure. - "Doi Moi" is moving into a new stage to transform state owned enterprises end to increase the capacity of capital to accelerate industrialization and improvement of infrastructure.
1-2 Legal Ground	- Investment Promotion Act (1977) - Alien Business Law (1972) - Working of Alien Act (1978)	- Foreign Investment Law - Domestic Investment Law - Notifications by Ministers	- Law Concerning Chinese-foreign Joint Ventures (1979) - Law on Chinese-foreign Enterprises with Cooperative Business Operations (1988) - Law on Foreign Owned Enterprises (1986)	- Law on Foreign Investment in Vietnam - Decree Providing Regulations on Foreign Investment in Vietnam - Law on Domestic Investment
1-3 Administrative Organization	- Board of Investment: BOI, which is directly under the Prime Minister, shall be in charge of approval of providing privileges for investors. - The Investment Service Center (ISC) has been established to provide one spot service for investors. - Legislation Bureau of the Ministry of Commerce shall be in charge of legislation of investors who shouldn't like to get privileges.	- Badan Koordinasi Penanaman Modal: BKPM which is independent from Ministries and directly under the President.	- Ministry of Foreign Trade and Economic Cooperation (MOFTEC) - Local Administrative Agencies are allowed to issue the approval certificate for foreign investors with capital less than regulated amount. Upper limit of capital amount of foreign investment which shall be approved by local authorities are as follows: (1) The approval certificate for (cont.)	- State Committee for Cooperation and Investment (SCCI) which was established in 1989 and directly under the Prime Minister as a unified government agency to manage foreign investment in Vietnam.

Table C.01 Comparison of Investment Environment in Selected Asian Countries (2/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
			foreign investment with the capital of less than 30 million dollars shall be issued by the People's Government of the respective cities or the foreign trade departments (commissions and bureaus) of the respective provinces and autonomous regions in: • 5 Special Economic Zones • Shanghai Pudong New Area • 8 Provinces (Guangdong, Fujian, Zhejiang, Jiangsu, Shangdong, Hebei, Liangning, Guangxi) • 9 Cities (Shanghai, Tianjin, Beijing, Dalian, Qingdao, Guangzhou, Shenyang, Chong- qing, Chengdu) (2) The approval certificate for foreign investment with the capital of less than 10 million dollars shall be issued by the People's Government of respective cities or the foreign trade departments (commissions and bureaus) of the respective provinces or concerning departments and bureaus of central government in other provinces and autonomous regions than above definition and in municipalities directly under the central government (3) The approval certificate for foreign investment with the capital of less than 5 million dollars shall be issued by the government agencies of prefectures or districts in other cities than defined in the category (1). However, it shall be applied for the projects with less than 10 million dollars in Shanghai City.	
1-4 Promoted Sectors	- BOI presents a list of promoted sectors which shall be revised at any time. A list presented in April 1993 emphasized such criteria as below: • Location in the Third Region (Three Categories are stated, and the investment to the Third Region is promoted) • Industries which will contribute the development of other industries. • Improving Infrastructure • Preservation of Natural Resources and Conservation of Environment • Saving Energy and Substitution for Imported Energy • Industries which contribute to improve (the balance of international payment. - Specifically Promoted Sectors in 7 th National Social Development Plan are as follows: (cont.)	- After May 1989, when the deregulation was held, the list of promoted industries (DSP) was changed into the negative list (DNI). - The DNI list of June 1993 proposed criteria as follows: • Sectors which will be approved in definite conditions. • Sectors allowed to invest in condition with more than 65 % export. • Sectors which export 100 % of products and locate in specified zones for export (Bonded zone or EPTE). • Sectors which prohibit foreign investment. • Sectors which prohibit both of foreign and domestic (cont.)	- Ministry of Foreign Trade and Economic Cooperation (MOFTEC) published a list of projects classified by such criteria as being promoted, restricted, and banned. - Local government also announces promoted projects besides the central government. - In principle, projects in following fields shall be promoted: • export oriented industries (more than 70 % of sales for exports) • industries with advanced technologies • such productive industries as manufacturing, construction, cargo transportation, agriculture, fishery, marine culture, cattle breeding, development of science & technology and consulting services for industry.	- Promoted projects are as follows: • Export oriented industries and import substitutive industries. • Hi-tech industries which employ skilled workers, development of potential resources, integrated investment to improve efficiency of existing industries. • Labor intensive industries which are based on domestic materials and natural resources. • Service industries which contribute to increase foreign exchange reserve, for instance, improvement & development of infrastructure, tourism, ship repairing, and construction of ports & airports.

Table C.01 Comparison of Investment Environment in Selected Asian Countries (3/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
	• Basic Transportation System • Public Services • Conservation of Environment • Development of New Technologies • Basic Industries which are serving other industries.	investment.		
1-5 Guarantee for Investment	- The licenses projects by OBI can enjoy following guarantees. • Investors who have approved are saved from nationalization. • Foreign investors can remit following money. # Dividend and other profit from investment capital. # Payment of capital and interest for loan from abroad. # Other remittance approved by OBI. • The government doesn't establish any business which will compete with licensed business. • The government does not monopolize the same or similar products with those from licensed investment. • The government does not impose any price control. • The government and public corporations don't permit to import without customs duties and value-added tax. • BOI can put adequate surcharges to protect licensed products from import of same products. • The ministry of Commerce has the right to prohibit to import similar products or substitutive products of licenses projects.	- The Foreign Investment Law guarantees following right of investors. • The government does not nationalize or put any restrictions on the ownership of investors except for cases which prohibited by laws in order to keep national interests. • If the government decides to nationalize the property of investors, it will be under legal obligation to make compensation for the loss according to intentional principles.	- The law guarantees the right of joint-venture enterprises and 100 % foreign enterprises to remit abroad their profit from invested capital, remaining capital after balancing. - Joint-venture enterprises and 100 % foreign enterprises are never taken over. On the occasion of nationalization or requisitioning, the government shall have to make compensation. - An agreement on protection of investment has been concluded with Japan	- Article 20 of "Foreign Investment Law" guarantee that foreign organizations and foreign individuals shall be provided fair and equal treatment. - Article 21 of "Foreign Investment Law" guarantee that any property shall never be commandeered, confiscated or nationalized.
1-6 Promoted Area or Zone	- In order to encourage investment in rural regions , the government put extra privileges according to the classification of regions as follows: • Region 1 -- Bangkok and surrounding 6 provinces. • Region 2 - - 10 provinces outlined the Region 1. • Region 3 (investment promotion area) - - other regions except Region 1 and 2, and Laem Chaban Industrial Estate which located in Region 2 is included to Region 3. - Industrial Estates - - There are 40 and more industrial estates in Thailand. Some of them have been (cont.)	- The government put extra privileges for investors in the 13 provinces of the Eastern Indonesia. - Industrial Estates: After 1993, the government put administrative guidance for new investment of industries to establish their plant in the industrial estates. Therefore, it became difficult to get permission outside industrial estates. The presidential Decree No.53 (October 1989) removed the ban on the development of industrial (cont.)	- Special Economic Zones: Shenzhen, Zhuhai, Shantou, Xiamen, Hainan Province. - Economic and Technological Development Zone: In 1994, there are 31 zones approved by the State. - Coastal Economic Open Zone: Changjiang (the Yangtze River) Delta Economic Development Zone, Zhujiang River Delta, the triangle areas of Xiamen, Quanzhou and Zhanzhou in south Fujian Province, Liaodong (east of Liaoning (cont.)	- Export Processing Zone (EPZ): • The government has promoted to develop EPZs as joint venture projects. Then, SCCI has provided licenses to the development projects of EPZs by foreign investors in cooperation with Vietnamese partners. • 6 EPZs have ever been licensed in Hanoi, Ho Chi Minh City(2), Hiphong, Da Nang and Can Tho. - Regulation on EPZ rules privileges including exemption or (cont.)

Table C.01 Comparison of Investment Environment in Selected Asian Countries (4/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
	developed and managed by the Industrial Estate Authority of Thailand (IEAT), and some by IEAT in corporation with private companies and some by private companies. - EPZ - - The IEAT itself or joint corporation between IEAT and private companies have developed Export Processing Zones inside the industrial estates. Investors in the EPZ can enjoy extra privileges on condition of 100% export of their products.	estates by private companies. Afterwards, development of industrial estates surrounding Jakarta have been encouraged and infrastructure for industrial development has been enormously improved. Then, foreign investment have increased in 1990s. - Bonded Zones: There are bonded zones in Jakarta and Batam Island. Although enterprises in the zone have to export more than 70 % of sales, imported raw materials, machine & equipment and spare parts .shall be exempted from any restriction for import. The Government Ordinance No.14 and Minister's Ordinance by the Industry Minister No.231 both in 1993 allowed to establish bonded zones inside the industrial estates developed by private companies. - Bonded Warehouse for Export Oriented Production (EPTE): Even if the location is outside bonded zones, export oriented manufacturers shall be privileges as same as bonded zones by getting EPTE license.	Province) Peninsula, and Jiaodong (east of Shandong Province) Peninsula. - High and New Technology Industry Development Zone : In 1994, there are 52 cities approved by the State. - Coastal Bonded Zone: In 1994, there are 13 zones approved by the State. - Tourism Promotion Zone: In 1994, there are 14 zones approved by the State. - Border Economic Cooperation Zone: In 1994, there are 14 zones approved by the State	reduction of corporate tax for investors in EPZs. - Favorable privileges have also been given to the Investment in remote rural regions.
2 RESTRICTIONS ON FOREIGN INVESTMENT 2-1 Restriction on Entry	"Foreign" enterprises, which are defined below , shall be restricted to invest particular field of business: • enterprises with more than 50 % of capital holding share by foreigners • enterprises with more than half of foreign shareholders - Fields restricted for "Foreign" enterprises to entry were classified into three categories as follows: (A) Fields which are closed to "Foreign" enterprises (B) Fields which are permitted merely to "Foreign" enterprises which have got privileges by investment promotion law. (C) Fields in which "Foreign" investors shall be possible to hold majority of share, but the certification shall be issued only if they don't compete with local enterprises.(cont.)	- Definition of "Foreign Company" • The Domestic Investment Law define "Foreign Company" as enterprises with foreign share of invested capital exceeded 49 %. • In the Foreign Investment Law, "Foreign Company" is defined as direct foreign investment including joint ventures with Indonesian companies. • In practice, enterprises with foreign capital even if it's only a little are called "PMA (Penanaman Modal Asing)" and enterprises with 100 % domestic capital are called "PMDN (Penanaman Modal Dalam Negeri)". - Restriction on PMA enterprises shall be prohibited to enter following fields: • national defense. • domestic retail businesses. Government Ordinance No.19 in 1988 allowed for foreign manufacturers to run (cont.)	- Three Foreign-funded Enterprises: Foreign enterprises shall be classified into three categories. • 100 % foreign owned enterprises: They are established with exclusively foreign funds. • Chinese-foreign joint ventures: Profits and losses shall be distributed by the share of invested capital. • Cooperative Firms: They are established and managed by contracts between Chinese corporation or individuals and foreign enterprises or foreigners in a definite period. - Restrictions on Foreign Investment: In detailed rules for implementation of Foreign Company Law, restrictions on foreign investment are prescribed as follows: • Banned categories for 100 % foreign enterprises.(cont.)	- Foreign investors should be approved by the Prime Minister in following fields: • production and transaction of explosives and toxic substances • exploitation of rare and valuable mineral resources • power generation and waterworks • manufacturing of communication equipment, postal & communication services, radio & TV broadcasting and publishing • marine and air transportation • imports and exports • international tourism

Table C.01 Comparison of Investment Environment in Selected Asian Countries (5/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
	- List of these fields has been presented by BOI. The council of economic ministers simplified the list into such two categories as prohibited fields and provisionally prohibited fields in April 1994.	wholesale merchants if they establish separate companies. • other fields listed in DNI - Restrictions by Article No.6 of Foreign Investment Law, which prohibited the entry of foreign capital, were relaxed in June 1994 and approved to establish joint ventures in 9 fields restricted before. These fields are ports, electric power, tele-communication, marine shipping, aviation, water works, public railway, nuclear uses, and mass media.	# Newspaper, Publishing, Broadcasting of Radio & TV, Movie. # Domestic Retailer, Foreign Trade, Insurance. # Postal Service, Tele-communication. # Others which appointed by the government. • Restricted categories for 100 % foreign enterprises. # Public Services. # Transportation. # Real Estate # Trust Business # Leasing Business - In 1988, a list which classify businesses into promoted, restricted, and banned ones was published.	
2-2 Foreign Share of Capital	- Share holding of Privileged Enterprises shall be restricted as follows: • The maximum holding by foreigners shall be 49% for domestic market oriented manufacturing. • Majority holding by foreigners shall be allowed for export oriented enterprises which export more than 50% of products. • 100% holding by foreigners shall be allowed for export oriented enterprises which export more than 80% of products. • Share holding limit for industries of special importance shall be decided by BOI for basic industries and by concerning government agencies for other industries. - Although the holding of enterprises without privileges shall not be restricted, the majority holding shall be imposed legal restrictions in particular fields. - The restrictions on share holding by foreigners shall be imposed for commercial banking, fishery, aviation . (cont.)	- The Government Ordinance No.20 in June 1994 relaxed restrictions on foreign investment. - Restriction on the foreign share of capital by the government ordinance in 1993 before relaxation: • foreign investment was principally approved only in joint venture form • upper limit of share was 80 % (exceptionally up to 95 %) • 100 % foreign investment was allowed in bonded zones and rural regions with long-distance from major urban centers. • foreign investors were imposed an obligation to shift more than 51 % of capital to Indonesian share within 20 years after starting operation. It was more than 20 % in case of enterprises in bonded zones and EPTE. - Restrictions on the foreign investment after relaxation: • Both of 100 % foreign investment and joint venture shall be allowed and the upper limit of foreign share of joint venture projects was 95 %.(cont.)	- Share holding of foreign partner in joint venture projects should be more than 25 %. Even categories which have been banned for 100 % foreign owned enterprises shall be allowed for joint venture businesses.	- The share of foreign partners in joint venture projects should be more than 30 %, but there is no maximum limit on foreign share identified.

Table C.01 Comparison of Investment Environment in Selected Asian Countries (6/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
	transportation, exports of commodities, mining, and some of other fields through respective regulations.	• Although no obligation of localization of capital share was imposed for joint venture, 100 % foreign owned companies has to shift a part of foreign share to Indonesian in 15 years. - Enterprises licensed as PMA could be corresponded to PMDN enterprises if they satisfy following conditions: • enterprises with more than 51 % of Indonesian share • enterprises with more than 45 5 of Indonesian share and with more than 20 % of public sale of shares.		
2-3 Restriction of Foreign Staff	- Employing Thai people has been encouraged. - Licensed enterprises shall be permitted to hire foreign stuffs by getting approval of BOI which has the right to restrict the number and staying period of foreign stuffs. - BOI is encouraging localization of engineers and managing stuffs, then, it put restrictions on issuing working permissions for foreign stuffs. - Particular occupations have been closed to foreigners to engage through the law.	- Although PMA enterprises have an obligation to employ and to train Indonesians, they have been allowed to employ foreigners as managers or experts if these occupation couldn't be supplied domestically. - In case of enterprises which export more than 65 % (especially 85 % for ready made garments) of sales, enterprises were allowed to employ foreigners after December 1987.	- If foreign companies were to get employee from other regions than the seat of companies, they shall have to follow the necessary procedures.	- Foreign enterprises shall be allowed to employ foreigners only for occupations which couldn't be supplied in Vietnam because these require highly trained skills and only for a fixed period. And enterprises should train Vietnamese to substitute foreign employee as early as possible.
2-4 Local Portion	- A guideline to enforce local portion has been put on such industries as automobile (54% for passenger car, 40-50% for heavy and medium-duty truck, and 60-70% for light-duty truck in 1994)	- Administrative guidelines have promoted to use local materials and to purchase local products. In particular, a strict obligation was imposed to contribute to localization in specific products such as automobile and industrial machinery. - Enterprises which export more than 65 % (especially 85 % for ready made garments) of sales have been allowed to import necessary raw and intermediate materials without any restriction after relaxation in 1987. - In case of enterprises with lower ratio of exportation, they shall be allowed to import so far as price of domestic products exceeds price of imported ones.	- Procurement of domestic materials and spare parts has been promoted in the Law Concerning Chinese-Foreign Joint Ventures.	- None.
2-5 Period of Project and others	- None	- 30 years after starting operation and possible to extend another 30 years. - Minimum amount of investment (cont.)	- Joint venture companies had been bound in duty to declare until April 1990 when this rule became optional by revision (cont.)	- Life period of Joint ventures and 100 % foreign owned enterprises have been extended to 50 years by revision of (cont.)

Table C.01 Comparison of Investment Environment in Selected Asian Countries (7/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
		(100 thousand US $ in principle, 250 thousand US $ in particular conditions) were abolished in June 1994 by the Government Ordinance No.20.	of the law on joint venture companies. - In October 1990, categories which are required to declare the period of projects were specified in the temporary treatment on the period of joint venture companies. - 100 % foreign owned company have to declare the period of projects in the application for establishment of the foreign capital enterprises. - Period of projects: 10 ~ 30 for usual occasion, 50 years for specific projects.	Foreign Investment Law in December 1992. - Specific projects shall be allowed to last for 70 years if they shall be approved by the ordinary committee of congress.
3 TAXATION 3-1 Tax for Corporation (1) Direct Tax (2) Indirect Tax	(1) Direct Tax • Corporate Tax • Property Tax (Fixed Property Tax) (2) Indirect Tax • Value Added Tax (VAT) • Commodity Tax • Stamp Duty • Local Tax	(1) Direct Tax • Corporate Tax • Fixed Property Tax (2) Indirect Tax • Value Added Tax (VAT) • Stamp Tax • Sales Tax on Luxuries	(1) Direct Tax • Corporate Tax (2) Indirect Tax • Value Added Tax (VAT) • Consumption Tax • Business Tax • Value Added Tax on Land	(1) Direct Tax • Corporate Tax (2) Indirect Tax • Sales Tax • Special Sales Tax • Tax on Resource Exploitation (Loyalty for Development of Crude Oil)
3-2 Outline of Major Taxes	Corporate Tax • Tax rate: 30% • Corporate tax is imposed to the capital gain. • Although tax for received dividend is also imposed, it'll be deducted 50%. • Losses are possible to carry forward for 5 years. • Depreciation shall be repaid in 5 years on fixed amount, but in 20 years for buildings for commercial and industrial use. - VAT • It was put into effect in January 1992. • 7 % of tax rate came into force for imports and sales of goods and services. • VAT for exports shall be exempted. • The business tax was repealed. However, similar tax to business tax shall be imposed to financial business, securities company, insurance, (cont.)	- Corporate Tax • Tax rate: # 15 % of income less than 10 million rupia # 25 % of income more than 10 million and less than 50 million rupia # 35 % of income more than 50 million rupia • Capital gain shall be accounted into income. • Dividend received shall be account into income except for dividend from domestic corporations. • Losses are possible to carry forward for 5 years in principle, 8 years for specific fields and in specific regions. • Depreciation shall be repaid in 20 years for buildings and other items shall be repaid at three degree of fixed rates ranging 10 ~ 50 % for other fixed assets. - VAT: (cont.)	Corporate Tax: • Tax rate: 30 % • Capital gain and dividend received shall be counted into taxable income. • Although local tax shall be imposed at a rate of 3 %, almost all cities don't collect this local corporate tax. • Depreciation: The value of fixed assets after subtraction of residual value (more than 10 %) shall be repaid by the age-life method in following years: # 20 years for building & facilities # 10 years for railroad trains, ship, machine & equipment for production. # 5 years for office equipment cars • Losses are possible to carry forward for 5 years in principle. - VAT: • VAT shall be imposed to imports, sales of goods and services. VAT for exports shall be exempted.(cont.)	- Corporate Tax: • Tax rate: 25 % (and more than 25 % for petroleum, gas, and exploitation of rare or valuable natural resources) • Capital gain and dividend received shall be included into taxable income. • Losses are possible to carry forward for 5 years in principle. • Depreciation on fixed rate method are as follows: # 30 % for intangible assets # 5~15 % for building and structures # 10~20 % for machine and equipment # 10~18 % for vehicles # 20 % for office equipment - Sales Tax: 1~40 % of sales tax shall be imposed for every transaction of goods and services except for subjects of agricultural tax and special sales tax. - Special Sales Tax: 20~70 % of (cont.)

Table C.01 Comparison of Investment Environment in Selected Asian Countries (8/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
	real estate brokers, traders of raw materials and primary processing of agricultural products, fisheries, and stock raisers instead of VAT. - Commodity Tax • It shall be imposed to such commodities as liquors and tobacco & cigarettes	• VAT shall be imposed to every transactions of goods and services except for exports. • Tax rate: 10 % • VAT for some services could be exempted temporally. - Sales Tax on luxuries • subjects: cosmetics, liquors, domestic electric equipment • tax rate: 10 ~ 35 %	• Tax rate: 17 % in principle, 13 % for specific items. - Consumption Tax: 3~45 % of tax shall be imposed on the shipping price of liquors, tobacco & cigarettes, cars. - Business Tax: 3~20 % of tax shall be imposed on business income of following services: • 3 % for transportation, construction, post & communication, culture & sports • 5 % for banking & insurance, hotel & restaurants, sales of intangible assets and real estate. • 5~20 % (depending on regions) for amusements (music hall, karaoke, golf) - VAT on transactions of land (see 8-4)	tax shall be imposed for transaction of such specific goods as liquor and tobacco & cigarettes. However, exports shall be excluded. - Tax on Exploitation of Resources: 1~40 % of tax on the amount of production shall be imposed for exploitation of crude oil, gas and mineral resources.
3-3 Tax for Payment of Interest to Japan	- Withholding Tax - Maximum tax rate is regulated by the tax treaty (article 11) as follows: • 10 % for interest which financial institutions will receive. • 15 % for others.	- Withholding Tax - Maximum tax rate is regulated by the tax treaty (article 11) as 10 %.	- Withholding Tax - Maximum tax rate is regulated by the tax treaty (article 11) as 10 %.	- Tax on Remittance of profits: Joint venture enterprises shall have to pay tax on their remittance of profits at following rates depending on the amount of invested by the remittee: • 5 % for more than 10 million US $ of contribution to investment • 7 % for more than 5 million US $ of contribution to investment • 10 % for less than 5 million US $ of contribution to investment
3-4 Taxation on Dividend to Japan	- Withholding Tax • Tax rate: 10 %	- Withholding Tax - Tax rate: • 10 % for the payment to the company which is possessing more than 25 % of share of subjects. • 15 % for other subjects.	- Withholding Tax - Maximum tax rate is regulated by the tax treaty (article 11) as 10 %.	- None.
3-5 Taxation on Payment of Loyalty	- Withholding Tax • Maximum tax rate is regulated by treaty (article 12) as 15 %.	- Withholding Tax • Maximum tax rate is regulated by treaty (article 12) as 10 %.	- Withholding Tax - Maximum tax rate is regulated by the tax treaty (article 12) as 10 %.	- Tax rate: • 10 % for projects that will pay the patent, trademark and technical fee in a lump, or , for projects with less than 5 years of license period. • 15 % for other projects.
4 TAX EXEMPTION FOR INVESTMENT PROMOTION	- BOI provided different privileges for licensed investors according to the classification of three categories of regions as follows: (cont.)	- Enterprises invested in 13 eastern provinces shall be allowed to carry forwards their losses over 8 years (usually 5 years). (cont.)	- Corporate tax shall be reduced 15 % for enterprises in Special Economic Zones (SEZ). (cont.)	- Tax Privileges for projects in EPZs: • for manufacturing projects: 10 % of tax rate shall be applied and it (cont.)

Table.C.01 Comparison of Investment Environment in Selected Asian Countries (9/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
4-1 Exemption of Corporate Tax by Regions	• The First regions: No privileges on tax exemption. If investors satisfy following conditions, three years of income tax shall be exempted: # more than 80 % of products have been exported, or # being located in planned industrial estates or designated regions to encourage industrial development. • The Second Regions: Three years of income tax shall be exempted. Investors located in the planned industrial estates or designated regions to encourage industrial development shall be allowed to expand this period for 7 years. • The Third Region (promoted regions): Investors in these regions shall be provided following tax privileges: # 8 years of exemption of income tax and additional 5 years with 50 % reduction of income tax # Investors in these regions shall be allowed to deduct twice of expenses for purchasing water and electric power and transportation for 10 years after starting their sales. # Investors shall be allowed to deduct 25 % of invested amount for machine & equipment and construction of infrastructure from net profits.	And, these enterprises shall be permitted to reduce 50 % of property tax on developed land for 8 years after the certificate of title was issued.	- Reduction of Corporate Tax for Productive Enterprises: • 15 % of reduction for enterprises in the Economic and Technological Development Zones (ETDZ). • 24 % of reduction for enterprises in Coastal Economic Open Zones and enterprises located outside promotion districts of SEZ and ETDZ. • In case of projects with the life period of more than 10 years, corporate tax shall be exempted for 2 years after the year getting profits and, afterwards, it shall be reduced 59 % for 3 years. Furthermore, projects in agriculture, forestry and cattle breeding sectors and projects located in remote regions shall be reduced 15~30 % of corporate tax for 10 years. • The tax rate for enterprises which export more than 70 of their products shall be 50 % of reduced taxable income. Minimum limit should be 10 %. If they were to reinvest their profits to expand projects, paid corporate tax for equivalent to reinvested profits shall be refunded. • Enterprises which licensed as advance-technology oriented projects shall be reduced still more 50 % after the privileged period mentioned above shall be terminated.	shall be exempted for 4 years after the year getting profits. • for services projects: 15 % of tax rate shall be applied and it shall be exempted for 2 years after the year getting profits. • Preferential tax rate of 5 % shall be applied to enterprises in EPZs. • Tax on exploitation of resources shall be exempted in EPZs. - Tax privileges for licensed projects have been specified as follows by the revision of enforcement regulations of Foreign Investment Law in April 1993. • Privileges for subjects of 25 % tax rate: # 1 year exemption of corporate tax after the year of getting profits, and 50 % reduction for 2 years afterwards. • 20 % of tax rate shall be applied projects which satisfy two of following conditions: + with more than 500 of employee + with advanced technologies + with more than 80 % of export + with more than 10 million US $ of capital # 2 years of exemption of corporate tax after the year of getting profits, and 50 % reduction for 3 years afterwards.
4-2 Exemption of Corporate Tax by Sectors	- 8 years of tax exemption for specifically important industries irrespective of location. - Investors who move from the first regions to the second or third regions shall be provided privileges in these regions. - R & G projects shall be provided tax exemption for 3 years and they shall be allowed to deduct 25 % of invested capital into machine & equipment and buildings from profits. - Investors shall be allowed to (cont.)	- None.	- Promoted Projects: • Preferential tax rate of 15 % shall be applied to projects in the coastal economic open zones, SEZs and ETDZs, if they belong to one of following categories. + energy, transportation, construction of sea ports + technology and knowledge oriented projects + projects which require longer period to withdraw invested capital (cont.)	• 15 % of tax rate shall be applied projects which are equivalent to one of follows: + construction of infrastructure + development of natural resources except for exploitation of crude oil, gas, and rare and valuable resources. + heavy industries (metal, chemical, machinery, cement) + long-term cultivation of raw materials for industry (cotton, jute) + projects in remote mountain (cont.)

Table C.01 Comparison of Investment Environment in Selected Asian Countries (10/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
	deduct 5 % of incremental amount of exports in comparison with that of previous year from profits.		of more than 30 million US $ by foreign partner. • Investment to the construction of wharves shall be applied preferential tax rate of 15 %. Furthermore, corporate tax for joint venture projects with longer life than 15 years shall be exempted for 5 years and shall be reduced 50 % for another 5 years if they engage in construction works of wharves. • The corporate tax for enterprises, which engage in construction of such infrastructure as airports, seaports, railways, roads and power generation plants, shall be exempted for 5 years and shall be reduced 50 % for another 5 years afterwards if they satisfy one of following conditions: + projects which invest in Hainan SEZ and with longer life than 10 years + projects which invest in Pudong Special District and with longer life than 15 years. • The corporate tax for service projects which invest in SEZs and with longer life than 10 years and shall be exempted for 1 year and reduced 50 % for 2 years, if the amount of invested capital by foreign partner were to exceed 5 million US $. • The corporate tax for high-tech projects which invest in ETDZs and with longer life than 10 years shall be exempted for 1 year and shall be reduced 50 % for 2 years afterwards. - Refund of Paid Taxes: • In Hainan SEZ, 40 % of paid corporate tax shall be refunded if enterprises reinvest their profits after taxes into construction of infrastructure or agricultural development projects inside Hainan SEZ. • 40 % of paid corporate tax shall be refunded if enterprises reinvest their profits after taxes and if these subjects last more than 5 years. Full amount of paid tax shall be refunded if subjects of reinvestment are export oriented ones or high-tech oriented ones.	regions # 2 years of exemption of corporate tax after the year of getting profits, and 50 % reduction for 4 years afterwards • 10 % of tax rate shall be applied projects which are equivalent to one of follows: + construction of infrastructure in remote mountain regions, + afforestation + BOT projects + specific projects which the government does appoint. # 4 years of exemption of corporate tax after the year of getting profits, and 50 % reduction for 4 years afterwards - Hotel, banking, security, accounts, auditing, commercial businesses shall be excluded from tax privileges mentioned above besides BOT projects. - Refund of paid tax : If enterprises reinvest their profits after tax for three successive years, paid taxes shall be refunded.
4-3 Exemption of Import Tax and Customs Duty	- For the investment in the first regions, any privileges shall not be provided except for investors who satisfy following conditions. They can enjoy 50 % exemption of import tax for machine & equipment except for machines listed in Ordinance of MOF dated 18 th, September 1990 and (cont.)	Exemption and reduction of Import Duty for PMA enterprises - Import duty is exempted for major facilities, reduced to 50 % for auxiliary facilities and exempted for spare parts with a limit of 5 % of (cont.)	- Customs duty for import of materials and spare parts used to produce export commodities shall be exempted. - Customs duty for fixtures and fittings which are required for operation of projects shall be exempted in a limit of invested amount of capital. - In January 1994, new tax schemes were established. Industrial and Commercial Consolidated Tax was shifted into such taxes as VAT. If more amount of taxes (cont.)	- Import tax shall be exempted for following items: • materials, machine & equipment, spare parts used for production of export commodities. • machine & equipment, spare parts and vehicles imported as investment in kind. (cont.)

Table C.01 Comparison of Investment Environment in Selected Asian Countries (11/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
	machines with lower customs duty than 10 %.: • Investors who export more than 80 % of their sales, or • Investors who establish their operation in the industrial estate or regions where the industrial development is promoted by BOI. - For the investment in the second regions, import tax shall be reduced 50%, except for machines listed in Ordinance of MOF mentioned above and machines with lower customs duty than 10 %. - For investors in the third region, every import tax shall be exempted. - For the specifically important industries, import tax shall be reduced 50 % except for machines listed in Ordinance of MOF mentioned above and machines with lower customs duty than 10 % even in the first region. - Enterprises licensed by BOI shall be provided following privileges: • Enterprises which export more than 30 % of their sales shall be exempted import tax for 1 year in the first region and for 5 years in the second & the third region. • In the third region, enterprises shall be exempted 75 % of import tax if they satisfy one of following conditions even domestic sales, though it must be renewed every year and not exceed 5 years except for Laem Chaban Industrial Estate. # Imported commodities are never available with required quality in the country. # Being impossible to be supplied domestically to enough extent. - Import tax on raw materials shall be exempted for export oriented enterprises. - Import tax on machine & equipment and raw materials shall be exempted for enterprises established in EPZs. - Paid import tax shall be paid back for re export products if they satisfy conditions in the Law on Customs Duty. - Import tax shall be exempted for designated bonded house.	major facilities. - Import duty of imported materials shall be exempted only for two years after starting operation of PMA enterprises or 1 year in case of expansion and diversification of PMA enterprises. - Payment of VAT and sales tax on luxuries shall be suspended for purchased capital goods with lasting more than 1 year. - When PMA enterprises purchased their capital goods form domestic companies, import duty of used materials to produce respective capital goods shall be refunded. - Taxation on Manufacturers of export products • Import duty, surcharges on imports VAT shall be exempted or refunded for imported goods, except for fuels, lubricating oil, and facilities of factory construction, which are used to produce export products. However, this exemption shall be applied to goods which were imported within three years before exports. • Although refunding method of indirect exports is regulated, examination of application seems to be very strict. - Import duty and surcharges for enterprises in Bonded Zones and EPTE shall be exempted. VAT and sales tax on luxuries for them shall be granted a extension of time for the payment. - Exemption for specific projects: • The payment of VAT and sales tax on luxuries shall be postponed 5 years for importation of capital goods invested in hotels, office buildings, shopping centers and public transportation. • VAT on importation of specific molds and packaging materials used for export products. • Import duty on spare parts for automobile production, materials for electronic parts and materials for private electric power companies shall be exempted or reduced.	than before revision could be imposed on any enterprise which established by December 31 of 1993, incremental amount of paid taxes under new scheme shall be refunded in a limit of 5 years.	• machine & equipment, spare parts and vehicles and other materials which are paid by a part of invested capital. However, exemption shall not be applied for those which are able to buy in Vietnam. • When enterprises will sell those goods in Vietnam, they should pay import tax. - Enterprises invested in EPZs shall be exempted import tax of every good. However, they should pay it if they sell imported goods in Vietnam. - Special sales tax, sales tax and export tax for enterprises invested in EPZs shall be exempted.

Table C.01 Comparison of Investment Environment in Selected Asian Countries (12/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
5 LABOR 5-1 Legal Ground	- Chapter 6 (on the labor contract) of Civil and Commercial Code (1928) - Notification of the Ministry of Interior Re : Labor Protection (1972) - Act Establishing Labor Procedure (1979)	- Although no fundamental law exist, many regulations and decree & ordinances have been applied. • on fundamental human rights: Law No.14 in 1969. • on labor standards: Law No.12 in 1948 and Law No.1 in 1951. • on protection of wages: government regulation No.8 in 1981. • on dismissal: Law No.13 in 1964. • on labor union: Ordinance of Ministry of Labor No.1 in 1975. • on agreement of management-labor relations: Law No.21 in 1954. • on settling dispute: Law No.22 in 1854.	- Regulation on Labor Management of Chinese-foreign Joint Venture (1980) and its Procedure for Implementation of this regulation (1984) - Law on Labor Union (1950) - Regulation on Management of Labor Dispute (1993) - Provisions on Working Hour of Staff and Workers (1994)	- Labor Regulation for Enterprises with Foreign Invested Capital (1990) - Law on Trade Union (1990)
5-2 Administrative Organization	- Ministry of Labor and Social Welfare	- Ministry of Labor (Department Tenaga Kerja : Depnaker)	- Bureau of Labor (in charge of Workers) - Bureau of Personnel Administration (in charge of graduates, managers and engineer)	- Ministry of Labor, War Invalids and Social Affairs.
5-3 Working Hours	- Maximum work hours: • 48 hours in a week in mining and manufacturing industries • 8 hours in a day in transportation industries • 42 hours in a week in injurious work for health • 54 hours in commercial industries - Workers shall have to take 1 hour recess after 5 hours' continuous work. - Overtime work: Maximum 24 hours in a week.	- Maximum working hours: • no more than 7 hours a day in principle. • 40 hours a week in principle. - Recess: 30 minutes recess at least after 4 hour's continuous works. - Overtime work: Not more than 14 hours in a week.	- Maximum Working Hours: • 8 hours a day in principle. • 44 hours a week in principle.	- Maximum Working Hours: • 8 hours a day in principle. • 48 hours a week in principle. • 7 hours a day for hard and dangerous works. - Recess: 30 minutes a day at least - Overtime work: Not more than 150 hours in a year.
5-4 Holidays	- A day in a week. - At least 13 days in a year. - Paid Vacation: at least 6 days in a year for employee who worked more than 1 year, and possible to carry forward to the next year. - Absence on account of illness: maximum 30 workable days.	- A day in a week. - Legal holiday: 11 days a year - Paid Vacation: 5 days in a year for employee who worked more than 1 year.	- A day in a week. - Legal holidays: 7 days a year. - Paid Vacation: No regulation. However, many of state owned enterprises have the habit of giving following extra holidays: # holidays for congratulation and condolence # holidays for returning home: (cont.)	- A day a week. - Legal holidays: 7.5 days a year including 1.5 for May-day. -Paid Vacations: • 18 days a year for employees who have served for more than 11 months. • additional 5 days for employees who satisfy one of following conditions:

Table C.01 Comparison of Investment Environment in Selected Asian Countries (13/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
			30 days a year and 20 days in 4 years. # special leaving for attending to official events. # leavings on account of illness: three months for employee who serve for 1~2 years. 1 month increment for one year length of service. not more than 12 months at most.	# employee who have served for more than 10 years. # employee who are working in hard climate. or in remote rural regions. # employee who do hard or dangerous works # Employee who are less than 18 years old - Extra 3 leaving with wages shall be allowed on the occasion of marriage, death of parents, partner or children.
5-5 Wages & Salary	- Average wage level in Japanese enterprises in Thailand was as follows in 1993: • Production Workers: 3000~7000 B/M • Office Workers: 9000~10000B/M • High-school-graduate Engineers: 7000 ~12000 B/M • College-educated Engineers: 18000 ~ 25000 B/M • Local Managers: 30000 B/M ~ • Wage rate for both sexes should be equal.	- Regular Wage: payment by the hour for basic unit used to count the extra pay for overtime works shall be defined as follow: • Monthly paid wage x 1/173 - Standard wage level in Jakarta in 1993: • Production Workers: 200 ~400 thousand Rupia/Month • Office Workers: 320 ~ 520 thousand R/ M • Engineers: 400 ~ 820 thousand R/M • Local Managers: 1240 ~ 3100 thousand R/M	- In principle, joint venture projects should pay 20 % more than wages & salaries which were paid by the state owned enterprises in the same district and the same categories as the J/V. - Average wages & salaries including allowances and subsidies are as follows: # 320~700 Y/M for Production Workers # 340~700 Y/M for Office Workers # 900~1000 Y/M for Engineers # 800~ for managers (Y: Chinese Yuen)	- Types of wages & salaries: Such type of wages & salaries should be specified in contracts between employer and employee as hourly , daily, weekly, monthly paying or payment on piecework basis. - When the enterprises stop their operation temporally, 50 % of wages & salaries should be paid to employees. - Standards monthly rate applied for foreign enterprises were as follows in 1993. # 50~70 US $ for production workers # 80~100 US $ for office workers # around 120 US $ for engineer # around 250 US $ for local managers
5-6 Extra wages for Excess Hours	- Extra pay for overtime works: 50 % of normal rate - Extra pay for works in holiday: 100 % of normal rate - Extra pay for overtime works in holiday: 200 % of normal rate	- Extra pay for overtime works: 50 % of normal rate for initial 1 hour, 100 % for more than 1 hour. - Extra pay for works in holiday: 100 % of normal rate for 7 hours, 200 % for extra 1 hour beyond 8 hours and 300 % for over 8 hours.	- No regulation. Extra payment should be specified in the agreement between employer and employee.	- Extra pay for overtime works: 50 % of normal rate. - Extra pay for works in holiday: 100 % of normal rate.
5-7 Minimum Wage	- In the first district (Bangkok, Samut Sakon, Samut Prakan, Patom Tani, Nakon Patom, Non Tabri, Phuket): 132 B/D - In the second and The third districts (Chien Mai, Nakon Rachasima, Saraburit, Chon Burit, Pangah, Ranon): 116 B/D - In the fourth district: 108 B/D	- Definition of minimum wage was revised in March 1993. - Minimum wage rate was prescribed as follows by regions: • Jakarta: 3800 Rupia/Day • Western Java: 3300 ~ 3800 R/D • Eastern Java: 3000 R/D • Central Java: 2700 R/D	According to the provision announced in march 1994, the minimum wage has been ruled in following zones: • 210 Y/M in Shanghai • 325 Y/M in Chuhai (Kanton) • 250 Y/M in Guangzhou (Kanton) • 220 Y/M in Zhangmen (Kanton) • 120 Y/M in Duyang (Suchuan)	- Minimum wages shall be applied only for foreign enterprises. Monthly minimum rate was as follows in May 1994: • 35 US $ in Hanoi and Ho Chi Minh City • 30 US $ in other regions

Table C.01 Comparison of Investment Environment in Selected Asian Countries (14/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
		• Jok Jakarta: 2200 R/D • Janbi: 2400 R/D • Central Slawesi: 2300 R/D • East-South Slawesi: 2800 R/D • East Karimantan: 3250 R/D • Western Sumatra: 2500 R/D • Batam Island: 6750 R/D	• 1.4 Y/H in Shenzhen (Kanton)	
5-8 Bonus	- No regulation, but usually enterprises have paid bonus according to achievement.	- Although no regulation exist, the government promote to pay new year allowance in the Islamic calendar equivalent to the wage for one month by a circular in February 1994. Most enterprises have paid a bonus equivalent to one month wage besides new year allowance.	- No regulation. Extra payment should be specified in the agreement between employer and employee.	- No regulation.
5-9 Works of Female and Young Age	- Works of Female: • Works in underground mines are prohibited. • Works in midnight (AM 0 ~ AM 6) are prohibited except for continuous works and works in shift. • Maternity leave: 90 days including holidays. - Works of Young Age: • Young age less than 13 years shall not be allowed to work. • Works of young age from 13 to 15 years are under restriction and it necessary to get permission of Labor Bureau. • Works of young age less than 18 years are also under restriction. • Work hours of young age shall be less than 8 hours in a day. • Overtime works, midnight work (PM 10 ~ AM 6), works in holiday of young age between 13 and less than 15 years old are prohibited.	Works of Female: • Works in night (PM 6 ~ AM 6) are prohibited in principle. • Underground works and dangerous works are prohibited. • Maternity leave: each 1.5 months both before and after birth and leave before birth shall be expand three months. • Menstrual leave: 2 days. - Works of Young Age: • Works of young under 14 are prohibited in principle. • Works of young age between 15 and 18 years are also under restriction. However, around 2.40 millions of children in 10 - 14 years old has to work because of poverty actually. Therefore, the government expand the period of compulsory education from 6 years to 9 years.	- Works of Female: • Works in night (PM 10 ~ AM 6 not by regulation) are prohibited from 7 months before birth to 12 months after birth. • Within 12 months after birth employers should give 30 minutes of recess at least twice a day to employee in principle. • Maternity leave: 15 days before and 75 days after birth, with additional 15 days in case of late marriage, hard labor and twins. - Works of Young Age: • Works of young under 16 are prohibited. • Hard and dangerous works of young age under 18 years are prohibited.	- Works of Female: • On the occasion of bringing up a child in less than 12 months after birth, employees should be given one hours recess to care their child. • On the occasion of bringing up a child in less than 12 months after birth and during the period of pregnancy, midnight works (PM 10 ~ AM 6) and overtime works are prohibited. • On the occasion of bringing up a child in less than 12 months after birth and in 7 months before birth, working hours should be cut down by 1 hour. • Maternity leave: 6 weeks each before and after birth. - Works of Young Age: • Works of young under 18 are prohibited, however, enterprises shall be allowed to employ young age above 16 years old for purpose of training and education with one hour cut of working hours.
5-10 The end of Employment	- Retirement allowance: • equivalent to more than 30 days' wage for employee serving in firm (cont.)	- Employer shall be able to fire employees by giving a month's notice. - Dismissal allowance:	- Employer shall be able to fire employees by giving a month's notice to them, the union and the government (cont.)	- Employer shall be able to fire employees by giving notice to them. # 60 days' notice for (cont.)

Table C.01 Comparison of Investment Environment in Selected Asian Countries (15/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
	more than 120 days and less than 1 year. • equivalent to more than 90 days' wage for employee serving in firm more than 1 yeas and less than 3 years. • equivalent to more than 180 days' wage for employee serving in firm more than 3 years.	• 1 month's wage for employees serving less than 1 year. • 2 month's wage for employees serving more than 1 year and less than 2 years. • 3 month's wage for employees serving more than 2 years and less than 3 years. • 4 month's wage for employees serving more than 3 years. - Reward for employee's services: • 1 month's wage for employees serving more than 5 years and less than 10 years. • 2 month's wage for employee serving more than 10 years and less than 15 years. • 3 month's wage for employees serving more than 15 years and less than 20 years. • 4 month's wage for employees serving more than 20 years and less than 25 years. • 5 month's wage for employees serving more than 25 years.	bureau in charge of labor management. - Employer shall be impossible to fire employees in following cases: • employees being under treatment of injury or decease caused by working. • employees who have been judged by the government authority as impossible to work more because of injury or decease caused by working. Employers shall be forced to take care of the life of them. • employees who are under treatment of injury or decease which are caused in even no connection with working. • women who are under pregnancy, childbirth and lactation. - Retirement allowance: • subsidy for maintaining life: It should be paid for employee who are fired during serving. # half of monthly standard wage (regular wage and allowances) for employee who have served less than one year. # one month of standard wage for employee who have served more than one year. • subsidy for medical treatment: It shall be paid for employees who have been fired because they become impossible to work more by injury or decease in no connection with working. # 3 months of standard wage • compensation for canceling of working contracts: It should be paid for employees who have been fired by reason of surplus employment. # three months of standard wages.	permanent employees. # 30 days' notice for temporary employees
5-11 Social Security	- Social Security Fund: SSF • It shall be applied to enterprises with 10 and more employee. • It includes payment of allowances for sick & wounded, maternity (cont.)	- Worker's Social Security: JAMSOSTEK • The new worker's social security system was put into effect in February 1993. • Every enterprises that (cont.)	- The provision on autonomy of personnel administration and expenses of wages & social insurance specify following legal expenses: • Annuity Insurance for (cont.)	- Social Insurance: Every enterprises should expense 10 % of paid wages & salaries as the social insurance. These shall be divided into following schemes: • 2 % is paid to the local bureau (cont.)

Table C.01 Comparison of Investment Environment in Selected Asian Countries (16/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
	benefit, accident and deaths. • Rate of insurance: Each of government, employer and employee shall pay 1.5 % of paid wages and salaries. The employer deducts insurance from paid wage & salary within the limit of 500 Bahts a day or 15000 Bahts a month and he shall pay it to the social insurance bureau. - By 1966, a pension for old age and a family allowance shall be established at a rate of 3 % of paid wages & salaries. - A Unemployment insurance shall be in effect after 1966. Rate shall be 5 % of paid wages & salaries. - The fund for worker's injury compensation • Every enterprise with more than 10 employer is forced to join the fund. • Rate: 0.2 ~ 4.5 % of paid wages & salaries, varied by the type of industry.	employs more than 10 workers or pays more than 1 million of wages and salaries shall be enforced to join this system. • Workmen's compensation insurance: Rate of charge for enterprises varied by the kind of industry ranging from 0.24 % to 1.74 % of paid monthly wages and salaries. • Pension for old age: # When employees reach 55 years old or become impossible to work, it shall be paid. # Employers have to bear 3.7 % and employees have to bear 0.3 % of wages and salaries. • Life Insurance: Employers have to bear 0.3 % of paid wages and salaries. • Health Insurance: Employers have to bear 6.0 % and 3.0 % of paid wages & salaries for married employee and single employee respectively.	Retirement: 16~30 % of real wages should be paid to a insurance company. • Unemployment Insurance: 1~2 % of real wages should be paid to a insurance company. • Fund for Housing Acquisition: 10~40 % of real wages should be reserved or paid to the Chinese partner (in case of J/V) or the labor union (in case of 100 % foreign owned). • Fund for Medical Care: Although it should be reserved together with Housing Fund, the amount shall be decided by the employer, usually equivalent to 10~20 % of real wages. • Fund to Promote Welfare of Employee: Every enterprises ought to reserve it. The board of directors has to fix the rate, usually equivalent to 10 % of profits after taxes. - Local government forces enterprises to pay such expenses to the local authorities as charge on transferring of family register and charge on managing temporary workers, etc.	of labor for purpose of providing unemployment with benefits. • 8 % is reserved in the social insurance fund of the company, and representative of union and employer decide how the fund has been spent. Usually the fund has been used for: # the expense to treat injuries or decease # allowances on occasion of pregnancy, childbirth and leaving to build up child. # condolence money - Employees have a duty to pay 10 % of received wages & salaries to the Social Insurance Fund.
5-12 Characteristics of Labor Market	- Number of workable population: 33.5 million in 1993 - Increasing number of working population: 700 thousand / year - Unemployment ratio: 3.1 % - Immigration of workers from North-eastern Region to Bangkok Metropolitan Region is dominant because of concentration of job opportunities in the Metropolis and its suburbs. Therefore, labor market in Bangkok is getting stringent and wage and salary is rising in these years. - In general engineers and managers have been in short supply. - Although strike of union spread in industrialized urban areas in early 1990s, it has been cooling down after 1993 because of economic recovery.	- Number of workable population: 81 million in 1993 - Increasing number of working population: 2.5 million / year - Unemployment ratio: 3.0 % (estimated underemployment: 38 %) - Although supply capacity of workers is sufficient, shortage of managing stuffs and engineers brings raise of wages and salaries of these employees. - Strikes of union are spreading in these years (251 cases in 1992, 193 cases in 1993). Because many local employers don't keep even the regulated standard on the minimum wage except for foreign companies.	- Number of workable population: 600 million at the end of 1992. 24.9 % of them are in urban areas and remaining majority are in rural areas. - Increasing number of working population in urban areas: 7.05 million / year - Unemployment ratio: 2.6 % - Raid economic growth in coastal urban areas has brought relatively higher rise of price. Then, wages in major cities have enormously increased in these years, particularly wages in foreign enterprises. Although state owned enterprises have various facilities for their employees, foreign enterprises are lacking such facilities as serving the life of employees. Therefore, they have to pay various allowances besides wages and salaries. The real wages including social surcharges amount more (cont.)	- Number of workable population: 30.97 million in 1992. - Increasing number of working population: estimated as 1 million / year - Unemployment ratio: estimated as more than 20 %. The overcoming of unemployment is, one of urgent problems in Vietnam. - The literacy rate is very high in Vietnam as of 87.6 %. Plenty supply of workers with better quality is one of favorable condition s to promote the industrial development. - It is said that the short supply of foreign language speakers bring a sudden rise of wages in specific occupations particularly in major urban areas.

Table C.01 Comparison of Investment Environment in Selected Asian Countries (17/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
			- The Labor Standard Act was promulgated in July 1994, and it shall be in effect in January 1995.	
6 FINANCE 6-1 Borrowing of Local Currency	- Short-term loan: • Overdraft: # Period: 1 year # Within limit of 30 million bahts. # Interest: linking with the prime rate • Loan on bills: # Period: 1 month ~ 1 year # Interest: linking with the prime rate - Medium-term loan: • Since the interest rate fluctuate frequently, the rate has usually been revised in every three months. - Long-term loan: • The Industrial Finance Corporation of Thailand (IFCT) provides long-term loan with fixed rate, however, restricted by severe collateral condition.	- Short-term loan: • Most of short-term loan are bonds and overdrafts are not popular in Indonesia. - Medium-and-long-term loan: • The financial market of long-term rending in Rupia has not got ripe in Indonesia. - Borrowing from the central bank: • PMA enterprises shall be able to borrow commercial loan from the central bank only if they satisfy same conditions as PMDN enterprises which were described in section 2-2.	- Foreign enterprises shall be able to borrow local credit at the same interest of the People's Bank of China as lending for local enterprises. The pay-back period is 1 year for working capital and 1~7 years for investment capital.	- The capital fund to lend for domestic enterprises is lacking, and the demand for Vietnamese currency by foreign enterprises is very few.
6-2 Borrowing of Foreign Currency	- No restriction or condition on borrowing foreign currency in the country and abroad after the relaxation of exchange control in 1991. - Since the Bangkok International Banking Facilities (BIBF) as an off-shore financial market came into effect, funding in relatively low cost became possible.	- The government controls the borrowing of off-shore loan to restrain foreign debt by setting up the maximum amount of borrowing since November 1991. Then enterprises shall have to make a report of borrowing to the central bank and the task force for debt management. - The central bank provides an institutional service to swap transactions because the forward exchange market is not yet established.	- Foreign enterprises shall be able to borrow foreign exchange at the fixed interest rate specified by the Bank of China. The pay-back period is 1 year for working capital and 1~7 years for investment capital. Although the off-shore borrowing has been allowed, it doesn't be in effect.	- The borrowing of foreign exchange in Vietnam is very difficult. On the condition of application to get permission of the State Bank, foreign enterprises shall be allowed to open a bank account abroad.
6-3 Finance for Export	- Packing Loan: Finance system for export promotion. • Financing before shipping • The export-import bank shall rediscount bills. • Period: 180 days at most. • Application of eligibility shall be submitted to the export -import bank in order to get this service.	- The financial scheme for export was abolished in March 1990 because United States of America claimed that schemes for export promotion by Indonesian government are against the GATT.	- None.	- No financial facilities for export by foreign enterprises.
7 Foreign Exchange and Trade	- Thailand shifted to Code 8 country of IMF in May 1990.	- Indonesia shifted its position in IMF from Code 14 to Code 8.	- China is specified as Code 14 by IMF. In 1980 the provisional ordinance (cont.)	- Vietnam is specified as Code 14 by IMF. The State Bank is managing (cont.)

Table C.01 Comparison of Investment Environment in Selected Asian Countries (18/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
7-1 Exchange System and Foreign Exchange	- Exchange is managed by the Central Bank entrusted by the Ministry of Finance. - When Thailand devalued Baht, the linkage to US $ was abolished and shifted to a floating exchange rate system. - Residents should sell foreign currency to authorized banks within 15 days after they received it. - Residents shall be able to open foreign currency deposit accounts if they satisfy following conditions: • The source of acquired foreign currency is in abroad. • Withdrawal of deposit shall be permitted only to pay for transaction with non-residents or to exchange into local currency through authorized banks. • The balance of the deposit accounts must not exceed 5 million US $ for corporations and 500 thousand US $ for individuals.	- - Exchange is managed by the Central Bank and the Ministry of Finance. - Although no Foreign Exchange Law exist in Indonesia, exchange is managed under detailed rules on foreign exchange transactions by the central bank, Presidential Decrees and Ordinances of Ministry of Finance and Ministry of Commerce. - Indonesia adopted a floating exchange system. - Rupia has been devalued several times as follows: • August 1971 9.8 % • November 1978 50.6 % • March 1983 38.2 % • September 1986 45.0 % - No restriction on transactions of foreign exchange.	on the control of foreign exchange was promulgated which stated that the State Government shall exclusively control the foreign exchange. However, the bureau of foreign exchange and its local offices shall be in charge of in practice. - An institutional reform program started in January 1994 in order to restore the convertibility of Chinese Yuen and to have a seat in GATT. - Until 1993 there are two exchange rates existed, the official exchange rate and the rate depending on the foreign exchange adjustment center. These two system was unified in January 1994. At the same time, the issuing of convertible notes was suspended, then, currency was unified into People's Yuen. - Foreign exchange transaction centers in Beijing, Tienjin and Shenzhen have been connected to the Foreign Exchange Transaction Center in Shanghai by on-line network. Therefore, different exchange rates by regions has been gradually dissolved. - The transaction of Forward Foreign Exchange Contract did experimentally start in 1992. - When enterprises remit more amount of foreign exchange than the balance of foreign exchange account, they have to get the permission of the Control Bureau.	the foreign exchange transaction by foreign enterprises. - A controlled floating exchange rate has been adopted. Intervention currency is US $ alone. - There are foreign exchange transact markets established in Hanoi and Ho Chi Minh City, and the State Bank is supervising them.
7-2 Capital Transactions	- Every inflow of capital by direct investment, acquisition of securities, borrowings shall never be controlled. - Capital transaction to invest abroad shall be required the permission by the Ministry of Finance or the Central Bank.	- No restriction on capital investment from abroad. - Foreign investors shall be able to withdraw their capital and to remit their profit without any permission.	- No restriction on capital investment from abroad. - Capital transfer and remittance by foreign enterprises shall have been permitted by the Control Bureau of Foreign Exchange. - Remittance of People's Yuen was prohibited. - Borrowing from abroad, repayments of capital and payments of interest are requested to get permission of the Bureau. If the purpose of borrowing is procurement of equipment or materials for investment, borrowers have (cont.)	- Foreign enterprises are allowed to transact foreign exchange within a limit of obtained amount by themselves. - Foreign enterprises have to transact foreign exchange only through bank accounts which they open for foreign exchange transaction in Vietnam. - 5~10 % of charges shall be imposed on remittance of profits. - Enterprises shall have to get permission by the State Bank beforehand except for following occasions: • payments of interest, repayments of capital for borrowings from (cont.)

Table C.01 Comparison of Investment Environment in Selected Asian Countries (19/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
			to get permission of the department of foreign economic and trade cooperation.	abroad which have been approved by the State Bank • remittance of loyalties which have been approved • the investment in kind by loyalties is the subject of licensing by SCCI, then, enterprises shall be able to remit the payments for loyalties if they have been approved by SCCI.
7-3 Export	- In principle, no restriction. However, exports of several commodities such as rice, tapioca, cattle, coal, cement and others are required permission by the government or imposed surcharges in order to keep enough supply in the country. - Customs duties for exports shall be imposed for 7 commodities such as rice, scrap iron, leather, rubber, timber, raw silk and fish meal .	- Although there are remaining some bans on export (scrap of metal, animal skin, for instance) and enforcing standard price on commodities, every enterprise shall be able to export without any restriction in principle. - Customs duties ranging 5 ~ 30 % have been applied to 75 commodities. - Export surcharges shall be imposed to coffee, coconuts oil, logs & timber, etc.	- The Department of Foreign Economic and Trading Cooperation is in charge of foreign trade. Recently, administrative control on foreign trade has been shifted to the authorized agencies of local government with the advance of reform. - Enterprises are requested to get licenses to do export businesses. They have to export licenses in order to produce and export agro-products, materials and products of fibers on occasion of establishment. - Customs duty for export shall be imposed to the export of such commodities as silk thread and scrap copper.	- The Ministry of Commerce is managing the foreign trade. - Although export licenses have been issued by the Ministry of Commerce, duty to get licenses have been gradually relaxed except for specific commodities. Commodities under control are classified into four groups: • banned commodities • commodities under the quota system • subjects of discussion with authorized agencies beforehand • commodities under control of the government - Exports of logs, timber and rattan have been prohibited. - Customs duty for exports have been imposed on such items as marine products, mineral resources and scrap iron.
7-4 Import	- Although the greater part of commodities shall never imposed customs duties, some require permission by the Ministry of Commerce and some shall have to pay surcharges. They are, for instance, gold, tea, sugar, coffee, and old cars. The reason of such restriction are to: • work for the public good • protect domestic industries • restrict imports of luxuries - Customs duties: mostly between 25 % and 60 % - Value added tax shall be imposed on the sum of CIF price, customs duty (cont.)	- Although Indonesia adopted import substitutive policies formerly, restrictions have been enormously relaxed after 1985. However, there are still partly remaining measures to protect domestic industries from importation. - Packages for relaxation of imports in 1993 include major contents as follows: • slicing items which have been restricted. • slicing items which only designated enterprises have been allowed to import. • removal of ban on motor bike (cont.)	- Enterprises to do import businesses are requested to get licenses. The Ministry of Economic and Trading Cooperation, Provinces, Cities and Autonomous Districts specify subjects of import licenses. - Customs duty for imports: • Average tariff rate is still rather high as of 22.5 % despite twice reduction since 1992. The state government has a target to reduce it to half in these several years. • Duty free treatment for importation of vehicles by foreign enterprises was eliminated in April 1994, and (cont.)	- In terms of imports, commodities have been classified into such groups as follows: • commodities banned to import (for instance, used cars, used electric equipment and cars with right handle) • subjects of discussion with authorized agencies beforehand • commodities under control of the government - Since the competitiveness of domestic industries is very weak and Vietnam is inexperienced in the system of imposing tariff on trade, the tariff rate (cont.)

Table C.01 Comparison of Investment Environment in Selected Asian Countries (20/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
	and normal profits. - The government presented an idea to simplify the customs duty into 6 levels ranging from 0 % to 30 % in July 1992. - Customs duty has been revised many times as a measure to encourage specific industries. - Customs duty on the import of cars and spare parts were substantially reduced in July 1991, and tariff rate on the import of electric machines and precision machines were also reduced in April 1994.	and passenger cars However, a high rate of customs duty shall be imposed and only appointed enterprises are allowed to import in case of specific types of car. • reduction of import surcharges and of customs duties • reduction of customs duty on spare parts of car production. - Although tariff rate of Indonesia had been highest among ASEAN countries formerly because of import substitutive policy, it has been enormously reduced since 1985.	110~150 % of tariff has been imposed since then.	has been frequently altered.
8 PROPERTY 8-1 Legal Ground	- Civil and Commercial Code (promulgated successively between 1924 and 1935, and revised in 1978) - Laws on Land (1954) - Law on Condominium (1979)	- Land Law (No.5 of Fundamental Law on Agriculture) - Presidential Decree No.34, 1993 - Regulation No.7 by Interior Minister, in 1993 - Order No.66 by Minister of Public Works, in 1993		- The constitution of Social Republic of Vietnam - Land Law - Law on Houses & Buildings - Foreign Investment Law and its provisional regulations - Regulations on the Export Processing Zones
8-2 Administrative Organization	- Ministry of Interior - Factory Control Department, Ministry of Industry - Land Bureau of Cities and Prefectures - National Environment Board (NEB)	- Minister of State in charge of State Land - State Land Agency - Ministry of Public Works		- State Committee for Cooperation and Investment (SCCI) - State Planning Committee (SPC) - Bureau of Planning and Construction of local people's committee
8-3 Land Acquisition	- Although foreigners are impossible to purchase any land in principle, licensed enterprises by BOI are allowed to buy land. - In case of condominium foreigners can buy 40 % of property at most.	- Indonesian nationalities alone shall be allowed to acquire land. - PMA enterprises, PMDN enterprises and foreign individuals shall be allowed to acquire land use right and right to construct facilities.	- Land is owned by the State or collectively owned, and the ownership by individuals and enterprises shall not be allowed.	- Since Vietnam adopts socialism, the land was owned by the State and the ownership of land by individuals and enterprises hasn't been allowed.
8-4 Right on Land Ownership	- The right of ownership: Thai nationalities, Thai corporations and Foreign Companies licensed by BOI shall have the right to own land. - Leasehold: Initially 30 years and possible to extend another 30 years.	- The right of ownership shall be only for Indonesian individuals - The right of construction (HGB): • right to construct factories and warehouses on land • period: 30 years (Extension of another 20 years is possible) • resale: possible • the right is issued by the Bureau of Land of prefectures for less than 5 ha of land and issued by local office of (cont.)	- Foreign enterprises shall be allowed to purchase , to lend or to alienate the land use right during the life period of projects. They shall be allowed to offer it in security. - In case of Joint Venture projects, the Chinese partner shall be able to invest the land use right in kind. - VAT on transactions of land right and buildings: Value Added Tax shall be imposed on profits from the transactions of land use right and buildings. Tax (cont.)	- The land use right has been provided by the State for a limited period. - Enterprises and individuals shall be able to alienate the land use right to others so fee as used for specific purpose which is specified by the license. - Foreign partners of Joint Venture projects shall be able to acquire the land use right only on the occasion of being invested in kind by local partners. - Foreign enterprises shall be able (cont.)

Table C.01 Comparison of Investment Environment in Selected Asian Countries (21/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
		land. - The land use right: • being issued only for agriculture, fishery, cattle breeding and water resource development. • period: 35 years (possible to extend another 25 years) • the right is issued by State Land Agency or it's local offices for less than 200 ha of land and by State Minister in charge of Land or General Director of State Land Agency for more than 200 ha of land.	rate ranging 30~60 % are divided into 4 grades by the ratio of added value to the sales amount as follows: • 30 % for less than 1/3 of profit rate • 40 % for less than 1/2 and more than 1/3 of profit rate • 50 % for less than 2/3 and more than 1/2 of profit rate • 60 % for more than 2/3 of profit rate	to acquire the land use right by making a lease contract with the State or land use right owners. During life period of projects, foreign enterprises have to pay regularly the rental fee. Subletting shall not be allowed in principle. - Enterprises shall be allowed to mortgage the land use right and buildings. However, they do actually sustain restrictions in licenses.
8-5 Registration of Property	- Registration to bureau of land of cities and prefectures shall be required.	- Certification shall be issued by local office of land bureau of prefectures.		- Foreign enterprises are able to register the land use right to the authorized agencies of people's committee through SCCI.
8-6 Permission for Development and Construction	- Permission for development shall be requires by the factory control department of the Ministry of Industry and local government (of cities and prefectures). • some specific industries are requested to get permission by concerned government agencies and NEB. - Permission for construction: • Application should be made to Local Works Section and the drawing map of factory layout should be submitted to the factory control department of the Ministry of Industry.	- Permission for development: cf. 8-4 - Permission for construction : • Prefecture Governors or City Mayors issue certifications through Public Works Service or City Planning Service. • In case of Jakarta Special District, certifications shall be issued by City Control and Development Service.		- Permission of Development: Application with F/S report should be submitted to SCCI according to the Foreign Investment Law. The SCCI consult the council of ministers, SPC, concerning ministries and committee. After getting approval of Bureau of Planning & Construction, SCCI issues certificates. - Permission of Construction: Blueprint of structure drawn depending on conditions of certificate should be submitted to the Bureau of Planning & Construction of local administration.
9 ESTABLISHING of CORPORATION 9-1 Legal Ground	- Civil and Commercial Code (CCC) - Public Limited Companies Act (PLC, 1992)	- Kitab undang-undang hukum dagang (1847): Indonesian Commercial Law	- Law Concerning Chinese-Foreign Joint Venture (1979) and its rules for implementation (1983) - Law on Fully-foreign -owned Company (1986) and its detailed rule for implementation (1990) - Law on Chinese-foreign Cooperative Enterprises (1988)	- Law on Foreign Investment in Vietnam (1987, 1990, 1992) - Decree No.18/CP of Government (1993)
9-2 Type of Corporation	- Type of Corporation in CCC: • ordinary partnership • limited partnership • limited company - Type of Corporation in PLC: public limited company	- perseroan firma (F.A.): equivalent to Japanese "Gomei Kaisya". - perseroan komanditer (C.V.): equivalent to Japanese "Goshi Kaisha". - perseroan terbatas (P.T. or N.V.): equivalent to Joint Stock Cooperation.	- Foreign enterprises are classified into three types: • Chinese-foreign Joint Venture • 100 % Foreign-owned Enterprises • Chinese-foreign Cooperative Enterprises	- Joint Ventures and 100 % Foreign Owned Enterprises shall be established as limited liability companies. - Every partners should invest capital to the company, and take their share of profits and losses according to their shares.

Table C.01 Comparison of Investment Environment in Selected Asian Countries (22/22)

	THAILAND	INDONESIA	CHINA	VIETNAM
9-3 Minimum or Maximum Share of Foreigners	- No regulations.	- No rules on foreign share. Promoters should guarantee more than 20 % of authorized capital. and should specify the period of issuing remaining shares. Otherwise the Ministry of Justice doesn't issue licenses.	- Joint Ventures: • Shares of foreign partners should be more than 25 %. • The ratio of registered capital and investment capital is specified. - 100 % Foreign Owned Enterprises: • The period of paying capital is specified in the articles of association. • Payment by installments shall be allowed. • In case of the lump-sum payment, capital should be paid within 6 months after the certificate was issued. • In case of payments by installments, more than 15 % of registered capital should be paid within 3 months after the certificate was issued as the first portion, and the whole of capital should be paid within 3 years.	- The initial investment capital of joint venture companies should be more than 30 % of total capital. - Investors shall be allowed to choose either to pay the whole of capital when the project is established or pay by installments within agreed period among the partners.

Table C.02 Profile of Selected Asian Countries

	THAILAND	INDONESIA	CHINA	VIETNAM
Area (sq.km)	51,3115	190,4569	959,6961	331,689
Population (1992): 10 thousand	5,776	18,776	117,170	7,073
Economic Active Population: (10 thousand)	3,605 ('91)	7,800 ('90)	52,491 ('82)	2,969 ('90)
Literacy Rate in 1990	93.0 %	81.6 %	77.8 %	87.6 %
GDP ('92, US $ b)	98.3	124.4	435.6	9.7
GDP per capita ('92, US $)	1728	651	367	220
Exports (FOB, US $ b)	32.1	32.5	69.6	2.8
Imports(FOB, US $ b)	36.3	26.5	64.4	3.5

Table C.03 Licensed Foreign Investment Projects by Country
(Accumulated Number of Projects and Amount of Invested Capital until the End of 1994)

	Licensed Projects				Valid Projects				Canceled Projects			
	Number	Share	Capital	Share	Number	Share	Capital	Share	Number	Share	Capital	Share
Taiwan	193	15.86%	1,949	16.24%	172	16.73%	1,903	17.46%	21	11.11%	47	4.27%
Hong Kong	221	18.16%	2,066	17.22%	175	17.02%	1,858	17.04%	46	24.34%	209	19.00%
Singapore	89	7.31%	1,036	8.63%	84	8.17%	1,026	9.41%	5	2.65%	1	0.09%
Republic of Korea	108	8.87%	925	7.71%	98	9.53%	905	8.30%	8	4.23%	16	1.45%
Japan	84	6.90%	933	7.77%	77	7.49%	822	7.54%	8	4.23%	113	10.27%
Australia	53	4.35%	803	6.69%	45	4.38%	678	6.22%	8	4.23%	126	11.45%
France	71	5.83%	835	6.96%	59	5.74%	507	4.65%	12	6.35%	328	29.82%
Malaysia	36	2.96%	506	4.22%	31	3.02%	501	4.60%	5	2.65%	6	0.55%
Switzerland	17	1.40%	465	3.87%	14	1.36%	463	4.25%	3	1.59%	2	0.18%
England	19	1.56%	428	3.57%	16	1.56%	401	3.68%	3	1.59%	27	2.45%
Netherland	18	1.48%	366	3.05%	17	1.65%	366	3.36%				
Thailand	62	5.09%	275	2.29%	45	4.38%	233	2.14%	17	8.99%	41	3.73%
Indonesia	11	0.90%	160	1.33%	11	1.07%	160	1.47%				
U.S.A.	24	1.97%	152	1.27%	23	2.24%	150	1.38%				
Russia	52	4.27%	176	1.47%	36	3.50%	129	1.18%	17	8.99%	51	4.64%
Canada	17	1.40%	163	1.36%	9	0.88%	95	0.87%	7	3.70%	65	5.91%
Belgium	7	0.58%	81	0.67%	7	0.68%	81	0.74%				
Sweden	8	0.66%	79	0.66%	8	0.78%	79	0.72%				
Islands	12	0.99%	80	0.67%	11	1.07%	77	0.71%	3	1.59%	6	0.55%
Philippines	13	1.07%	68	0.57%	12	1.17%	64	0.59%	2	1.06%	5	0.45%
Bermuda	4	0.33%	61	0.51%	4	0.39%	61	0.56%				
Denmark	5	0.41%	53	0.44%	3	0.29%	46	0.42%	2	1.06%	7	0.64%
Belorussia	1	0.08%	38	0.32%	1	0.10%	38	0.35%				
Italy	5	0.41%	29	0.24%	4	0.39%	28	0.26%	1	0.53%	1	0.09%
Ukraine	5	0.41%	27	0.22%	5	0.49%	27	0.25%				
Panama	7	0.58%	27	0.22%	6	0.58%	26	0.24%				
Germany	14	1.15%	33	0.27%	7	0.68%	24	0.22%	7	3.70%	9	0.82%
New Zealand	3	0.25%	23	0.19%	3	0.29%	23	0.21%				
Czechoslovakia	2	0.16%	21	0.17%	1	0.10%	18	0.17%	1	0.53%	3	0.27%
China	25	2.05%	18	0.15%	21	2.04%	16	0.15%	4	2.12%	2	0.18%
Poland	2	0.16%	16	0.13%	2	0.19%	16	0.15%				
Austria	1	0.08%	15	0.12%	1	0.10%	15	0.14%				
P. R.Korea	3	0.25%	24	0.20%	1	0.10%	13	0.12%	2	1.06%	11	1.00%
U.A.E.	1	0.08%	12	0.10%	1	0.10%	12	0.11%				
Hungary	5	0.41%	9	0.07%	3	0.29%	8	0.07%	3	1.59%	8	0.73%
Liechtenstein	1	0.08%	8	0.07%	1	0.10%	8	0.07%				
Cuba	1	0.08%	7	0.06%	1	0.10%	7	0.06%				
Macao	2	0.16%	3	0.02%	2	0.19%	3	0.03%				
Norway	3	0.25%	2	0.02%	3	0.29%	2	0.02%				
Brunei	1	0.08%	2	0.02%	1	0.10%	2	0.02%				
Latvia	2	0.16%	1	0.01%	3	0.29%	2	0.02%				
Israel	1	0.08%	2	0.02%	1	0.10%	2	0.02%				
Latvia	2	0.16%	1	0.01%	1	0.10%	2	0.02%				
Laos	2	0.16%	6	0.05%	1	0.10%	1	0.01%	1	0.53%	6	0.55%
Argentine	1	0.08%	0	0.00%	1	0.10%	0	0.00%				
Luxembourg	1	0.08%	6	0.05%								
Finland	1	0.08%	0	0.00%					1	0.53%	0	0.00%
other countries	1	0.08%							2	1.06%		
Total	1,217		12,001		1,028		10,901		189		1,100	

Note: Amount of invested Capital is in Millions of US $
Source: Vietnam Information by VCCI

Table C.04 Number of FDI Projects in being valid by City & Province up to the end of 1994

City & Province	Number of Projects		Number of Project in Industry		Coefficient of Industry
1 Ha Gian	0	0.00%	0	0.00%	-
2 Tuyen Quang	0	0.00%	0	0.00%	-
3 Cao Bang	0	0.00%	0	0.00%	-
4 Lang Son	3	0.29%	2	0.33%	1.1441
5 Lai Chau	0	0.00%	0	0.00%	-
6 Lao Cai	1	0.10%	0	0.00%	0.0000
7 Yen Bai	2	0.19%	0	0.00%	0.0000
8 Bac Thai	6	0.58%	3	0.50%	0.8581
9 Son La	2	0.19%	1	0.17%	0.8581
10 Hoa Binh	2	0.19%	2	0.33%	1.7162
11 Quang Ninh	14	1.36%	4	0.67%	0.4903
12 Vinh Phu	5	0.49%	5	0.83%	1.7162
13 Ha Bac	4	0.39%	3	0.50%	1.2871
North Mauntain and Midland	39	3.79%	20	3.34%	0.8801
14 Ha Noi	178	17.32%	63	10.52%	0.6074
15 Hai Phong	34	3.31%	15	2.50%	0.7571
16 Ha Tay	12	1.17%	7	1.17%	1.0011
17 Hai Hung	9	0.88%	7	1.17%	1.3348
18 Thai Binh	4	0.39%	3	0.50%	1.2871
19 Nam Ha	2	0.19%	2	0.33%	1.7162
20 Ninh Binh	2	0.19%	0	0.00%	0.0000
Red Rivr Delta	241	23.44%	97	16.19%	0.6908
21 Thanh Hoa	4	0.39%	3	0.50%	1.2871
22 Nghe An	3	0.29%	3	0.50%	1.7162
23 Ha Tinh	5	0.49%	4	0.67%	1.3730
24 Quang Binh	2	0.19%	2	0.33%	1.7162
25 Quang Tri	1	0.10%	1	0.17%	1.7162
26 Thua Thien - Hue	5	0.49%	2	0.33%	0.6865
North Central Coast	20	1.95%	15	2.50%	1.2871
NORTH	300	29.18%	132	22.04%	0.7551
27 Quang Nam - Danang	31	3.02%	20	3.34%	1.1072
28 Quang Hgai	2	0.19%	1	0.17%	0.8581
29 Bih Dinh	5	0.49%	1	0.17%	0.3432
30 Phu Yen	4	0.39%	2	0.33%	0.8581
31 Khanh Hoa	13	1.26%	7	1.17%	0.9241
32 Ninh Thuan	2	0.19%	0	0.00%	0.0000
33 Binh Thuan	7	0.68%	2	0.33%	0.4903
South Central Coast	64	6.23%	33	5.51%	0.8849
34 Gia Lai	2	0.19%	2	0.33%	1.7162
35 Kon Tum	0	0.00%	0	0.00%	-
36 Dac Lac	2	0.19%	1	0.17%	0.8581
37 Lam Dong	18	1.75%	9	1.50%	0.8581
Central Hignland	22	2.14%	12	2.00%	0.9361
38 T.P.Ho Chi Minh	384	37.35%	240	40.07%	1.0726
39 Song Be	42	4.09%	39	6.51%	1.5936
40 Tay Ninh	6	0.58%	6	1.00%	1.7162
41 Dong Nai	102	9.92%	91	15.19%	1.5311
42 Ba Ria - Vung Tau	35	3.40%	7	1.17%	0.3432
North East South	569	55.35%	383	63.94%	1.1552
43 Long An	12	1.17%	11	1.84%	1.5732
44 Dong Thap	3	0.29%	1	0.17%	0.5721
45 Ben Tre	0	0.00%	1	0.17%	-
46 An Giang	6	0.58%	4	0.67%	1.1441
47 Tien Giang	3	0.29%	3	0.50%	1.7162
48 Vinh Long	2	0.19%	2	0.33%	1.7162
49 Tra Vinh	3	0.29%	2	0.33%	1.1441
50 Soc Trang	1	0.10%	1	0.17%	1.7162
51 Can Tho	9	0.88%	8	1.34%	1.5255
52 Kien Giang	3	0.29%	2	0.33%	1.1441
53 Minh Hai	7	0.68%	4	0.67%	0.9807
Mekong River Delta	49	4.77%	39	6.51%	1.3660
SOUTH	704	68.48%	467	77.96%	1.1384
OIL BLOCK	24	2.33%	0	0.00%	0.0000
Whole Country	1028	100.00%	599	100.00%	1.0000

Source: Vietnam Information by VCCI

Table C.05 Structure of Industrial Subsectors in term of number of Company Comparison of Viatnam and Hanoi

	(A-E) Number of Registered Companies				Coefficient	(F-J) Number of Licensed FDIs				Coefficient
	A	B	C	D	E	F	G	H	I	J
	Vietnam	Share	Hanoi	Share	D/B	FDI in VN	Share	FDI in HANOI	Share	I/G
Food and Bevarages	270	18.40%	25	8.62%	0.4684	100	16.69%	5	7.94%	0.4754
Tobacco	15	1.02%	1	0.34%	0.3372	3	0.50%	0	0.00%	0.0000
Textiles	101	6.88%	17	5.86%	0.8515	55	9.18%	5	7.94%	0.8644
Garments	123	8.38%	23	7.93%	0.9459	61	10.18%	5	7.94%	0.7793
Tanning and Processing Leather	38	2.59%	8	2.76%	1.0650	39	6.51%	0	0.00%	0.0000
Wood Processing	95	6.48%	22	7.59%	1.1715	46	7.68%	1	1.59%	0.2067
Paper and Articles	31	2.11%	1	0.34%	0.1632	14	2.34%	0	0.00%	0.0000
Publication and Printing	74	5.04%	24	8.28%	1.6406	5	0.83%	5	7.94%	9.5079
Coke and Oil Products	2	0.14%	0	0.00%	0.0000	5	0.83%	1	1.59%	1.9016
Chemicals and Articles	121	8.25%	18	6.21%	0.7525	47	7.85%	5	7.94%	1.0115
Rubber and Products	61	4.16%	13	4.48%	1.0781	21	3.51%	1	1.59%	0.4528
Non-matalic Minerals and Products	163	11.11%	32	11.03%	0.9931	44	7.35%	5	7.94%	1.0804
Metals	9	0.61%	3	1.03%	1.6862	9	1.50%	0	0.00%	0.0000
Metal Articles	109	7.43%	29	10.00%	1.3459	22	3.67%	6	9.52%	2.5931
Other Equipment	79	5.39%	26	8.97%	1.6649	22	3.67%	2	3.17%	0.8644
Office Equipment	8	0.55%	3	1.03%	1.8970	1	0.17%	0	0.00%	0.0000
Other Electric Machinery	32	2.18%	12	4.14%	1.8970	16	2.67%	6	9.52%	3.5655
Radio, Television and Telecomm.	37	2.52%	14	4.83%	1.9141	20	3.34%	4	6.35%	1.9016
Medical, Measuring and Optical	5	0.34%	3	1.03%	3.0352	9	1.50%	3	4.76%	3.1693
Motor Vihicles and Trailers	31	2.11%	7	2.41%	1.1423	18	3.01%	2	3.17%	1.0564
Other Means of Transportation	54	3.68%	7	2.41%	0.6557	11	1.84%	1	1.59%	0.8644
Furniture	7	0.48%	2	0.69%	1.4453	31	5.18%	6	9.52%	1.8402
Reprocessing	2	0.14%	0	0.00%	0.0000	0	0.00%	0	0.00%	-
Total Number	1467	100.00%	290	100.00%	1.0000	599	100.00%	63	100.00%	1.0000

Source: "VNINFO" (organized by VCCI)

Table C.06 Licensed Foreign Investment in Hanoi City by Country

(Accumulated number and amount until the end of 1994)

Country/Region	Number of Project	Distribution	Invested Capital (US$)	Distribution
1 Singapore	14	7.87%	515,801,345	20.50%
2 South Korea	9	5.06%	386,528,340	15.36%
3 Australia	11	6.18%	313,222,000	12.45%
4 Hong Kong	36	20.22%	252,165,933	10.02%
5 Japan	21	11.80%	179,809,400	7.15%
6 France	13	7.30%	127,087,015	5.05%
7 Malaysia	7	3.93%	102,236,000	4.06%
8 Taiwan	8	4.49%	88,597,428	3.52%
9 Thailand	7	3.93%	65,633,850	2.61%
10 U.S.A.	5	2.81%	58,052,532	2.31%
11 Islands	5	2.81%	176,238,000	7.00%
12 Philippines	2	1.12%	45,150,000	1.79%
13 Indonesia	3	1.69%	35,417,021	1.41%
14 Poland	2	1.12%	15,800,000	0.63%
15 Sweden	4	2.25%	25,863,464	1.03%
16 Denmark	1	0.56%	20,575,000	0.82%
17 Bermuda	1	0.56%	19,777,491	0.79%
18 England	2	1.12%	17,170,000	0.68%
19 Netherland	5	2.81%	15,974,470	0.63%
20 Cuba	1	0.56%	6,600,000	0.26%
21 Russia	3	1.69%	24,007,272	0.95%
22 China	6	3.37%	2,977,214	0.12%
23 Panama	3	1.69%	17,450,000	0.69%
24 Belgium	1	0.56%	1,050,000	0.04%
25 Germany	2	1.12%	1,683,350	0.07%
26 Laos	1	0.56%	686,000	0.03%
27 Switzerland	3	1.69%	460,000	0.02%
28 Argentine	1	0.56%	120,000	0.00%
Total	178	100.00%	2,516,133,125	100.00%

Source: Vietnam Information by VCCI

Note: Amount is in US $

Accumulated number of projects and amount of invested capital (1988-Dec31,1994)

Table C.07 List of Products Subject to Dual Import Permit

	1993	1994
1	Petrol	Petrol
2	Fertilizer	Fertilizer
3	Steel	Steel
4	Cement	Cement
5	Automobile with 12 seats or less	Automobile with 12 seats or less
6	Motor cycle	Motor cycle
7	Sugar	Sugar
8	Clothes	
9	Textile	
10	Paper	
11	Jute bag	
12	Milk	
13	Tobacco	
14	Electric consumer goods	
15	Dynamite	

Table C.08 Rate steps of Custom Duties in Vietnam

1	0 %
2	1 %
3	2 %
4	3 %
5	4 %
6	5 %
7	6 %
8	7 %
9	8 %
10	10 %
11	12 %
12	15 %
13	20 %
14	22 %
15	24 %
16	25 %
17	30 %
18	35 %
19	38 %
20	40 %
21	45 %
22	50 %
23	60 %
24	70 %
25	80 %
26	120 %
27	150 %
28	200 %

(Source) Prepared from Export and Import tarrif for Commercial Goods
(Effective as of July 1, 1994)

Table C.09 Exemptions of Custom Rates

Category of goods	Range of rate (%)	Example of goods levied higher rate: Rate (%)	Example of goods levied higher rate: Goods	Comparison to other country (%): Indonesia	Comparison to other country (%): Malaysia
Tobacco And Manufactured Tobacco Substitutes	15 ~ 120	120	Cigarretter and Manufactured tobacco	30	5
Soap	50	50	Soap	30/40	0
Rubber And Articles Thereof For home Consumption	20 ~ 50	50	Motor Cycle Type, Bicycle type	35	5
Wood And Articles Of Wood; Wood Charcoal	1 ~ 40	40	Wood Frame, Tableware	30	25
Paper,Paperboard, Articles Of Paperboard	1 ~ 40	40	Toilet or Facial Tissue	25	35
		40	Letter Card	30	25
Silk	0 ~ 35	35	Fabrics of Silk	10/30	20
Cotton	0 ~ 40	40	Woven Fabric Of Cotton	25	20
Footwear	50	50	Footwear	30/40	30
Ceramic Products For Consumption	35 ~ 45	35 ~ 45	Ceramic Products For Consumption	30	35
Iron And Steel	0 ~ 30	30	Steel for Construction	*1	*1
Aluminium And Articles Thereof	0 ~ 30	30	Household Article	40	25/30
Electrical Machinery And Equipment And Parts Thereof;	0 ~ 50	50	Record-players (Househod type)	30	0
		50	Video recording or reproducing appara (Household type	40	30
		40	Hair dryer	40	5/25 *2
		40	Coffee or tea maker	40	5/25 *2
		40	Toaster	40	5/25 *2
Vehicles Other Tnan Railway Or Tramwy Rolling-stock, And Parts And Accessories Thereof	*3			*4	*5
Clocks And Watches And Parts Thereof	0 ~ 30		Wrist Watch,Clock	30	0

*1 Not comparable due to different classification
*2 5% applied to radio frequency type product
*3 Custom rates are shown in Table C.10.
*4 Not comparable due to different classification, highest rate 200%
*5 Not comparable due to different classification, highest rate 200%

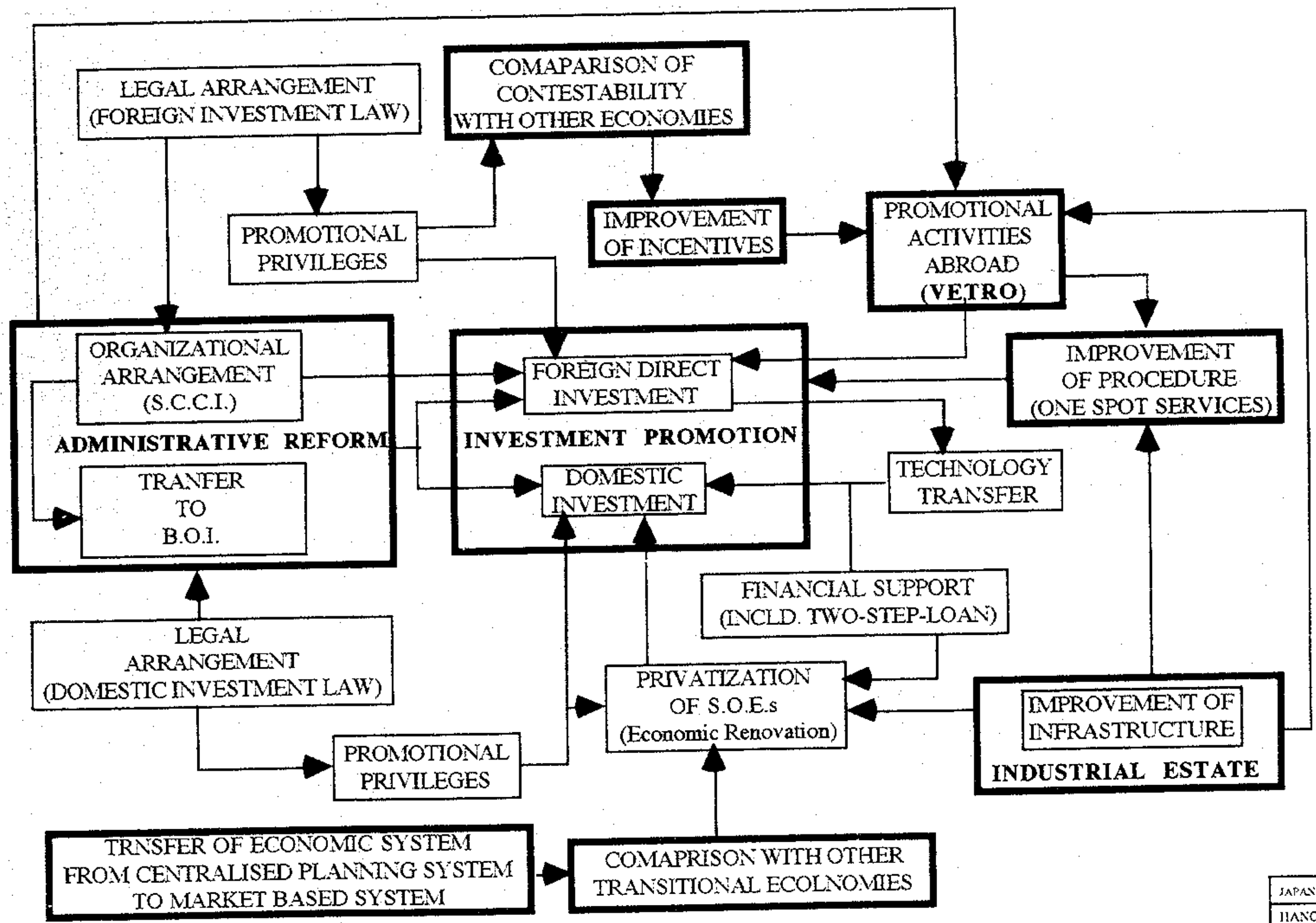
(Source) Prepared from Export and Import tarrif for Commercial Goods (Effective as of July 1, 1994)
Rates of Indonesia and Malaysia - obtained from tariff table of these countries

Table C.10 Custom Rate of Motor Vehicles

	*1 Completed	*2 SKD	*3 CKD1	*4 CKD2	*5 IKD
Public-transport type passenger motor vehicle with more than 24 seats	50%	40%	12%	6%	3%
Motor vehicle exceeding 15 seats to 24 s(	100%	80%	25%	10%	7%
Motor vehicle exceeding 5 seats to 15sea	150%	120%	40%	20%	5%
Motor vehicle exceeding 5 seats	200%	150%	50%	30%	5%

*1 Completely assembled
*2 Semi knock down
*3 Completely knock down form 1
*4 Completely knock down form 2
*5 Incomplete kits, using some domestic parts

(Source) Prepared from Export and Import tariff for Commercial Goods (Effective as of July 1, 1994)



JAPAN INTERNATIONAL COOPERATION AGENCY

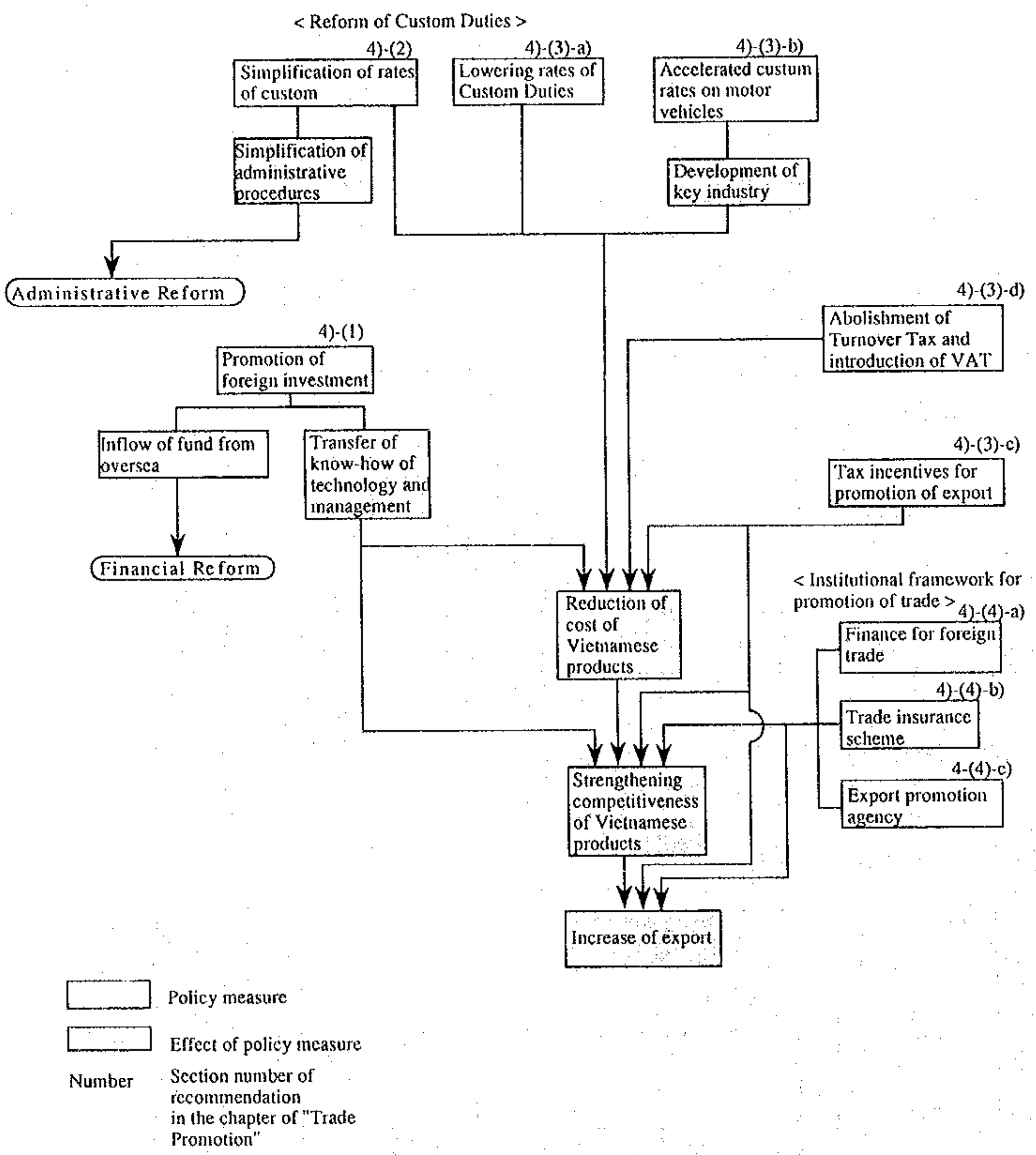
HANOI PEOPLE'S COMMITTEE
SOCIALIST REPUBLIC OF VIETNAM

MASTER PLAN OF INDUSTRIAL DEVELOPMENT
IN THE HANOI AREA

Figure C.1 Flow Chart of Issues for the Study on Investment Promotion

NIPPON KOEI CO., LTD.
TECHNO CONSULTANTS, INC.
PACIFIC CONSULTANTS INTERNATIONAL

Figure C.2 Inter-relationship of Recommendation Points (Trade Promotion)



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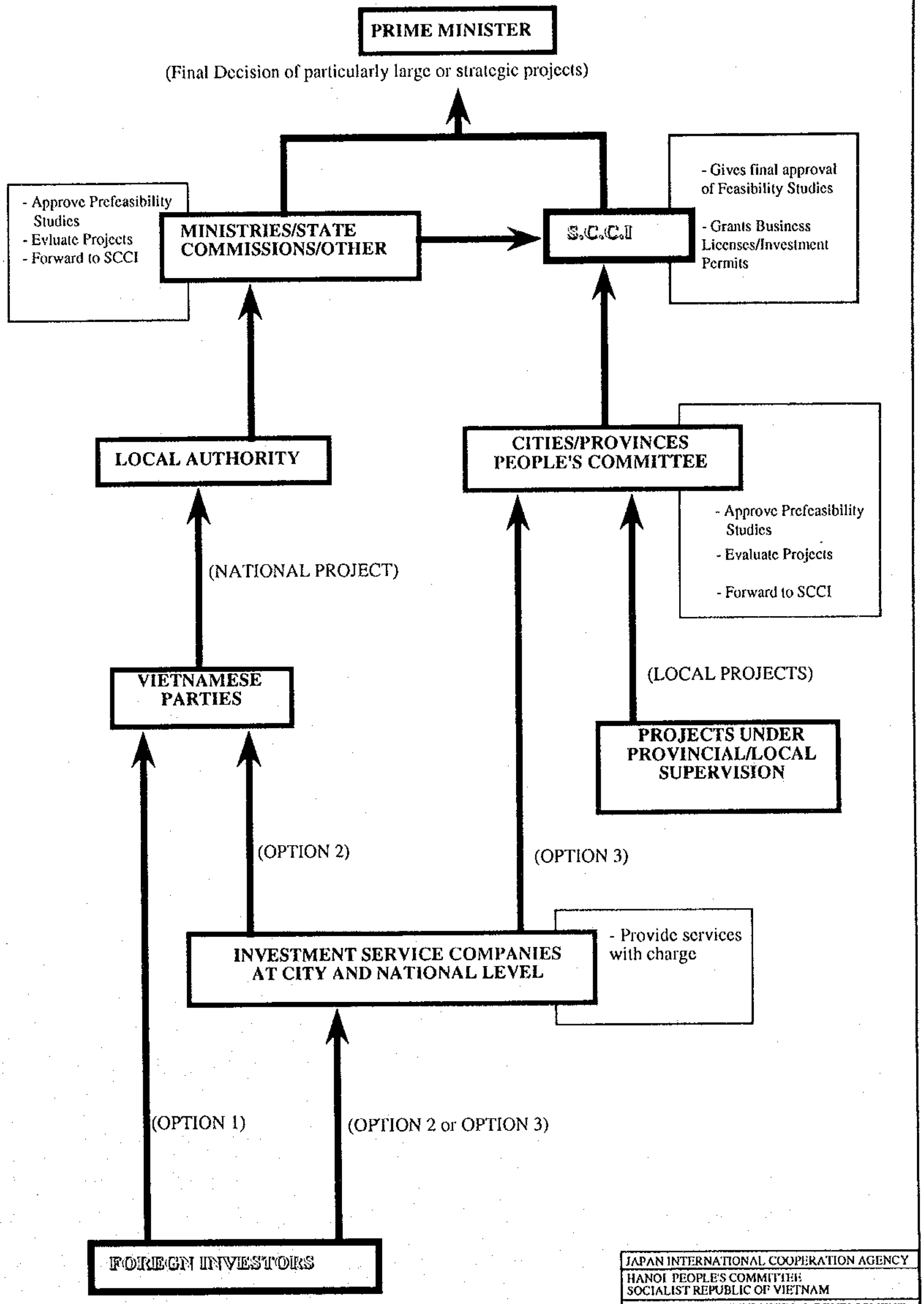
MASTER PLAN OF INDUSTRIAL DEVELOPMENT IN THE HANOI AREA
Figure C.2 Inter-relationship of Recommendation Points (Trade Promotion)
NIPPON KOEI CO., LTD TECHNO CONSULTANTS, INC. PACIFIC CONSULTANTS INTERNATIONAL



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HANOI PEOPLE'S COMMITTEE SOCIALIST REPUBLIC OF VIETNAM
MASTER PLAN OF INDUSTRIAL DEVELOPMENT IN THE HANOI AREA
Figure C.3 Approval Process for Foreign Investment Project
NIPPON KOEI CO., LTD TECHNO CONSULTANTS, INC. PACIFIC CONSULTANTS INTERNATIONAL