

Part 3. Tourism Development

3.1 The role of tourism industry in the national development planning

The Vietnamese tourism has started and developed for almost 40 years, however its activities saw really animatedly during 1990s. Particularly, this trade has got a boom development since 1993, in connection with the " *open door and intergration in the world economy* " policy of the State.

The Vietnamese State considers " *tourism development as an important strategical orientation in the socio-economic development direction aiming to contribute to implementing industrialization and modernization of the country* ". The Eight National Party Congress set forth the objective for tourism development as " *to speedily develop tourism, services..., gradually bring the country to become a tourism-business- services center of major stature in the region.* "

The resolution No 45/CP in 1993 issued by the Government pointed out the direction and the strategy for tourism development as : " *to take the tourism of the country to early come up with those of the developed countries in the region and in the world, turning the tourism of the country into an important economic branch...* "

The Ordinance on Tourism No 11/1999/PL- UBTVQH 10 was promulgated by the State President pursuant to the Order No. 02/L- CTN of February 20, 1999 promulgating the Ordinance on Tourism. Article 1 of the Ordinance defines that : " *The State of Vietnam considers tourism to be an important and comprehensive economic branch with profound cultural contents of an inter-branch, inter-regional and highly-socialized character; development of the tourism is aimed to meet the demand for excursion, recreation and rest of the people and foreign tourists; contributing to raising the population's educational standard, generating more jobs and bringing about socio-economic development in the country* '.

This Ordinance is of extreme significance to the tourism development because it is considered as the first legal and official framework to tourism branch since its establishment.

The overview of the five-year (1996-2000) plan as presented in the five-year plan for socio-economic development of the IXth National Party Congress indicates that : " *Tourism has been diversified and its quality has been improved. The total revenue of tourism went up by 9.7% per year* " ⁽¹⁾

The orientation for tourism development has been set forth in the five-year plan for socio-economic development as follow :

⁽¹⁾ "Documents of the IXth National Party Congress", National Political Publishing House. Hanoi- 2001 . P.228

“ To raise the quality, scale and efficiency of tourism. To establish a strong tie among sectors engaged in tourism to develop a number of broad-based and key tourist attractions; turning tourism into a cutting-edge economic sector. To develop and diversify types of tourism; to pay attention to ecological, cultural, historical, sport tourist attractions appealing to tourists at home and abroad. To build and upgrade tourist infrastructure and promote cooperation with other countries in this field. ”⁽²⁾

In the plan, the orientation for territorial development of tourism has been worked out concretely as follow :

*** In the Midlands and Northern mountain area (Northwestern and Northeastern regions) of Vietnam :**

“ To vigorously develop tourism, pay attention to eco-tourism and tourist attractions like Ba Be Lake, Thac Ba Lake, Nui Coc Lake, and Sapa, etc. ; to restore historical and cultural sites linked with tourist development “⁽³⁾

*** In the Red River Delta and Northern key economic regions :**

“ ...to vigorously develop tourism in this region, invest in building comprehensive Ha Long- Cat Ba tourist sites and the Do Son tourist attractions. To develop tourist sites in provinces linking with tourist centers inside and outside the region to shape intra-and inter- regional tourist routes. ”⁽⁴⁾

*** In the North of the Central part, Central coastal area and Central key economic zone**

“ To make full use of cultural and historical tourism, sea tourism and coastal tourism. To develop tourist centers in each province of the region and such tourist attractions as the former capital of Hue, Hoi An , My Son, Phong Nha, Canh duong, Lang Co, Non Nuoc, Van Phong and Dai Lanh. To link the development of Cities and industrial zones with that of tourism, especially sea tourism. To promote the central economic and cultural role of the Da Nang- Hue urban areas ”⁽⁵⁾

*** In Central Highlands**

“ To build tourist centers in Dan Kia, Suoi Vang (Golden Stream), Lak Lake and Buon Don. To design tourist routes with the region and with other regions. ”⁽⁶⁾

• In Mekong River Delta

“ To take advantage of this geographical features for rapid development of fruit-garden tourism, eco-tourism, and sea and island tourism in a close link with Ho Chi Minh City, the economic hub of the South, and the tourist routes to the Central Highlands and the

⁽²⁾ ⁽³⁾ ⁽⁴⁾ ⁽⁵⁾ ⁽⁶⁾ “Documents of the IXth National Party Congress”, National Political Publishing House. Hanoi- 2001 . P. 287, 404, 306, 309, 311, 313.

3.2 Information about sightseeing tours to craft villages conducted by travel Agencies.

Below are some information data obtained from different resources of travel agencies, tourism guidance books, etc. , on sightseeing tours related to craft villages in several zones in Vietnam.

3.2.1 Tourist routes from Hanoi⁽²⁾:

- Tour to Northern Red River (by motored-boat) :

Tour to Ceramics & porcelain craft village of Bat Trang, Gia Lam district of Hanoi, Chu Dong Tu Temple and Da Trach Marsh (Khoai Chau district, Hung Yen Province)

- Tour to craft villages :

Tour from President Ho Chi Minh Mausoleum to Bat Trang ceramics & porcelain village (Gia Lam district, Hanoi) - Van Phuc silk village (Ha Dong town) – Duyen Thai lacquer village (Thuong Tin district, Ha Tay province) - Le Mat snake village (Gia Lam district, Hanoi) .

3.2.2 Tour organization from Ninh Binh town (Ninh Binh province)

- Tour to ancient capital of Hoa Lu (Temples to King Dinh and King Le) – Natural landscapes at Tam Coc – Bich Dong – Embroidery-Lace craft village of Van Lam (Ninh Hai commune) – Stone carving craft village of Xuan Vu (Ninh Van commune) – Center area for establishment of traditional fine- art craft village of Ninh Phong commune, Ninh Binh.
- Tour to Phat Diem Cathedral - visiting Rush-based handicraft villages and Handicraft households in Kim Son district.
- Tour to Mai Chau – Xa Linh. Visiting Hang pagoda (ancient cave) and Muong ethnic minority village – Visiting Lac village and White Thai village to see people making traditional dress and stools – H'Mong ethnic minority village, etc.

3.2.3 Tourist routes from Bien Hoa (Dong Nai province)

- Tour from Bien Hoa City – Ceramics precincts of Buu Hoa, Tan Van and Hoa An – Woodwork precinct of Tan Hoa – Stone carving area of Buu Long – Tourist area of Buu Long – Tourist of Buu Long and Long An Lake.

⁽¹⁾ "Documents of the IXth National Party Congress", National Political Publishing House. Hanoi- 2001 . P.228

⁽²⁾ Hanoi tourism- Northern Red River Tourism. Sinh Tourism, 5 Hang Be Street, Hanoi

3.2.4 Tourist routes from Ho Chi Minh City ⁽¹⁾

- Visiting traditional craft villages of the farmers in Ben Tre province of MeKong River Delta : Bonsai craft village of Cai Mon – longan drying units – coconut-based products processing units and coconut candy houses – coconut fibers weaving enterprise – coconut materials-based fine art products enterprises (car, boat, etc.).
- Tourist tour to traditional village at Thu Dau Mot – Binh Duong province : visiting lacquer painting craft village of Tuong Binh Hiep, Ceramics craft village of Tan Phuoc Khanh – Hoi Khanh Pagoda.

3.2.5 Tourist routes from Hue City (Thua Thien – Hue province ⁽²⁾)

- Tour from Hue City to Fine art wood craft village of My Xuyen – Hot Spring of Phong Son – Khe Me (Phong My) (eco-tourism).
- Travel by dragon boat on Perfume River to visit Phuong Duc (Casting Guild), located closely at the river bank.

3.2.6 Tourist routes from Da Nang City

Tourist tour from Da Nang City to Non Nuoc mountain place of scenic beauty-art stone craft village of Hoa Hai guild, Ngu Hanh Son precinct of Da Nang.

The Tourism General Department of Vietnam formulated a Master Planning No. 377/ TCDL dated of April 24, 1995 for the development of tourism in Vietnam in the 1995-2010 period. This Planning was approved by the Government Prime Minister by the Resolution No. 307/TTg dated of May 24, 1995. In this document, it indicated clearly that the craft villages are also one among other diversified and abundant tourist resources in Vietnam :

“ The tourist resources in Vietnam are diversified, wealthy both in natural identity (beach, cave, hot spring, mineral water, island, herbage covering and a precious and rare world of animals, a great deal of unique and typical natural landscapes, etc.) and humanity (historical, art and architecture relics; habits and customs; craft villages and the distinctive cultural traditions of the peoples, etc.) . These create favorable conditions to develop multiple types of abundant and attractive tourism services like : sport, resort, scientific research, exhibition, meeting, festival, etc... for short or long stay of the tourists. “

In the “ *Strategy for tourism product* “ of the Planning document, it is stressed that : “ *To develop specialized tourism products like : tourism for building up one’s health, taking a rest at the beach, visiting caves, playing golf, going in for sport, going angling, tour for those who are interested in fine art handicrafts and traditional craft villages, creatures*

⁽¹⁾ Saigon tourism

⁽²⁾ Planning for the development of industry, small and craft industry in Thua Thien- Hue in 2001-2010 period (draft) . Department of Industry - Small and Craft Industry of Thua Thien – Hue . July 2001.

scenery, festival, everyday life traditional culture of the peoples, meeting-based tourism, festival tourism, etc. "

In the orientation on the organization about territorial space for tourism of the Northern part of Vietnam, the principal areas of tourism activities were defined in the Planning document as follows :

" The areas of historical, cultural and art relics, traditional festival and craft villages locate principally in Hanoi, Ha Tay, Ninh Binh, Ha Bac (presently called Bac Giang and Bac Ninh), Vinh Phuc, Nam Ha (presently called Nam Dinh and Ha Nam), Hai Hung (presently called Hai Duong and Hung Yen) etc. "

3.3 The role of small and artisan craft industries in the tourism development in Vietnam

Tourist resources in Vietnam

Although resources are diversified and abundant in Vietnam, it can be classified into two categories : *natural and humanist tourism resources.*

The Article 10 of The Ordinance on Tourism No. 11/1999/PL-UBTVQH 10 has defined tourism resources as follows :

" Tourist resources are the natural scenery, historical and revolutionary relics, humanist values and works of human creative labor, which may be used to satisfy the human need for tourism; which are the basic factors for the establishment of tourist sites and tourism resorts in order to create tourist attraction. "

Tourism resources types are all available in Vietnam :

- ***Natural tourism resources*** including mountainous areas with beautiful landscapes, caves, beaches, relics, hot spring and mineral water sites, national gardens, preserved natural areas, eco-systems, etc.
- ***Humanist tourism resources*** : cultural tourist resources which cultural values are typically representative for the people and the nation including :
 - *Cultural-historical relics*
 - *Festivals*
 - *Craft and traditional craft villages.*

Craft and traditional craft villages in Vietnam are of important humanist tourism resources in Vietnam, the sites that are attractive to tourists. The traditional crafts with their distinctive products represent not only the talent of the working people but also the philosophical

thinking, the idea and sentiment of the people. These are also of specific features of the cultures and the attractive power that can be obtained from crafts and traditional craft villages tourism.

Therefore, the role of artisan craft industry in the tourism development is clearly manifested in the two aspects as :

- Crafts and traditional craft villages are one among the attractive tourist sites for those who are interested in exploring local fine art handicrafts, and also, they are of diversified and abundant humanist tourism resources.
- Craft industry, specifically fine art handicrafts can provide a large amount of goods of special features. Foreign tourists can have them as souvenirs when coming to Vietnam, and the domestic tourists can purchase them for gifts when going abroad for a tour. In addition, the skillful craftsmen could be requested to participate in the restoration and embellishment of goods in nature, interior decoration and the historical, cultural relics in service of tourism.

The artisan craft industry finds a great market potential in tourism. The turnover from tourism business increased from VND 5,653 billion in 1995 to VND 6,520 billion in 2000⁽¹⁾. There is an increasing number of foreign guests coming to Vietnam. In 1992 there were 450,000 foreign guest participations; in 1993 : 600,400 ; in 1995 : 1,351,300 and in 2000: 2,140,100. Simultaneously, the number of Vietnamese tourists also increased rapidly at an annual increased rate of 500,000 people. Data from the General Department of Tourism, showed that in average, a foreign guest spent an everyday amount of USD 11.57 on purchasing goods, in addition to other expenses for his needs. It is estimated that if each foreign guest spends about USD 20 on purchasing goods for gifts and souvenirs then the tourist market can obtain a total amount of USD 40 millions per year. In addition, domestic tourists have also the need on purchasing goods as souvenirs for their own or gifts for their tours abroad. This makes the tourism market of the artisan craft and fine art handicrafts to be more diversified and abundant.

According to the forecast made by the Department of Tourism of Thua Thien- Hue, incomes from the sales of fine art handicrafts and souvenir goods in Thua Thien-Hue province will be as follows (see Table below):

⁽¹⁾ Statistical Yearbook 2000. General Statistical Office. Page 412

Sources of clients	Unit	Year 2005	Year 2010
<i>Foreign guest</i>			
- Quantity	Person	400,000	800,000
- Value of consumed souvenir goods	USD	2,400,000 ⁽¹⁾	5,600,000 ⁽¹⁾
<i>Domestic guest</i>			
- Quantity	Person	600,000	1,200,000
- Value of consumed souvenir goods	VND mil.	30,000 ⁽²⁾	96,000 ⁽²⁾

⁽¹⁾ Based upon estimated rates about USD 6 and USD 7 per foreign guest in the purchase of souvenir goods by the year 2005 and 2010, respectively

⁽²⁾ For domestic guest, the figures will be VND 50,000 and VND 80,000 per guest by the year 2005 and 2010, respectively.

PART 4. LIST OF HUMAN AND ORGANIZATION RESOURCES

No	Name	Institution/Organization and Address	Post	Specialized working area-experience
1	2	3	4	5
1.	Nguyễn Thiện Luân	The Ministry of Agriculture and Rural Development (MARD) 2 Ngọc Hà-Hà Nội	Vice Minister	Agro - Forestry Products Processing and Rural Industry
2.	Nguyễn Ngọc Khanh	Dept. of Agro - Forest Products Processing and Rural Industry (DAFPRI) 2 Ngọc Hà - Hà Nội	Director	Management and development of Agro - Forestry Products Processing and Rural Industry
3.	Hà Đức Hồ	- ditto-	Vice Director	Directing and development of Rural Industry
4.	Nguyễn Đức Xuyên	- ditto-	- ditto-	Directing and development of Rural Industry and Wood Processing
5.	Thành Thị Ngọc Sơn	- ditto- (Division of Rural Industry, DAFPRI)	Head	Directing industrial extension and development of Rural Industry
6.	Hà Sơn	- ditto-	Deputy Head	Following up Rural Industry and Hunger Eradication and Poverty Alleviation
7.	Phạm Đình Lạn	- ditto-	Former Head	Directing the survey of Rural Industry in 1996-1997
8.	Hà Đăng	Dept. of Planning and Programming, MARD 2 Ngọc Hà - Hà Nội	Director	Formulating Plans for Agriculture and Rural Areas development
9.	Đỗ Đình Thuận	- ditto-	Former Vice Director	Participating in formulation of Project on Diversification of Agricultural & Rural development

1	2	3	4	5
10.	Nguyễn Phương Vỹ	Dept. of Agriculture and Rural Development Policies, MARD- 2 Ngọc Hà - Hà Nội	Director	Formulating Policies for Agriculture and Rural Development
11.	Bùi Tất Tiếp	- ditto-	Vice director	Formulating Strategies for Agriculture and Rural Development
12.	Đỗ Hữu Hào	Institute of Strategy and Policy for Industry 30C Bà Triệu, Hà Nội	Director	Formulating Strategies for Industrial development and Projects for provincial development of Industries and small & Craft industries
13.	Vũ Quốc Tuấn	Policies Research Team of the Government 1- Hoàng Hoa Thám, Hà Nội	Senior Expert	Study on the Policies for Agriculture and Rural Development
14.	Trần Quốc Vượng	Institute of Historical Science 38 Hàng Chuối Street, Hà Nội	Senior Expert	Study on the history of craft villages
15.	Dương Bá Phượng	National Center for Social & Human science of Vietnam Division of development studies 36 Hàng Chuối Street, Hà Nội	Head of Division	Study on Preservation and development of craft villages
16.	Nguyễn Đình Phan	National Economy Institute Giải Phóng Road- Hà Nội	Senior Expert	Study on development of rural industry
17.	Nguyễn Thế Nhã	- ditto-	Dean of Faculty	- ditto- Participating in the survey of Rural Industry
18.	Nguyễn Ty	Vietnam Cooperative Alliance (VCA) 77 Nguyễn Thái Học, Hà Nội	Chairman	Directing and following-up the development of small and craft industry and rural industry

1	2	3	4	5
19	Vũ Hy Thiều	Institute for Cooperative Economy (VCA) 77 Nguyễn Thái Học, Hà Nội	Deputy Director	Studying the development of small and craft industry and rural industry
20	Nguyễn Văn Trọng	The Non-State Economic Development Center (NEDCEN) Under Vietnam Cooperative Alliance (VCA) 77 Nguyễn Thái Học, Hà Nội	Former Director General of NEDCEN	Support the development of small and craft industry and non-state enterprises policies to support their development
21	Nguyễn Tiến Quân	The Non-State Economic Development Center (NEDCEN) 62 Giảng Võ, Hà Nội	Director General	Support the development of small and craft industry and non-state enterprises policies to support their development
22	Nguyễn Văn Thanh	Center for Science and Technology Supporting (under NEDCEN) 62 Giảng Võ, Hà Nội	Director	Support the development science and technology of small and craft industry and non-state enterprises
23	Mrs. Lê Thị Thủy	Vietnam Women's Union, Research Division 37 Hàng Chuối Street, Hà Nội	Deputy Head of Division	Following up the expedition of employment in rural industry development
24	Ms. Trần Tuyết Lan	Craft Link 43 Văn Miếu, Hà Nội	General Manager	Participating in development of artisan craft and traditional fine art handicraft in rural areas
25	Lê Huyền	Hanoi College of Industrial Design Ô Chợ Dừa, Hà Nội	Rector	Participating in the Project on " Establishing a traditional Vietnamese Art and craft village " in Ninh Bình

1	2	3	4	5
26	Lê Huy Văn	Hanoi College of Industrial Design Ô Chợ Dừa, Hà Nội	Vice Rector	Participating in the Project on " Establishing a traditional Vietnamese Art and craft village " in Ninh Binh
27	Dương Biên Thủy	Department of Industry of Ninh Binh. Steering Committee of the Project as indicated in Ninh Binh	Director, National Project Director	Directing the Project as indicated above in Ninh Binh
28	Nguyễn Kim Bằng	Department Branch of Agro-Forest Products Processing and Rural Industry, Department of Agriculture and Rural Development in Ninh Binh (DARD) 75 Ngọc Hà, Nam Bình precinct, Ninh Binh	Director	Management of Rural Industry development in Ninh Binh province
29	Lê Bình Nhưỡng	-ditto-	Vice Director	-ditto-
30	Dương Đình Nhuận	Division of Agro-Forest Products Processing and Rural Industry, DARD of Nam Định Province 140 Đồng Tháp Mười Road, Nam Định City	Head of Division	Management of Rural Industry development in Nam Định province
31	Lê Khả Sơn	Division of Agro-Forest Products Processing and Rural Industry, DARD of Dong Nai Province Ward No.3, Đồng Khởi Road, Biên Hoà City	Head of Division	Management of Rural Industry development in Dong Nai province
32	Lê Kỳ Liêm	- ditto-	Deputy Head	- ditto-

1	2	3	4	5
33	Nguyễn Văn Đạt	Kinh Nhon Hamlet, Thuy Xuan Commune, Huong Thuy District, Thua Thien Hue Province	Researcher	Study on the history of bronze casting craft development in Hue City
34	Phạm Trung Lương	Institute for Tourism Development 30A Lý Thường Kiệt, Hà Nội	Researcher	Author of several papers and documents on tourism development
35	Nguyễn Minh Nga	Representative Office of Jardin Co. 31 Hai Bà Trưng, Hà Nội	Gender specialist	Participating in the Project on Rural Industry Development
36	Đỗ Văn Khôi	Company for Art Handicraft Export (ARTEXPORT) 31 Ngô Quyền, Hà Nội	Director	Following up the status of import-export of Art Handicrafts
37	Đào Đình Hải	Thang Long Import-Export Company of Art Handicraft 164 Tôn Đức Thắng, Hà Nội	Director	- ditto-
38	Nguyễn Văn Roãn	Bamboo-Rattan Export Corporation (BAROTEX)	Vice Director	Following up the status of import-export of bamboo-rattan goods
39	Nguyễn Trọng Tiếp	Department of Industry, Small and Craft industry of Nam Dinh Province	Director	Following up the development of industry, small and craft industry in the province
40	Nguyễn Văn Bao	Department of Industry of Ha Tay Province- Hà Đông Town	Director	-ditto-
41	Phạm Châu Long	Ho Chi Minh National Institute for Policies	Researcher	Study on development of rural industry in Me Kong River delta
42	Bùi Văn Vượng	National Culture Publishing House	Researcher	Study on traditional craft villages in Vietnam

1	2	3	4	5
43	Mrs. Lê Thị Thống	Agriculture and Rural Development Department, Ministry of Planning & Investment (MPI). 2 Hoàng Văn Thụ, Hà Nội	Vice Director	Directing the implementation of the policies and plan in Agriculture and Rural Development sector
44	Nguyễn Xuân Vinh	Ministry of Trade 21 Ngô Quyền, Hà Nội	Advisor to the Minister of Trade	Following up products export
45	Hoàng Văn Dung	Vietnam Chamber of Commercial and Industry (VCCI) 9 Đào Duy Anh, Hà Nội	General secretary	Following up trade promotion and investment activities
46	Nguyễn Điền	Vietnam Institute of Agricultural Engineering A2, Phương Mai, Đống Đa, Hà Nội	Former Director	Study on the development of Agriculture and Rural Development, Rural Industry, Farm Economy
47	Đỗ Kim Chung	University of Agriculture Trâu Quỳ, Gia Lâm, Hà Nội	Researcher	Following up industrialisation of agriculture and rural
48	Lê Thành Ý	Science-Technology Strategy Institute MOSTE 38 Ngô Quyền-, Hà Nội	Expert	Following up industrialisation of agriculture and rural

Annex I

Decision No. 132/2000/QĐ-TTg of November 24, 2000 on a number of policies to encourage the development of rural trades.

The prime minister

Pursuant to the Law on Organization of the Government of September 30, 1992;

At the proposal of the minister of agriculture and Rural Development.

DECIDES:

Article 1. – Rural trades and subjects of application

1. The rural trades prescribed in this Decision include:
 - a) Cottage - industrial and handicraft production in rural areas:
 - Processing and preservation of agricultural, forestry and aquatic products;
 - Production of construction materials, wood furniture, bamboo and rattan articles, porcelains and pottery, glassware, textiles and garments and small-scale mechanical engineering in rural areas;
 - Treatment and processing of materials and raw materials in service of rural trades.
 - b) Production of handicraft and fine art articles;
 - c) Construction, intra-communal and inter-communal transport and other services catering for the production and life of the rural population.
2. Subjects of application:
 - a) Households, individuals;
 - b) Cooperation groups and teams, cooperatives, private enterprises, joint-stock companies, limited liability companies and partnerships.

Hereinafter they are collectively called rural craft establishments.

Article 2. – Policies to develop rural trades

1. The State shall elaborate plans and lay down orientations for developing the rural trades according to the market mechanism in a sustainable manner, well preserve the rural environmental sanitation, carry out the agricultural and rural industrialization and modernization, at the same time, combine the planning on traditional craft establishments with the development of cultural tourism.

2. The State shall adopt policies to encourage the consumption and use of products of the rural trades, particularly products made of domestic natural raw materials (timber, rattan, bamboo, leaves...) with a view to limiting the adverse impact of industrial, chemical and plastic products and waste materials on the environment.
3. The State shall encourage, create favorable conditions and adopt policies for the protection of the legitimate interests of production and craft establishments engaged in rural trades prescribed in Article 1 of this Decision, especially the traditional trades, in order to meet the domestic consumption and export demands, attract labor and contribute to generating employment in the countryside, eradicate hunger and reduce poverty, preserve and promote the nation's cultural values.
4. The State shall protect the legitimate interests, the ownership over property, technological know-hows, inventions and innovations, copyright and industrial property right, industrial models and designs of individuals and organizations investing in the development of the rural trades.
5. To encourage the voluntary setting up of associations of different trades or in different localities so as to render practical assistance to the development of the craft establishments, reflect their feelings and aspirations, contribute opinions to the State bodies in the elaboration of rural trade development mechanisms and policies.
6. To encourage and create favorable conditions for organizations and individuals to mobilize social resources for activities of providing support, counseling, information, marketing, job training, industrial promotion, research in to technologies, models and designs for the development of the rural trades.

Article 3. - Land.

1. The rural craft establishments which are using undisputed land in a stable manner shall be issued the land use right certificates by the People's Committees of the competent (district or provincial) levels, so that they can feel at ease when making production development investment.
2. Annually, under the land use plannings and plans of the provinces or the centrally-run cities, the State shall permit the conversion of part of the agricultural and forestry land for the development of the rural trades.

For localities with many rural craft establishments, the provincial-level People's Committees to set aside land areas and make investment in building the technical infrastructures of cottage-industrial and handicraft zones or clusters therein, create favorable conditions for the rural craft establishment to rent land for construction of their production workshops.

3. For the rural craft establishments wishing to have land for relocation of their old narrow and polluting production workshops or to rent land for construction of new production workshops and/or protection, care, rehabilitation and planting of raw material areas, the People's Committees of the competent levels shall give them the pre-emptive right to rent land at the lowest rates.

4. The land-renting procedures:

A land-renting application shall consist of the following details:

- The organization's or individual's name (regardless of whether or not the land rentor holds a permanent residence register in the locality).
- The land use purposes.
- The location and acreage of the land to be rented.
- The land rent duration.
- The commitment to use the land for the right purposes.

Within 15 days after receiving the land-renting applications from the rural craft establishments, the commune-level People's Committees shall consider and propose to the district-level People's Committees (for application filed by households, individuals, cooperation teams or groups, cooperatives) or the provincial-level People's Committees, (for applications filed by private enterprises, joint-stock companies, limited liability companies, partnerships).

Within 15 days after receiving the craft establishments' land-renting applications and the proposals of the commune-level People's Committees, the district-or provincial-level People's Committees shall reply and guide the concerned craft establishments to carry out other land-renting procedures.

5. The collected land rentals shall be left to the commune budgets for investing in the development of local infrastructures in accordance with the State Budget Law.

The General Land Administration and the Ministry of Finance shall have to monitor and guide the localities to apply the land-renting procedures and implement the land rental use policies prescribed in this Article.

Article 4. - Raw materials used for production

1. The provinces and centrally-run cities shall base themselves on their rural trade development requirements to elaborate plans and plans on development of agricultural, forestry and aquatic raw material areas so as to ensure abundant sources of on-the-spot raw

materials for stable development of the rural trades.

2. The rural craft establishments wishing to exploit raw materials being minerals resources shall be given priority in the granting of exploitation and use permits according to law provisions.
3. For raw materials being forest resources, apart from those exploited from natural forests and balanced by the Ministry of Agriculture and use plans, the establishments shall be encouraged to use raw materials.

For forestry products not banned from export, they shall not, when exporting them, have to declare the origin of their raw materials and shall not be subject to export-quota restriction.

4. To encourage the development of the industries, cottage industry and handicraft to produce or preliminarily process raw materials in service of the rural trades.

Article 5. - Investment and credit

1. The rural craft establishments shall enjoy investment preferences under the Government's Decree No 51/ND-CP of July 8, 1999 detailing the implementation of Domestic Investment Promotion Law (amended) No.03/1998/QH10.
2. The agencies receiving and processing investment preference registration dossiers shall have to clearly define the rural craft establishments' rights to enjoy investment incentives in the investment preference certificates; the executive agencies shall have to ensure these rights for the rural craft establishments without demanding any other formalities.
3. Rural craft establishments with good investment projects already evaluated by the district-level People's Committees may borrow investment loans, enjoy post-investment interest rate support and investment credit guaranty from the Development Assistance Fund according to the conditions, order and procedures prescribed in the Government's Decree No.43/1999/ND-CP of June 29, 1999 on the State's development investment credit.

The Ministry of Finance shall set concrete conditions for the rural craft establishments to enjoy this policy.

4. The rural craft establishments failing to meet the condition of loan security with mortgaged or pledged property may borrow loans according to the regulations on guaranty with Article third party's property.
5. The rural craft establishments may borrow capital from the credit institutions in the form of trust guaranty pledge by socio-political organizations according to the provisions in Article 26 of Decree No. 178/1999/ND-CP of December 29, 1999 on the credit institutions' loan security.

6. The State Bank of Vietnam shall direct the credit institutions to inform the rural craft establishments of the simple capital-borrowing procedures, publicly announce them, apply proper lending forms and create favorable conditions for these establishments to borrow loans for production development.

Article 6. - Taxes and fees

1. The rural craft establishments shall enjoy preferential tax rates under the Government's Decree No. 51/1999/ND-CP of July 8, 1999 detailing the implementation of Domestic Investment Promotion Law (amended) No. 03/1998/QH10 regarding natural resource tax in accordance with the legislation on natural resource tax.
2. The rural craft establishments shall pay charges and fees according to the Government's Decree No. 04/1999/ND-CP of January 30, 1999; any charges and fees contrary to law shall be cancelled and the collection thereof from the rural craft establishments is strictly forbidden.
3. For charges and fees for rural traffic works invested by the localities themselves, which are related to the rural craft establishments, the Ministry of Communications and Transport shall assume the prime responsibility and coordinate with the Ministry of Finance and the Ministry of Agriculture and Rural Development in providing appropriate guidance and regulation.

Article 7. - Product consumption information and markets.

1. The ministries, the branches and the People's Committees of different levels shall create conditions for the rural craft establishments to have timely access to information on markets, prices, specifications and standards of products according to the domestic and overseas market demands.
2. The rural craft establishments shall enjoy Article reduction of 50% of more of the space rental when participating in domestic product-displaying fairs and exhibitions. The State shall encourage and create favorable conditions regarding the entry and exit procedures, and finance part of the expenditures for the rural craft establishments and craftsmen to visit, study, participate in product-displaying fairs and exhibitions or explore markets abroad.
3. The rural craft establishments may enter into joint venture and cooperation with organizations and individuals inside and outside the country for production and sale of products.
4. The Ministry of Trade shall direct overseas trade counselors to explore the markets of the host countries, introduce them to the domestic craft establishments so that the latter can expand their export transaction relations; set favorable conditions for the rural craft establishments to conduct direct export. The Ministry of Trade shall assume the prime

responsibility together with the concerned agencies for considering and organizing annual rewarding of those establishments that have recorded outstanding achievement in the export handicraft and fine art articles.

Article 8. – Science, technology and environment.

1. The Ministry of Science, Technology and Environment shall organize, direct and earmark necessary funding sources in the annual plans for the technological research and renewal, design improvement and utilization of domestic raw materials resources; guide the application of appropriate technologies in order to raise labor productivity, reduce costs, diversify products and increase the aesthetic value and sophistication of products turned out by craft villages' products; study and transfer technologies to treat wastes, putting an end to the environmental pollution caused by the rural trades.
2. The Ministry of Agriculture and Rural Development shall assume the prime responsibility and coordinate with the Ministry of Culture and Information and the Vietnam Union of Cooperatives in guiding households and individuals to invest in developing the rural trades, select, perfect and conserve the traditional technologies characterized with the national cultural traits.
3. The State shall adopt policies to reward and support individuals and organizations that carry out activities of researching, designing, improving products' designs and models, transferring technologies to households and individuals, and organizing investment in developing the rural trades in accordance with the legislation on intellectual property, science and technology.
4. The State shall encourage the rural craft establishments to import advanced machinery, equipment and technological lines so as to modernize production.
5. The rural craft establishments must take measures to treat wastes, ensure the environmental sanitation and relocate polluting workshops to appropriate places.

Article 9. - Regarding the product's quality

1. The rural craft establishments must constantly improve the product' quality and diversify products, making increasingly sophisticated handicraft and fine art articles imbued with the national cultural and traditional traits, thus enhancing their domestic and export competitiveness.
2. The establishments investing in the development of rural production and business lines shall take self-responsibility to consumers for their own products.
3. Households, individuals and organizations investing in the development of the rural trades shall have to register their products' quality standards, packing models and industrial

designs with the local competent State bodies.

Article 10. - Labor and training.

1. Regarding labor: Priority shall be given to the training and use of laborers who are members of households with land recovered by the State for the development of the rural trades, and local laborers.
2. Regarding training.
 - a) Craftsmen may personally organize the handing-down of their trades and collect fees from their learners exempt from various taxes on trade handing-down activities;
 - b) Craftsmen, cooperatives, organizations and associations shall be encouraged to conduct trade handing-down and training courses for laborers;
 - c) The State-run vocational training schools shall prioritize the job training for the rural craft establishments; the industrial fine art colleges must lay emphasis on raising the quality of training creating designs and models of cottage-industrial, handicraft and fine art products for export;
 - d) Depending on its local conditions and capabilities, each district may set up a center to train trades, particularly the traditional craft of the locality.
3. The rural craft acknowledge and adopt policies to honor craftsmen and skilled workers who have recorded merits in training. Preserving and handing down traditional trades and skills to young generations; the owners of the craft establishments that have made many products accepted by the markets, attracted large numbers of laborers and made great contributions to the State, the State shall periodically consider and confer the titles of "artisan-artist" and "distinctive worker".

The rural craft encourage and create favorable conditions for foreign craftsmen and experts to hand down, provide training in, and share experiences and production know-hows of foreign traditional handicraft and fine art trades with Vietnam.

4. The Ministry of Agriculture and Rural Development shall coordinate with the Ministry of Culture and Information, the Ministry of Labor, War invalids and Social Affairs and the Vietnam Union of Cooperatives in prescribing the titles as well as the mechanism and policy to honor craftsmen and skilled workers.

Article 11. - Organization of implementation

1. The Ministry of Agriculture and Rural Development shall have the responsibility to:
 - a) Elaborate plannings, plans and propose mechanisms and policies to encourage the

development of the rural trades throughout the country and submit them to the Government for decision. Guide the localities to work out planning and formulate projects for the development of the rural trades; define criteria for traditional handicraft and fine art trades for the implementation of preferential policies in the preservation and development of these trades;

- b) Coordinate with the concerned ministry and branches in planning and development the rural infrastructures in service of the development of craft villages as well as rural trades;
 - c) Assume the prime responsibility and coordinate with the concerned ministries and branches, namely the Ministry of Industry, the Ministry of Science, Technology and Environment and the Vietnam Union of Cooperatives, in deploying the industrial promotion work in each locality and each trade's association, supply market information, share managerial and production experiences, procure equipment and consume products for the rural craft establishments.
 - d) Guide the training and fostering of trades as well as business administration knowledge and skills for the rural craft establishments.
2. The Ministry of Trade shall assume the prime responsibility together with the Ministry or Finance and the concerned ministries and branches to study and apply different mechanisms and policies to assist the rural craft establishments engaged in rural trades, especially the traditional fine-art trades, in exploring markets, selling products according to the simplest procedures and at the most preferential tax rates.
 3. The Vietnam Union of Cooperatives shall join the concerned ministries and branches in formulating and implementing and concurrently guiding, propagating and assisting the craft establishments in complying with the State's plans and policies on the development of the rural trades.
 4. The People's Committees of the provinces and centrally-run shall have the responsibility to:
 - a) Make detailed planning on the development of craft villages and rural trades, direct the establishments to formulate projects for developing specific trades.
 - b) Construct the rural infrastructures in service of the development of craft villages and rural trades; direct districts and communes to build up small-scale clusters of cottage industries and trades so as to create level ground for the development of the rural craft establishments.
 - c) Direct the localities and rural craft establishments to ensure order, security, protect production activities and preserve the environmental sanitation in the localities;
 - d) Supervise, inspect and guide the rural craft establishments and craft villages in their

observance of the State's laws and regulations.

Article 12. - Implementation provisions

1. This Decision takes effect 15 days after its signing
2. The ministers, the ministerial-level agencies and the agencies attaches to the Government shall, depending on their functions and tasks, guide the implementation of the State's policies according to this Decision.
3. The ministers, the heads of the ministerial-level agencies, the heads of the agencies attached to the Government and the presidents of the People's Committees of the provinces and centrally-run cities shall have to implement this Decision.

For the Prime Minister
Deputy Prime Minister
NGUYEN CONG TAN

Annex II

DECREE No. 51/1999 ND-CP OF JULY 8, 1999 DETAILING THE
IMPLEMENTATION OF LAW No. 03/1998/QH10 ON DOMESTIC INVESTMENT
PROMOTION (AMENDED)

THE GOVERNMENT

Pursuant to the Law on Organization of the Government of September 9, 1992;

*Pursuant to the Law No. 03/1998/QH10 of May 20, 1998 of Domestic Investment Promotion
(amended);*

At the proposal of the Minister of Planning and Investment,

DECREES:

Chapter I

GENERAL PROVISIONS

Article 1. - Scope of regulation

This Decree regulates the following investment activities:

1. Investment in setting up new production and business establishments of different economic sectors;
2. Investment in production lines, expansion of production scale and renewal of technologies, including: investment in setting up new workshops; installation of new production lines; installation of new equipment and facilities to supplement the existing ones; installation of new equipment and machinery to partially or fully replace equipment and machinery of the existing production lines;
3. Investment in the improvement of environment and ecology; relocation of production establishments out of the urban areas; development, experimenting establishments and laboratories in service of scientific research;
4. Purchase of shares from the equalized State enterprises and joint-stock companies and contribution of capital to enterprises of different economic sectors;
5. Investment in the forms of Build-Operate-Transfer (BOT); Build-Transfer-Operate (BOT); and Build-Transfer (BT) contracts.

Article 2. - Objects of application

The Law on Domestic Investment Promotion shall apply to:

1. Limited liability companies;

2. Joint-stock companies;
3. Partnerships;
4. Private enterprises;
5. Cooperatives, union of cooperatives;
6. State enterprises;
7. Private, people-funded and semi-public education and training establishments; private and people-funded medical establishments; and national culture establishments, lawfully establishments and operating;
8. Enterprises of political organization, socio-political organization and occupational societies, which have registered their business according to the provisions of law;
9. Individuals and business groups establishments and operating under Decree No. 66-HDBT of March 2, 1992 of the Council of Ministers (now the Government).
10. Vietnamese citizens, overseas Vietnam and foreigners permanently residing in Vietnam who buy shares from or contribute capital to Vietnamese enterprises.

Article 3. - Laws applicable to investment by overseas Vietnamese

1. The overseas Vietnamese making investment under the Law on Domestic Investment Promotion include people with Vietnamese nationality and people of Vietnamese origin, who permanently reside and earn their living overseas.
2. Overseas Vietnamese may select either the Law on foreign Investment in Vietnam or the Law on Domestic Investment Promotion for their investment projects in Vietnam, but each project is entitled to either of the two said laws.
3. Enterprises set up by overseas Vietnamese, enterprises set up jointly by Vietnamese citizens and overseas Vietnamese shall comply with the Law on Enterprises and the Law on Cooperatives.

Article 4. - Laws applicable to investment by foreigners permanently residing in Vietnam

1. Foreigners permanently residing in Vietnam and investing in the country under the Law on Domestic Investment Promotion are those with foreign citizenship and those without any nationality, who permanently reside and earn their living in Vietnam.
2. Foreigners permanently residing in Vietnam may select either the Law on Foreign Investment in Vietnam or the Law on Domestic Investment Promotion for their investment projects, but each project is only entitled to either of the two said laws.

3. Enterprises set up by foreigners permanently residing in Vietnam, enterprises set up jointly by Vietnamese citizens and foreigners permanently residing in Vietnam and enterprises set up jointly by Vietnamese citizens, overseas Vietnamese and foreigners permanently residing in Vietnam shall comply with the Law on Enterprises and the Law on Cooperatives.

Article 5. - Competence to decide the share purchase and capital contribution by foreigners investors.

1. Foreigners may contribute capital or purchase shares with Article value of not more than 30% of the charter capital of concerned Vietnamese enterprises in the branches, trades and domains on the list ratified for each period by the Prime Minister, at the proposal of the Minister or Planning and Investment.
2. The capital contribution and share purchase by foreign investors with a value of not more than 30% of the charter capital of concerned State enterprises on the list ratified by the Prime Minister are stipulated as follows:
 - a) For the centrally-run enterprises, the Finance Minister shall decide.
 - b) For the locally-run enterprises, the presidents of the People's Committees of the provinces and centrally-run cities shall decide at the proposal of the directors of the provincial/municipal Planning and Investment Services.
3. The capital contribution or share purchase by foreigners investors with a of not more than 30% of the charter capital of enterprises of other economic sectors, which belong to those branches, trades and domains defined in the list already ratifies by the Prime Minister shall be effected under contracts signed between the foreign investors and concerned enterprises. In this case, enterprises shall have to notify in writing to the agencies that have granted them the business registration certificates within 15 days after contributing capital or purchasing shares.

Chapter II

INVESTMENT GUARANTY AND SUPPORT

Article 6. - Public announcement of land- use planning

The People's Committees of the provinces and centrally- run cities shall annually the land- use planning which has been ratified by the competent State agency, and publicize the unused land fund and the lease land fund together with the list of the locally- run projects called for investment, on the mass media and by publicly posting up at offices of the provincial and district People's Committees so that the investors having a demand therefor

my register the land renting or participate in bidding for renting.

Article 7. - Investors' right in the use of land

Investors allocated or leased land by the State or transferred with the land- use right by others shall enjoy the rights provided for by the land legislation, be entitled to the land- use levy or land-rent exemption or reduction as well as the land- use tax exemption, according to the provisions of Article 17, 18 and 19 of this Decree.

Article 8. – Support in form of infrastructure development investment

1. On the basis of the development planning and demand in each period in the region meeting with special socio- economic difficulties, the State shall invest in the construction of small- and medium- sized industrial parks, ensuring the technical infrastructure regarding electricity and water treatment so that the investors may use them in service of their production and business with preferential terms.
2. In the regions meeting with socio- economic difficulties and regions meeting with special socio- economic difficulties, the State shall invest in the construction or support the investment in the construction of infrastructure projects outside the industrial parks, export- processing zones and hi- tech parks (including: traffic roads, bridges, sewer, water supply and drainage system, waste treatment system), so as to create favorable conditions for the investors' investment, production and business activities.
3. The State encourages and creates favorable conditions for investors to set up production and business establishments in industrial parks, export- processing zones and hi- tech parks or relocate the production establishments from urban areas to industrial parks or export- processing zones through the supportive policies on preferential investment loans and tax preferences.

Article 9. - Capital contribution and competence to decide capital contribution by the State.

1. The State shall contribute capital to enterprises with priority given to those located in the regions meeting with socio- economic difficulties and regions meeting with special socio- economic difficulties in order to implement investment projects in form of BOT, BTO or BT contracts or other forms through the Development Support Fund and the State- owned credit institutions, depending on the nature of each projects in each period.
2. The State's capital contribution to BOT enterprises shall be effected under the Regulation on investment in form of BOT contracts applicable to domestic investment, issued together with the Government's Decree No. 77-CP of June 18. 1997.

Article 10. - Investment support fund

1. The State shall set up and encourage the setting up of investment support funds. Investment support funds set up with capital jointly contributed by organizations and/or individuals shall operate under the Law on Credit Institutions. The investment support funds shall provide medium- and long- term loans with preferential interest rates or partial interest- rate support for investment projects entitled to investment credit guaranty. The Government shall effect the re- guaranty through Vietnam State Bank as for the credit of the investment support funds.
2. The Government shall set up the Development Support Fund in order to provide the State's development investment support in such forms as investment loans; post-investment support; and investment credit guaranty under the current law provisions on the State's development investment credit. To annul the Prime Minister's Decision No. 808/TTg of December 9, 1995 on the establishments of the Government's Decree on organization and operation of the Development Support Fund
3. The functions, tasks and powers as well as organization mechanism of the Development Support Fund shall be specified in the Fund's Charter to be ratified by the Government.

Article 11. -Export support fund

1. The Government shall set up and encourage the setting up of export support funds set up with capital jointly contributed by organizations and/or individuals shall operate under the Law on Credit Institution.
2. The National Export Support Fund set up by the Government is Article non-bank credit institution operating under the Law on Credit Institution. The National Export Support Fund shall be created and developed from the State budget capital sources and capital contributed by credit institution, enterprises, organization and individuals inside and outside the country on the principle of voluntariness.

The Ministry of Finance shall assume the prime responsibility and coordinate with the Ministry of Trade in elaborating and submitting to the Prime Minister Article project on the setting up of the National Export Support Fund.

3. The Nation Export Support Fund shall provide preferential export credits and export credit guaranty in order to support enterprises producing export goods, conducting export business and expanding the export market. The concrete preferential export credit limits and export credit guaranty limits for export goods manufacturing and trading projects are stipulated in Clause 2, Article 30 of this Decree.
4. The functions, tasks and powers as well as organizational structure and operation mechanism of the National Export Support Fund shall be specified in the Fund's Charter to

be ratified by the Prime Minister.

Article 12. - National Scientific and Technological Development Support Fund

1. The Government shall set up the National Scientific and Technological Development Support Fund. The national Scientific and Technological Development Support Fund is a non- bank credit institution operating under the Law on Credit Institution. The National Scientific and Technological Development Support Fund shall be created and capital jointly contributed by credit institution, enterprises, organizations and individuals inside and outside the country on the principle of voluntariness.

The Ministry of Science, Technology and Environment shall coordinate with the Ministry of Planning and Investment and the Ministry of finance in elaborating and submitting the plan on the establishments of the National Scientific and Technological Development Support Fund

2. The National Scientific and Technological Development Support Fund shall provide credits with favorable conditions or preferential interest rates, in order to support investors in studying and applying scientific, technical and technological advances, technological transfer and renewal.
3. The functions, tasks and powers as well as organizational and managerial structure and operation mechanism of the National Scientific and Technological Development Support Fund shall be stipulated in the Fund's Charter to be ratified by the Prime Minister.
4. The Ministry of Science, Technology and Environment shall popularize and guide the technology transfer, creating favorable conditions for investors to use with preferential charges new technologies created with the State budget capital.

Article 13. - Encouragement and support for development of investment support services.

1. The Government shall encourage and assist organizations, enterprises and individuals to set up organizations which provide such investment support services for domestic investors, as:
 - a) Investment consultancy, management consultancy and technology transfer consultancy, vocational training, technical and managerial skill training;
 - b) Provision of market information, scientific- technical and technological information;
 - c) Intellectual property right and technology transfer,
 - d) Marketing, trade promotion;
 - e) Establishments of production and business branch, trade and export societies;

- f) Establishments of designing and experimenting centers to support the development of medium- and small- sized enterprises.
2. The investment support service activities mentioned in Points a, b, c and d Clause 1 of this Article shall be classified into the domains and business lines eligible of investment preferential treatment as prescribed in List A of the Appendix issued together with this Decree.
3. The State management agencies are strictly prohibited from providing investment consultancy services to earn profits in any forms.

Article 14. - Provisions of the application of prices to investment project under the Law on Domestic Investment Promotion.

1. Enterprises set up by overseas Vietnamese directly investing in Vietnam, enterprises set up by foreigners permanently residing and directly investing in Vietnam and enterprises set up jointly by Vietnamese citizens, overseas Vietnamese and foreigners permanently residing in Vietnam, that have investment project under the Law on Domestic Investment Promotion shall enjoy the same input prices regarding land, goods, raw materials, fuels, materials, supplies and other services like the domestic enterprises of the same category.
2. Investors being overseas Vietnamese of foreigners permanently residing in Vietnam mentioned in Clause 1 of this Article shall be entitled to apply prices and charges of services for their daily life (travelling, accommodation, hotel, electricity, water, post and telecommunication charge) like the Vietnamese residing in the country.

The Ministry of Planning and Investment shall coordinate with the relevant agencies in issuing a Circular guiding the provisions of this Article.

Chapter III

INVESTMENT PREFERENCES

Article 15. – Conditions for investment preferences

An investment project that meets one of the following conditions shall be entitled to investment preferences:

1. Investment in branches and trades defined in List A of the Appendix issued together with this Decree.
2. Investment project in any production and business domains, branches and trades, which are not banned by and which employ an average number of laborers in Article year at least as follows:

- a) In urban areas of categories 1 and 2: 100 laborers;
- b) In the areas defined in List B or C of the Appendix issued together with this Decree: 20 laborers;
- c) In other areas: 50 laborers.

Article 16. - Regions eligible for investment preferential treatment

Investment project in the following regions shall enjoy investment preferential treatment:

- 1. Regions meeting with socio- economic difficulties defined in List B of the Appendix issued together with this Decree;
- 2. Regions meeting with special socio- economic difficulties defined in List C of the Appendix issued together with this Decree.

Article 17. - Land- uses levy exemption/reduction.

Investors assigned land by the State and paying the land- use levy for their production and business activities shall enjoy the following land- use levy preferences:

- 1. 50% reduction of the land- use levy, if the investment project fall into branches, trades and domains defined in List A of the Appendix issued together with this Decree;
- 2. 75% reduction of the land- use levy, if the investment projects are executed in the regions defined in List B of the Appendix issued together with this Decree;
- 3. Exemption of land- use levy in the following cases:
 - a) The investment project fall into branches, trades and domains defined in List A and executed in the regions defined in List B of the Appendix issued together with this Decree.
 - b) The investment project are executed in the regions defined in List C of the Appendix issued together with this Decree.

Article 18. – Land- rent exemption/ reduction.

- 1. Investors having investment projects defined in Article 15 of this Decree shall enjoy the land- rent exemption from the time of signing the land- renting contracts as follows:
 - a) 3- year exemption, for project that meet one of the conditions prescribed in Article 15 of this Decree;
 - b) 6- year exemption, for project that meet one of the conditions prescribed in Article 15 of this Decree.

2. Investors having investment project in the regions defined in List B shall enjoy the land- rent exemption from the time of signing the land- renting contracts as follows.
 - a) 7- year exemption, for projects in the regions defined in Section II, List B
 - b) 10- year exemption, for projects in the regions defined in Section I, List B
3. Investors having investment projects in the regions defined in List B, who at the same time satisfy the conditions prescribed in Article 15 of this Decree shall enjoy the land- rent exemption from the time of signing the land- ranting contract as follows.
 - a) 11- year exemption, for projects in the regions defined in Section I, List C;
 - b) 15- year exemption, for projects in the regions defined in Section I, List C;
4. The list- A investment projects which are implemented in the regions defined in List C shall enjoy the land- rent exemption throughout the duration of their implementation.

Article 19. - Land-use tax exemption / reduction.

1. Investors assigned land by the State and having investment projects specified in List A issued together with this Decree shall enjoy the land- use tax exemption/ reduction from time of being assigned land as follows:
 - a) 50% reduction of the land- use tax for 7 year for investment projects specified in Section II, List A;
 - b) Exemption of the land- use tax throughout the duration of the implementation of projects, for projects prescribed in Section I, List A.
2. Investors having investment projects prescribed in List B shall enjoy the land- use tax exemption after being allocated land as follows.
 - a) 7- year exemption, for projects in the areas defined in Section II, List B
 - b) 10- year exemption, for projects in the regions defined in Section I, List B
3. Investors having investment projects in the regions defined in List B, who at the same time satisfy the conditions prescribed in Article 15 of this Decree shall enjoy the land- use tax exemption after being allocated land as follows.
 - a) 11- year exemption, for List A – investment projects;
 - b) 15- year exemption, for projects that fully meet two conditions prescribed in Clauses 1 and 2, Article 15 of this Decree.
4. Investors having investment projects in the regions defined in List C shall enjoy the land-

use tax exemption after being allocated land as follows;

- a) 11- year exemption, for projects in the regions defined in Section II, List C;
 - b) 11- year exemption, for projects in the regions defined in Section I, List C
5. List- A investment projects which are implemented in the regions defined in List C shall enjoy the land- use tax exemption throughout the whole duration of their implementation.

Article 20. - Enterprise income tax rate preferences.

Investors having investment projects on List A or implemented in the regions defined in List B or C shall enjoy enterprises income tax rate preferences as follows.

1. The tax rate of 25% for List A- investment projects.
2. The tax rate of 25% for List B- investment projects.
3. The tax rate of 20% for List A- investment projects which are implemented in the regions defined in List B;
4. The tax rate of 20% for List A- investment projects.
5. The tax rate of 15% for List A- investment projects which are implemented in the regions defined in List C;

Article 21. - Enterprises income tax exemption/reduction.

Investors having projects on the establishments of production/business establishments, which satisfy the conditions prescribed in Article 15 and 16 of this Decree shall enjoy enterprises income tax exemption/reduction from the time the taxable income is generated as follows:

1. 2- year exemption and 50% reduction of the payable tax amount for two subsequent years, for projects that meet one of the conditions prescribed in Article 15 of this Decree;
2. 2- year exemption and 50% reduction of the payable tax amount for four subsequent years, for projects that meet one of the conditions prescribed in Article 15 of this Decree;
3. 3- year exemption and 50% reduction of the payable tax amount for five subsequent years, for List A - projects which are implemented in the regions defined in List B of this Decree.
4. 3- year exemption and 50% reduction of the payable tax amount for seven subsequent years, for projects which fully meet two conditions prescribed in Article 15 and which are implemented in the regions defined in List B, this Decree;
5. 4- year exemption and 50% reduction of the payable tax amount for seven subsequent years, for List A - projects which are implemented in the regions defined in List C, this Decree.

6. 4 - year exemption and 50% reduction of the payable tax amount for nine subsequent years, for investment which fully meets two conditions proscribed in Article 15 and are implemented in the regions defined in List C, this Decree.

Article 22. - Enterprise income tax exemption/reduction for BOT and BTO projects.

Investors having projects in form of Build- Operate- Transfer (BOT) or Build- Transfer- Operate (BTO) contracts shall be exempt from enterprise income tax for the first four year after the taxable income is generated and be entitled to a Article 50% reduction of the payable enterprises income tax amount for nine subsequent year.

Article 23. - Enterprise income tax exemption/reduction for business expansion and intensive)investment projects.

Investors having business expansion and intensive investment projects defined in List A attached to this Decree shall enjoy enterprises income tax exemption/reduction for the income amount arising from this investment as follows:

1. 1- year exemption and 50% reduction of the payable tax amount for four subsequent years;
2. 3- year exemption and 50% reduction of the payable tax amount for five subsequent years, for Investment projects implemented in the regions defined in List B;
3. 4- year exemption and 50% reduction of the payable tax amount for five subsequent years, for Investment projects implemented in the regions defined in List C;

Article 24. - Exemption of personal income tax

Investors having investment projects proscribed in Clause 1, Article 15 or Article 16 of this Decree shall not have to pay additional income tax as stipulated Income Tax.

Article 25. – Exemption of personal income tax.

1. Inceptors being individuals shall be exempt from income tax on the income amounts earned from the contribution of capital to and / or purchase of shares from enterprises, investment support funds, export support fund or the National Scientific and Technological Development Support Fund for five years after they have to pay such tax according to the provisions of the legislation on personal income tax;
2. Investors being individuals shall be exempt from income tax on the income amounts earned from the contribution of capital to or purchase of shares from enterprises in the regions defined in Article 16 of this Decree for ten years after they have to pay such tax according to the provisions of the legislation on personal income tax.
3. Investors who contribute capital with the intellectual property right, technical know- hows

or technological processes shall be exempt from income tax on the income earned from such capital contribution.

Article 26. – Exemption of import tax on equipment and machinery imported to create fixed assets.

1. Investors having investment projects defined in List A or implemented in the regions prescribed in List B or C shall be exempt from import tax on the following goods which cannot be produced in the country or may be produced in the country but fail to meet the quality requirements.
 - a) The specialized equipment, machinery and transport means (included in the technological lines) which are imported to create fixed assets of enterprises or expand their investment scales or renew technologies;
 - b) The specialized transport means for carrying works.
2. To be exempt from import tax, the specialized equipment, machinery and transport means mentioned in this Article must be approved by the agency competent to decide the investment preferences and be registered with the border- gate customs offices.

Article 27. - Additional tax preferences for investors producing and /or dealing in export goods.

In addition on the enterprises income tax preferences stipulated in this Decree, investors that produce and) or deal in export goods shall also be entitled to the following additional enterprises income tax preferences:

1. 50% reduction of the payable tax amount on the income generated in the following cases:
 - a) Export in the first year is conducted by mode of direct export.
 - b) Export of new commodities with economic- technical as well as utility properties other than those of the commodities already exported by the enterprises;
 - c) Export to the new overseas markets or new territories other than the former markets.

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APPENDIX

Issued together with Decree No. 51/1999/ND - CP of July 8, 1999 of the Government detailing

the implementation of the Law on Domestic Investment Promotion (amended).

LIST A

BRANCHES AND TRADES ELIGIBLE FOR INVESTMENT PREFERENCES

Investment prefects in branches and trades of the following domains shall be eligible for preferences:

I. Afforestation and zoning for forest regeneration; planning of perennial trees on unused land, waste land or bare hills; virgin land reclamation; salt- making; aquaculture in unexploited water areas.

1. Planning protection forests (in headwaters or coastal areas or for ecological protection), special- purposes forests and production forests, zoning for forest regeneration;
2. Planning perennial trees (industrial trees, fruit trees, pharmaceutical plants and other plants) on newly reclaimed or reused land and bare hills;
3. Making salt from sea water, exploiting rock- salt and producing industrial salt;
4. Raising aquatic animals in natural water areas which have not been transformed and used yet;
5. Land reclamation, making full use of unused land for agricultural, forestry and fishery production.

II. Infrastructure construction, development of public transportation; development of education and training, health care and national culture.

1. Construction of technical infrastructure:
 - Building, renovating or expanding electric power plants; developing power networks, building establishments operated by solar energy, wind power or bio- gas;
 - Building, improving, upgrading and modernizing bridges, roads, airports, harbors, railway and bus stations; building new railways;
 - Improving and developing information and communication networks;
 - Building water plants and water supply and discharge systems; as well as projects for environmental protection and waste treatment;

- Building technical infrastructure in densely populated areas (in the localities defined in List B or C).
- 2. Development public transportation;
- 3. Development education and training, health care and national culture:
 - Opening people- funded schools and private schools at different levels: pre- school education, primary education, junior and senior high education, professional secondary education, college and tertiary education;
 - Setting up vocation training establishments and establishments for raising work's skills; fostering and raising their managerial skills and business knowledge;
 - Setting up people- funded and private medical establishments for medical examination and treatment, health care for the elderly and disabled people;
 - Setting up houses of national culture and art troupes; preserving, developing and popularizing national culture; making national musical instruments.
- 4. Investment projects in the forms of Build- Operate- Transfer (BOT); Build- Transfer- Operate (BTO); and Build- Transfer (BT) contracts.
- 5. Investment in the construction of trade areas, departments stores and dwelling houses to meet the urban population's demand.

III. Export goods production and trading.

Producing and trading in export goods and/or services with value exceeding 30% of that of the goods and services produced and/or traded in by the enterprises in a fiscal year.

IV. Offshore fishing; processing of agricultural, forest and aquatic products; technical services directly for agricultural, forestry and fishery production.

1. Offshore fishing;
2. Processing of agricultural, forest and aquatic products.
3. Technical services directly for agricultural production: soil preparation, watering and flood water drainage, cultivation, harvesting, protection and preservation of agricultural products.
4. Technical services directly for forestry: soil preparation, supply of seeds, saplings, watering and forest protection;
5. Technical services directly for fishery: stores for the preservation of aquatic products and salvage of offshore fishing ships and boats;

6. Other services on plant and animal protection; hybridization and multiplication of new strains and breeds; storage and preservation of agricultural, forest and marine products.
- V. Scientific, technological research and development as well as services; consultancy on legal matters, investment, business, business administration, intellectual property right protection and technology transfer.**
1. Technological research and development;
 2. Construction and exploitation of research institutions: laboratories, experimental station and farms, aimed at applying new technologies to production;
 3. Applying and developing high technologies; producing and processing materials from domestic raw material sources:
 - Information technology: creating computer software for use different domains of the economy;
 - Biological technologies, applied on industrial scale to the production of plant varieties, animal breeds, curative medicines for men, animals and plants, food for men and fodder for domestic animals, reproduction stimulants and biological fertilizers that meet the advanced economic- technical criteria;
 - Technologies for the production of new materials with special properties;
 - Technologies using solid, liquid and gas wastes;
 - Manufacturing technologies which consume less fuels, raw materials, materials or energy, or discharge less waste per product unit; technologies which create those products, that, when operating consume less energy, fuels, materials and raw materials, than other products of the same type;
 - Clean technologies, technologies that consume or product equipment consuming wind power, solar, earth, tide or biological energy;
 - Technologies for the production of electronics, semiconductors and laser products.
 4. Consultancy on legal matters, investment, business, business administration and technology transfer:
 - Consultancy on investment, management and technology transfer, vocational training, training of technical and managerial skills;
 - Supply of market information, scientific, technical and technological information;
 - Intellectual property right and technology transfer.
 - Marketing and trade promotion.

VI. Investment in the establishments of production chains, business/ production expansion and technology renovation; ecological and environmental improvement and sanitation in urban areas; relocation of production establishments out of urban areas; diversification of branches, trades and products.

1. Investment in the Procurement of equipment investment service of the construction of projects, investment in the construction of trade areas, department stores and dwelling houses to meet the urban population's demand.
2. Investment in the establishments of new workshops, installation of new production chains, addition of more machinery to the existing production chains and installation of new machinery and equipment of the existing production lines; application of new technologies to production;
3. Investment in ecological and environmental improvement; urban sanitation;
4. Investment in the relocation of production establishments from urban areas;
5. Investment in the diversification of branches, trade and products.

VII. Other branches and trades which need to be develop with priority.

1. Concentrated livestock and poultry breeding on an industrial scale; processing of feed for livestock and aquatic animals;
2. Mechanical engineering for manufacturing and repairing farm machines and machines for the production of textiles, leathers, high- quality plastic, learning and teaching aids, children's toys and other products made of natural rubber;
3. Manufacturing, assembling and repairing machinery and equipment for the production and processing of agricultural, forest and aquatic products, measuring equipment for laboratories; manufacturing construction and mining equipment and means; building river and sea- going ships; manufacturing locomotives and carriages; manufacturing equipment for power transmission lines and transformer stations; manufacturing electronic components and computer software;
4. Production of raw materials, fuels and materials; production of veterinary medicines, plant seeds and animal breeds; oil and gas prospection, exploitation and refinery; coal exploitation and processing; steel refining and rolling; production of non- ferrous metals and construction materials; production of fertilizers and basic chemicals;
5. Traditional crafts: carving, mother- of- pearl inlaying, lacquer ware, intaglio, wickerwork, carpet making, pottery, ceramics, silk weaving, bronze casting and hammering;

Investment in the construction and business of infrastructure of industrial parks, export-processing zones and hi- tech parks; as well as in the production and services therein.