

Socialist Republic of Vietnam
Ministry of Planning and Investment
Ministry of Industry and Trade

Socialist Republic of Vietnam
Study to Support formulating Growth Pole in
Northern, Central and Southern Region in Viet Nam

Final Report

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Table of Contents

Chapter1. Basic Principle of the Study	1
1.1 Background and Aim of the Study	1
1.2 The Study Target Areas	2
Chapter2. Study Contents and Methodology	3
2.1 Study Items	3
2.2 Study Contents and Methodology	4
Chapter3. Overview of Vietnamese Economy and Industry	8
3.1 Current Situation of Vietnamese Economy and Its Future Perspective	8
3.2 Current Situation of Vietnamese Industry and Its Future Perspective	14
3.3 Trends of Japanese Companies' Expansion and Investment in Viet Nam	18
3.4 Overview of the Economic Zones in Vietnam	31
Chapter4. Outline of relevant Vietnamese Legal Framework	33
4.1 Legal Framework for Promotion of Supporting Industry	33
4.2 Legislation relating to prioritized Industries for Promotion Assistance	39
4.3 Legislation relating to the Provision of Incentives including Tax Reduction	45
4.4 Legal System for Economic Zone Development, Industrial Zone Development and Free Trade Zone Development Plan	56
Chapter5. Growth Pole in Northern Region of Viet Nam	64
5.1 Current Situation and Trend of Economy and Industry in Northern Region	64
5.2 Natural Condition and Population in Northern Region	79
5.2.1 Natural Condition in Northern Region	79
5.2.2 Population Distribution Condition in Northern Region	81
5.3 Present Situation of Transport Infrastructure Development and Planning in Northern Region	82
5.4 Overview of Economic Zones and Industrial Zones in Northern Region	84
5.4.1 Overview of Economic Zones in Northern Region	84
5.4.2 Overview of Industrial Zones Located in Northern Region	86
5.4.3 Overview of Types and Size of Industrial Zones in Northern Region	87
Chapter6. Growth Pole in the Central Region of Viet Nam	105
6.1 Current Situation and Trend of Economy and Industry in Central Region	105
6.2 Natural Environment and Population Distribution Trend in Central Region	121
6.2.1 Natural Environment of Central Region	121
6.2.2 Population Distribution in Central Region	123
6.3 Present Status of Transport Infrastructure Development and Plans	124
6.4 Review of Economic Zones and Industrial Zones in Central Region	127
6.4.1 Overview of Economic Zones in Central Region	127
6.4.2 Location of Industrial Zones in Central Region	135
6.4.3 Overview of Types and Size of Industrial Zones in Central Region	137

Chapter7. Growth Pole in Southern Region of Viet Nam	138
7.1 Current Situation and Trend of Economy and Industry in Southern Region	138
7.2 Natural Condition, Population Distribution Trend in South Region	151
7.2.1 Natural Environment in Southern Region	151
7.2.2 Population Distribution in Southern Region	153
7.3 Present Situation of Transport Infrastructure Development and Planning in Southern Region	155
7.4 Review of Economic Zones and Industrial Zones in Southern Region	157
7.4.1 Overview of Economic Zones in Southern Region	157
7.4.2 Location of Industrial Zones in Southern Region	159
7.4.3 Overview of Types and Size of Industrial Zones in Southern Region	160
 Chapter8. Summary and Recommendations	 172
8.1 Comparative Advantages and Future Scenarios to demonstrate towards Regional Comparative Advantages	172
8.1.1 Evaluation of the Comparative Advantages of City of Hai Phong	172
8.1.2 Evaluation of the Comparative Advantages of Central Region	178
8.1.3 Evaluation of the Comparative Advantages of Ba Ria Vung Tau Province	188
8.2 Challenges for the Exercise of Comparative Advantage of Ba Ria Vung Tau Province and City of Hai Phong	196
8.3 Support Measures aimed at solving Challenges	203

List of Tables

Table 2.2-1 Data/Information Collection items and information Source	5
Table 3.1-1 Trends in Vietnam GDP real growth rate (Constant Price of 1994)	10
Table 3.2-1 Proportion of Respective Subsectors in Manufacturing and the Trends (Unit: %)	16
Table 3.3-1 FDI to Viet Nam in 2011 by Country	22
Table 3.3-2 FDI to Viet Nam by Country (Cumulative Total Up to May,2012).....	23
Table 3.4-1 Industrial zones in Vietnam.....	31
Table 3.4-2 Economic Zones in the Country	31
Table 5.1-1 GDP in Total Quantity and GDP Per Capita of Target Provinces and Cities in Northern Region (2010)	67
Table 5.1-2 Rankings of the Target Provinces and Cities of Northern Region among All Target Areas in Light Industry as of 2010.....	72
Table 5.1-3 Rankings of the Target Provinces and Cities of Northern Region among All Target Areas in Mineral and Heavy Industry as of 2010.....	72
Table 5.1-4 Rankings of the Target Provinces and Cities of Northern Region among All Target Areas in Electronics and Machinery as of 2010.....	73
Table 5.1-5 Statistics items in city of Hai Phong.....	74
Table 5.1-6 Trend of Gross Output of Subsectors under Manufacturing of Hai Phong	76
Table 5.2-1 Population in northern region.....	81
Table 5.4-1 Location of Industrial zones	87
Table 5.4-2 list of present industrial zones in city of Hai phong	89
Table 5.4-3 Outline of Nomura-Hai Phong industrial zone.....	91
Table 5.4-4 The outline of CKCN VSIP Hai Phong industrial zone	93
Table 5.4-5 The outline of Dinh Vu industrial zone	96
Table 5.4-6 The outline of Trang Cat industrial zone.....	98
Table 5.4-7 The outline of Nam Dinh Vu industrial zone	100
Table 5.4-8 The outline of Trang Due industrial zone.....	101
Table 5.4-9 Present status of transport infrastructure in city of Hai Phong.....	102
Table-5-4-10 Bearing capacity of soil and N-value.....	103
Table 5.4-11 The outline of service apartments in city of Hai Phong	104
Table 5.4-12 Minimum wage (as of October, 2011).....	104
Tble 6.1-1 GDP in Total Quantity and GDP Per Capita of Target Provinces and Cities in Central Region (2010)	108
Tble 6.1-2 Rankings of the Target Provinces and Cities of Central Region among All Target Areas in Light Industry as of 2010.....	113
Tble 6.1-3 Rankings of the Target Provinces and Cities of Central Region among All Target Areas in Mineral and Heavy Industry as of 2010.....	113
Tble 6.1-4 Rankings of the Target Provinces and Cities of Central Region among All Target Areas in Mineral and Heavy Industry as of 2010	114
Table 6.1-5 Trend of Gross Output of Subsectors under Manufacturing of Da Nang	115
Table 6.1-6 Trend of Gross Output of Subsectors under Manufacturing of Quang Nam.....	117
Table 6.1-7 Trend of Gross Output of Subsectors under Manufacturing of Quang Ngai.....	119
Table 6.2-1 Population and it density	123
Table 6.4-1 Economic Zones in the Central Region	127
Table 6.4-2 Location of Industrial zones in the Central Region.....	136
Table 7.1-1 GDP in Total Quantity and GDP Per Capita of Target Provinces and Cities in Southern Region (2010)	140
Table 7.1-2 Rankings of the Target Provinces and Cities of Southern Region among All Target Areas in Light Industry as of 2010.....	144

Table 7.1-3 Rankings of the Target Provinces and Cities of Southern Region among All Target Areas in Mineral and Heavy Industry as of 2010	145
Table 7.1-4 Rankings of the Target Provinces and Cities of Southern Region among All Target Areas in Electronics and Machinery as of 2010.....	145
Table 7.1-5 Outline of statistics of Ba Ria Vung Tau province	146
Table 7.1-6 Trend of Gross Output of Subsectors under Manufacturing of Ba Ria-Vung Tau	148
Table 7.1-7 Prioritized industries for specialized industrial zone	150
Table 7.2-1 Population of Southern region	153
Table 7.4-1 Economic Zones in the Southern Resgion	157
Table 7.4-2 Location of Industrial zones in the Southern Region	160
Table 7.4-3 Japanese Investors in Industrial zones in the Southern Region	162
Table 7.4-4 List of industrial zones in Ba Ria Vung Tau province	163
Table 7.4-5 List of Japanese tenants	165
Table7.4-6 The outline of Phu My 3 industrial zone	167
Table7.4-7 The outline of My Xuan B1 – Tien Hung industrial zone	168
Table 7.4-8 The outline of My Xuan B1 – Dai Duong industrial zone	169
Table 7.4-9 The outline of Da Bac industrial zone	170
Table 7.4-10 Resent status of transport infrastructure in Ba Ria Vung Tau province	170
Table 7.4-11 The outline of service apartments in Ba Ria Vung Tau province	171
Table 8.1-1 SWOT analysis in Hai Phong.....	177
Table 8.1-2(1) SWOT analysis in Da Nang.....	181
Table 8.1-2(2) SWOT analysis in Quang Nam.....	184
Table 8.1-2(3) SWOT analysis in Quang Ngai.....	187
Table 8.1-3 SWOT analysis in BRVT	193
Table 8.2-1 Challenges related to hard infrastructure development and planning	196
Table 8.2-2 Challenges related to hard infrastructure development and planning	198
Table 8.2-3 Major risk mitigation items	199
Table 8.2-4 Relevant entities of the existing industrial zonea and their issues.....	200
Table 8.3-1 Classification of Industrial zone.....	204

List of Figures

Figure 3.1-1 Trends in Vietnam GDP real growth rate (Constant Price of 1994).....	8
Figure 3.1-2 Change of Vietnam's Economic Structure (Constant Price of 1994).....	9
Figure 3.1-3 Trends in Gross Domestic Expenditure by Item (Constant Price of 1994).....	9
Figure 3.1-4 Contribution to Economic Growth by Item of Gross Domestic Expenditure (2005-2010)	10
Figure 3.1-5 Trend of Vietnam's Consumer Price Index	11
Figure 3.1-6 Trend of Vietnam's Unemployment Rate	11
Figure 3.1-7 Forecast of Vietnam's Economic Growth by 2017	12
Figure 3.1-8 Forecast of Vietnam's CPI and Unemployment Rate by 2017	13
Figure 3.2-1 Trends in the Proportion of Sectors under the Secondary Industry (2005-2010)	14
Figure 3.2-2 Average GDP Growth Rate of Sectors under the Secondary Industry (2005-2010)	15
Figure 3.2-3 Proportion of Respective Subsectors in Manufacturing and the Trends (2005-2010).....	17
Figure 3.3-1 Proportion of Respective Regions to Total FDI in Terms of Number of Cases (Cumulative Total by the End of 2010).....	18
Figure 3.3-2 Proportion of Respective Regions to Total FDI in Terms of Amount of Capital (Cumulative Total by the End of 2010)	19
Figure 3.3-3 Comparison of Average Size of FDI by Region (Cumulative Total by the End of 2010).....	19
Figure 3.3-4 Distribution of 25 Major Provinces and Cities in Terms of Cumulative Total Amount and Average Size of FDI (Cumulative Total by the End of 2010)	21
Figure 3.3-5 Trends of Japanese Companies' FDI to Viet Nam in Terms of Amount and Number of Cases.....	22
Figure 3.3-6 Changes in the Number of Japanese Business Association Member Companies in Viet Nam	24
Figure 3.3-7 Number and Share by Subsector of Japanese Companies Having Moved into Major IZs in Viet Nam	25
Figure 3.3-8 Regional Distribution of Japanese Tenants of IZs in the Field of Machinery & Equipment.....	26
Figure 3.3-9 Regional Distribution of Japanese Tenants of IZs in the Field of Electricity & Electronics	26
Figure 3.3-10 Regional Distribution of Japanese Tenants of IZs in the Field of Plastics.....	27
Figure 3.3-11 Regional Distribution of Japanese Tenants of IZs in the Field of Textile	28
Figure 3.3-12 Regional Distribution of Japanese Tenants of IZs in the Field of Automobile	29
Figure 3.3-13 Regional Distribution of Japanese Tenants of IZs in the Field of Iron & Steel	29
Figure 3.3-14 Regional Distribution of Japanese Tenants of IZs in the Field of Chemistry	30
Figure 3.4-1 Economic Zones in the Country	32
Figure 5.1-1 Map of 25 Provinces and Cities in the Northern Region of Viet Nam	64
Figure 5.1-2 Map of the 11 Provinces and Cities of the Northern Region of Viet Nam as the Target Areas of This Study.....	65
Figure 5.1-3 Annual Average GDP Growth Rate of Target Provinces and Cities of Northern Region (2005-2010).....	66
Figure 5.1-4 Positions of Target Provinces and Cities of Northern Region among All the Target Areas in Terms of GDP and GDP Per Capita.....	67
Figure 5.1-5 Change of Proportions of Primary, Secondary and Tertiary Industry to GDP in the Target Provinces and Cities of Northern Region.....	69

Figure 5.1-6 Change of Proportions of Mining & Quarrying Sector and Manufacturing Sector to GDP in the Target Provinces and Cities of Northern Region.....	71
Figure 5.1-7 Scattering Diagram of Weights and Growth Rates by Subsectors under Manufacturing of Hai Phong.....	77
Figure 5.2-1 Flooding area in 2008.....	80
Figure 5.2-2 Seismic source and the main fault of the 1900s in northern Vietnam (UN Document).....	80
Figure 5.2-3 Population density in northern region.....	81
Figure 5.3-1 Transport infrastructure in Northern region.....	83
Figure 5.4-1 GIS map of industrial zones and some relevant facilities in city of Hai Phong.....	90
Figure 5.4-2 Facility layout of Nomura-Hai Phong Industrial zone.....	92
Figure 5.4-3 Facility layout in VSIP industrial zone.....	94
Figure 5.4-4 Facility layout in Dinh Vu industrial zone.....	96
Figure 5.4-5 Location of Trang Cat industrial zone.....	98
Figure 5.4-6 Planed map of Tran Cat Industrial zone.....	99
Figure 5.4-7 Location map of Nam Dinh Vu.....	100
Figure 5.4-8 Planed map of Nam Dinh Vu industrial zone.....	100
Figure 5.4-9 Lots layout in Trang Due industrial zone.....	101
Figure 6.1-1 Map of 19 Provinces and Cities in the Central Region of Viet Nam.....	105
Figure 6.1-2 Map of the 7 Provinces and Cities of the Central Region of Viet Nam as the Target Areas of This Study.....	106
Figure 6.1-3 Annual Average GDP Growth Rate of Target Provinces and Cities of Central Region (2005-2010).....	107
Figure 6.1-4 Positions of Target Provinces and Cities of Central Region among All the Target Areas in Terms of GDP and GDP Per Capita.....	109
Figure 6.1-5 Change of Proportions of the Primary, Secondary and Tertiary Industry to GDP in the Target Provinces and Cities of the Central Region.....	111
Figure 6.1-6 Change of Proportions of Mining & Quarrying and Manufacturing Sector to GDP in the Target Provinces and Cities of the Central Region.....	112
Figure 6.1-7 Scattering Diagram of Weights and Growth Rates by Subsectors under Manufacturing of Da Nang.....	116
Figure 6.1-8 Scattering Diagram of Weights and Growth Rates by Subsectors under Manufacturing of Quang Nam.....	118
Figure 6.1-9 Scattering Diagram of Weights and Growth Rates by Subsectors under Manufacturing of Quang Ngai.....	120
Figure 6.2-1 Climatic condition of Da Nang.....	121
Figure 6.2-2 Flood inundation area.....	122
Figure 6.2-3 Population density of central region.....	123
Figure 6.3-1 Transport infrastructure in city of Da Nang.....	125
Figure 6.3-2 Transport infrastructure in Quang Nam province Governments and BEE.....	125
Figure 6.3-3 Transport infrastructure in Quang Ngai province.....	126
Figure 7.1-1 Map of 19 Provinces and Cities in the Southern Region of Viet Nam.....	138
Figure 7.1-2 Map of the 7 Provinces and Cities of the Southern Region of Viet Nam as the Target Areas of This Study.....	138
Figure 7.1-3 Annual Average GDP Growth Rate of Target Provinces and Cities of Southern Region (2005-2010).....	139
Figure 7.1-4 Positions of Target Provinces and Cities of Southern Region among All the Target Areas in Terms of GDP and GDP Per Capita.....	141

Figure 7.1-5 Change of Proportions of Primary, Secondary and Tertiary Industry to GDP in the Target Provinces and Cities of Southern Region	142
Figure 7.1-6 Change of Proportions of Mining & Quarrying Sector and Manufacturing Sector to GDP in the Target Provinces and Cities of Southern Region	144
Figure 7.1-7 Scattering Diagram of Weights and Growth Rates by Subsectors under Manufacturing of BRVT.....	149
Figure 7.2-1 Climatic condition of HO Chi Minh city and Ba Ria Vung Tau	152
Figure 7.2-2 Presumed map of flood inundation area	153
Figure 7.2-3 Population density in Southern region	154
Figure 7.3-1 Outline of transport infrastructure in southern region	156
Figure 7.4-1 Map of industrial zones as well as relevant facilities in Ba Ria Vung Tau province	164
Figure 7.4-2 Distribution of number of Japanese tenants in by each industry in Ba Ria Vung Tau province (as of April in 2012)	165
Figure 7.4-3 Location map of Specialized industrial zones in Ba Ria Vung Tau province	166
Figure 7.4-4 Lots layout in Phu My 3 industrial zone	167
Figure 7.4-5 Lots layout in My Xuan B1 – Tien Hung industrial zone.....	168
Figure 7.4-6 Lots layout in My Xuan B1 – Dai Duong industrial zone	169

Acronyms and Abbreviations

ADB	Asian Development Bank
BOT	Build Operate Transfer
BRVT	Ba Ria Vug Tau
BR-VT PPC	Ba Ria Vug Tau Provincial People’s Committee
BTO	Build Transfer Operation
CPI	Consumer Price Index
DOIT	Department of Industry and Trade
DPI	Department of Planning and Investment
EZ	Economic Zone
ESCAP	Economic and Social Commission for Asia and the Pacific
FDI	Foreign Direct Investment
GIS	Geographic Information System
GSO	General Statistics Office
HCMC	Ho Chi Minh City
IZ	Industrial Zones
JETRO	Japan External Trade Organization
JBAD	Japanese Business Association of Da Nang
JBAH	Japan Business Association of Ho Chi Minh city
JBIC	Japan Bank for International Cooperation
JBAV	Japanese Business Association of Viet Nam
JICA	Japan International Cooperation Agency
JSC	Joint Stock Company
KBC	Kinh Bac City
MOIT	Ministry of Industry and Trade
MOT	Ministry of transportation
MPI	Ministry of Planning and Investment
ODA	Official Development Assistance
PPP	Public Private Partnership
SEDS	Socio-Economic Development Strategy
SEZ	Special Economic Zone
SME	Small and Medium Sized Enterprise
SPV	Special Purpose Vehicle
SWOT	Strength, Weakness, Opportunity and Threat
VND	Viet Nam Dong
VSIP	Vietnam Singaporean Industrial zone

Chapter 1. Basic Principle of the Study

1.1 Background and Aim of the Study

(1) Background

The Government of Viet Nam advocated the principle of development of Hai Phong and Ba Ria Vung Tau as prioritized growth pole area in southern area and northern area respectively in June, 2011. Prime Minister Nguyễn Tấn Dũng expressed his opinion over again when he was reelected that Hai Phong, somewhere in central region and Ba Ria Vung Tau should be the prioritized industrial regions. In response to this, the Government of Viet Nam started to make a concrete plan, and at the present, a general planning of development of special industrial zones for Japanese enterprises as well as supporting industry related enterprises. The expectations of Viet Nam was expressed in the joint statement between Japanese prime minister and Viet Nam prime minister, which said that development of two special industrial zones in Hai Phong and Ba Ria Vung Tau for promotion of more investment from Japan and growth of supporting industry in Viet Nam in corporation with support from Japan should be promoted.

In Hai Phong, Ha Noi and northern region of Bac Ninh, as the investment of Kyosera Mita is symbolically expressed, much investment have still come into those regions. Moreover, Hai Phong has already committed the development of special industrial zones for supporting industry, which includes expansion of existing industrial zones. Japanese trading companies have been interested in the present movement. In addition, various initiatives have been actualized simultaneously such as development of special industrial zones for supporting industry in southern region in Viet Nam including Ba Ria Vung Tau province and Dong Nai province, and development planning for special industrial zones for Japanese high-tech and supporting industry in HCMC, and development planning for rental factory for Japanese SMEs in Long An province. However the policy direction of the Government of Viet Nam has not yet clarified, for instance, what kind of roles Hai Phong or Ba Ria Vung Tau should have with the differentiation from neighboring provinces, although these two regions already have seaports with significant functions of gateway to overseas countries and seaside industrial areas. In addition, such viewpoints should be carefully examined as raise of added value and change of new growth model with growing out of the old model being attached too much importance to the investment. And Viet Nam Prime Minister Nguyễn Tấn Dũng expressed importance of development in central regions in Viet Nam, however any concrete activities on this matter could not be identified thus far.

Presently, planning of development of special industrial zones for Japanese enterprises and supporting industry related enterprises, and urban development in neighboring regions have been promoted as concrete measures for development of Hai Phong, somewhere in central regions and Ba Ria Vung Tau. For the time being, Ministry of Industry and Trade will be involved with this matter as a major player. After the planning will go forward to some extent, Ministry of Planning and Investment is to take over this matter. However, necessary study including demand forecast and collection of basic data and information has not yet sufficiently conducted thus far.

(2)The Aim of the Study

Major study target areas are Hai Phong, Ba Ria Vung Tau and Da Nang. These areas will be examined in such way that differentiation of the target areas from other areas taking account of the appropriate development strategy to promote the growth pole, identification of appropriate allocation of industrial functions, development of appropriate strategy to attract investments, abstraction of present issues regarding present economic zones and industrial zones, development of suitable options based on those issues, which include expansion of the existing functions, identification of appropriate location, proposal of the relevant incentive policies and attractive services and collection of data and information relevant to the above-mentioned policy identification and development of the plans.

1.2 The Study Target Areas

Study target areas 25 cities and provinces in northern, central and southern regions as listed as follows;

(1) Northern region:

Hai Phong city, Quang Ninh province, Hai Duong province, Bac Ninh province, Hung Yen province, Ha Noi city, Vinh Phuc province, Thai Binh province, Ha Nam province, Nam Dinh province, Ninh Binh province

(2) Central region:

- 1) North central region: Thanh Hoa province, Nghe An province, Ha Tinh province
- 2) Seaside central region: Thua Thien Hue province, Da Nang city, Quang Nam province, Quang Ngai province

(3) Southern region:

Ba Ria Vung Tau province, HCMC , Dongh Nai province, Binh Duong province, Binh Phuoc province, Tay Ninh province, Long An province

Chapter2. Study Contents and Methodology

2.1 Study Items

The study was conducted on the basis of the following 8 study items.

- (1) Formulation of the Study Plan
- (2) Explanation and Consultation as to Inception report
- (3) Field Survey, Interview Survey with the Government of Viet Nam and Private Enterprises
- (4) Interview Survey with Japanese SMEs and relevant Authorities
- (5) Analysis and summarizing the Results of the Survey
- (6) Visualization of the results of the Analysis (GIS)
- (7) Report of the Draft Final Report and Reflection of the Feedback on Final Report
- (8) Final Report Submission

2.2 Study Contents and Methodology

Study contents and their methodologies are as follows:

(1) Formulation of the Study Plan

a. Study Contents

At the preparatory study stage, such data/information as the ones obtainable in Japan and study reports were collected and summarized. Based on these data/information, basic study principles, methodology, study items and contents, study implementation structure and study schedule were formulated. Those matters were finalized on the basis of the JICA's approval.

b. Study Methodology

The study was carried out on the basis of the data/information which has been already collected by the study team. In addition, further information with respect to the latest status of the Viet Nam industrial policy, economic zones as well as industrial zones were collected based on the mass-media information including local news articles.

(2) Explanation and Consultation as to Inception report

a. Study Contents

On the basis of the above (1) item, the Inception report was drawn up and it was finalized based on the mutual agreement with the relevant Ministries and Agencies of Viet Nam, and JICA's approval.

b. Study Methodology

The Inception Report included the following contents:

- The basic study principle
- Study methodology
- Study flow
- Staffing plan
- Others if any

(3) Field Survey, Interview Survey with the Government of Viet Nam and Private Enterprises

a. Study Contents

Data/information for northern, central and southern region in Viet Nam were collected according to the following specifications.

Table2.2-1 Data/Information Collection items and information Source

Data/Information Collection Items	Information Source
1) Relevant legal documents	-Legal Documents relevant to supporting industry a. Prime Minister’s decision (12/2011/QD.TTg) b. Science and technique Minister’s decision (27/2006/QD-BKHCN) c. Law on fund procurement for supporting industry (96/2011/TT-BTC) d. Prime Minister’s decision on incentive policies (55/2007/QD-TTg) e. Prime Minister’s decision on support for SMEs (12/2003/QD-TTg) f. The Government decision on support for SMEs (56/2009/QD-TTg) g. Prime Minister’s decision on industrial support(24/02/2011) -Infrastructure development, investment related legal documents a. Law on construction(Law No. 16/2003/QH11) b. Law on investment(Law No. 59/2005/QH11) c. Law on enterprises(Law No. 60/2005/QH11) d. Business regulation(Decree No. 43/2010/ND-CP) -PPP(Public Private Partnership) a. Law on BOT (Decree No. 78/2007/ND-CP) ,(Decree No. 108/2009/ND-CP) - Tax a. Law on corporate Tax(Law No. 14/2008/QH12:) b. Law on tax incentive(Decision No. 44/2010/QD-TTg) -Others a. Environmental regulation
2) Regional institutional framework for investment promotion and business support	Interview survey with targeted provinces and cities
3) Relevant regional development plan and infrastructure development plan	
4) Present status of FDI, major industry, future prospects	Interview survey with economic zones and industrial zones
5) Present situation of transport infrastructure, electric power suppl	Interview survey with MPI and MOT
6) Land use including worker’s residential area’s condition	Field survey and collection of the relevant drawings
7) Economic zones and industrial zones	Interview survey with economic zones and industrial zones
8) labor force, wage level	GSO statistics, Interview survey with the tenants in industrial zones
9) Workers residential facility, commuting transport means for workers	
10) Customs, one-stop services, human resource development facility	Interview survey with targeted provinces and cities as well as MPI
11) Natural conditions (water, tide, flood area, soil condition etc.)	Field survey conducted by local consultants
12) Japanese investor’s needs and expectations	Interview survey with economic zones and industrial zones
13) Japanese investor’s impression for the economic zones and industrial zones	
14) Necessary condition of economic zones and industrial zones	
15) Issues on economic zones and industrial zones	

b. Methodology

-Target interviewees

The target interviewees are Industrial Zones' developers and operating companies, management bodies for economic zones, tenants in industrial zones, Japanese agencies including JETRO, Japanese chamber of commerce, Japanese business associations, Vietnamese government including MPI, MOIT and people's committee.

-Questionnaire items for Industrial Zones Developers

Such interview items regarding industrial zones were surveyed as geographical condition, condition of relevant infrastructures, size, tenant cost, laws and regulations, condition of Japanese tenants, partner and human resources, existence of the plan of provision or expansion of the rental factory for SMEs, fund procurement condition, technical assistant needs, wish of cooperation with the Japanese developers.

-Questionnaire items for Industrial Zones Tenants

Japanese SMEs were target interviewees. Through the interview survey, such survey items were clarified as concrete needs for industrial zones, factory area, needs for rental factory, necessary facility, services and the like.

(4) Interview Survey with Japanese SMEs and relevant Authorities

Interview survey with Japanese companies with respect to their motivation as to investment in cities in Viet Nam including city of Hai Phong and Ba Ria Vung Tau province was conducted. The survey contents and methodology are shown as follows:

a. Study Contents

Target areas are Tokyo, Kawasaki, Hamamatsu, oosaka, Hukui and Kita-kyusyu. Interviewees are local authorities, industrial associations, chamber commerce and SMEs.

b. Methodology

Interview items are following 6 items:

- a. Japanese companies' efforts to advance in Vietnam or other Asian countries
- b. Factors that determine the overseas expansion of Japanese companies
- c. Vietnam's investment environment for Japanese companies
- d. Awareness about the central area of city of Hai Phong and Ba ria Vung tau province for Japanese companies
- e. For a description of the actions required by the Government of Vietnam
- f. Others

(5) Analysis and summarizing the Results of the Survey

a. Study Items

Based on the above-mentioned study items and their results, the analysis was carried out as follows:

- 1) Basic information for investment circumstances including relevant plans, legal framework, relevant

- agencies, incentive, infrastructure, labor force condition, workers' condition, investment trend
- 2) Present role and comparative superiority of northern, central and southern regions including Hai Phong, Ba Ria Vung Tau, Nghe An, Hue and Da Nang
 - 3) Condition of economic zones, industrial zones, urban development, residential condition for foreigners and local workers, residents operated by private entities or public entities, natural condition
 - 4) Necessary level of economic zones and industrial zones
 - 5) Means for promotion of development in Hai Phong, Ba Ria Vung Tau, Nghe An, Hue and Da Nang and necessary roles of economic zones and industrial zones
 - 6) Demand prospects and future direction of economic zones and industrial zones

b. Methodology

The study was carried out on the basis of the collection of detailed data/information in northern, central and southern regions. As for both regions of Hai Phong and Ba Ria Vung Tau, more detailed data/information collection and analysis was conducted.

(6) Visualization of the results of the Analysis (GIS)

Such survey results as facility location information and natural condition were visualized by using of GIS tool. This work was done in cooperation with the local consultants. Location of industrial parks and natural condition were visualized by using of GIS tool as survey results. Cities and provinces which were extracted as GIS target areas were 3 cities and 14 provinces from among 25 cities and provinces.

Northern Ha Noi city, Vinh Phuc province, Bac Ninh province, Ha Nam province, Hung Yen province, Hai Duong province, Hai Phong city, Quang Ninh province

Central Thua Thien Hue province, Da Nang city, Quang Nam province, Quang Ngai province

Southern Ba Ria Vung Tau province, HCMC , Dongh Nai province, Binh Duong province, Long An province

Drawing contents are as follows:

- Industrial Park
- Those in the in-service plans, transportation infrastructure (roads, airports and ports)
- Public residential facilities
- Medical facilities
- Major assemblers
- Material Suppliers
- Educational institutions (schools, vocational schools and Japanese higher education facilities)
- Customs facilities
- Natural environment (such as floodplain)

(7) Report of the Survey results and Reflection of the Feedback on Final Report

Above-mentioned study results were summarized in the draft final report. And it was presented in northern, central and southern region. The feedback was reflected on the final report.

(8) Final Report Submission

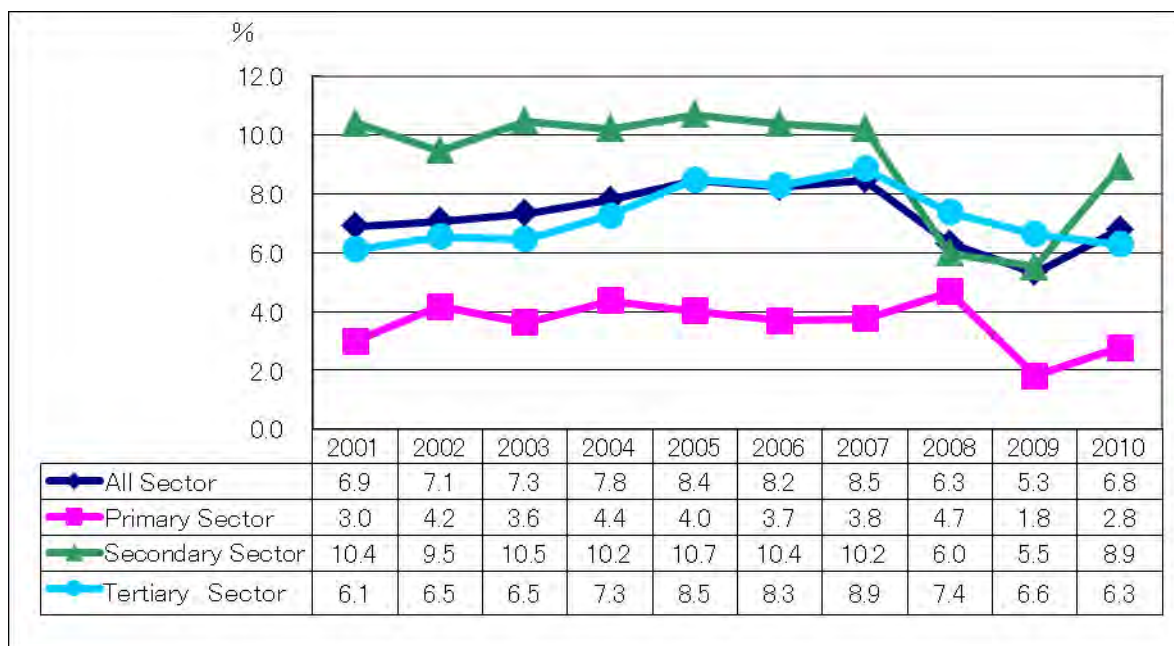
Based on the feedback, final report was made and was submitted to JICA and the relevant Ministries and Agencies of Viet Nam.

Chapter3. Overview of Vietnamese Economy and Industry

3.1 Current Situation of Vietnamese Economy and its Future Perspective

(1) Economic Growth Rate

Due to the impact of the global financial crisis triggered by the collapse of Lehman Brothers, the growth rate of the economy as a whole fell successively in 2008 and 2009, but it showed signs of recovery in 2010. Secondary sector is the engine of economic growth in the past 10 years, and over the seven years of 2001-2007, it registered a growth rate of more than 10% almost continuously except for the year 2002. However, influence of the financial crisis on the secondary industry became the most serious one, which resulted in the largest decline of GDP growth rate in this sector in the year 2008 and 2009. (Figure 3.1-1)

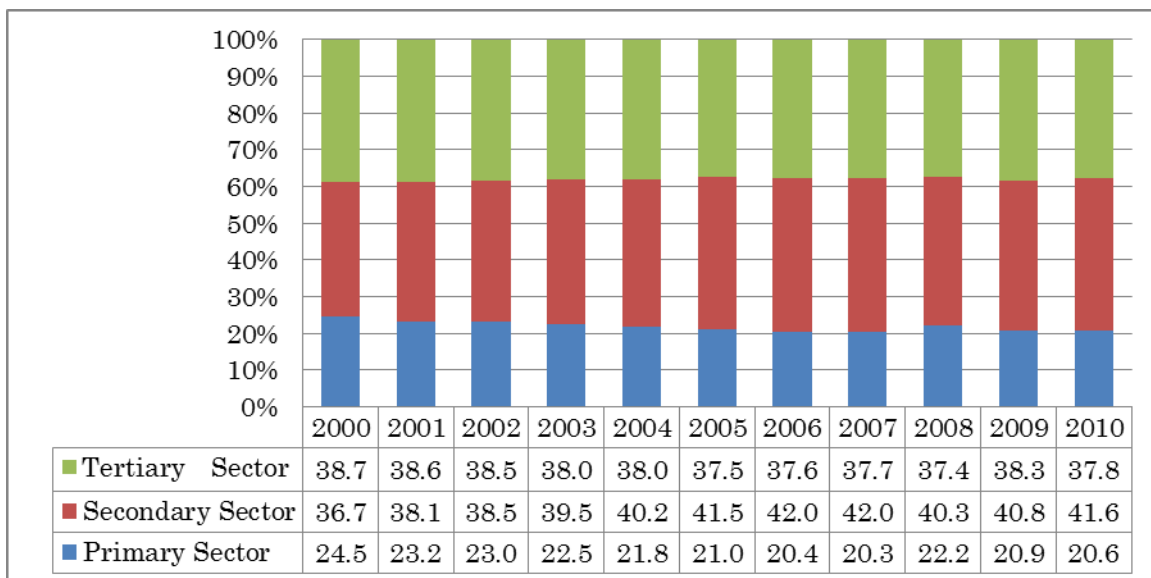


Source: Statistical Yearbook of Vietnam 2011

Figure 3.1-1 Trends in Vietnam GDP real growth rate (Constant Price of 1994)

(2) Situation of Economic Structure (The Supply Side of GDP)

Tertiary industry had always been accounting for the greatest contribution rate of Vietnam's GDP until 2002, when it was captured up with by the secondary industry and was then surpassed by the latter in 2003. The secondary industry thus attained 41.96% of GDP contribution rate in 2010 after years of sustained high growth. Contrary to the robust growth of secondary industry, the contribution rate of primary sector, mainly agriculture, has dropped significantly. (Figure 3.1-2)

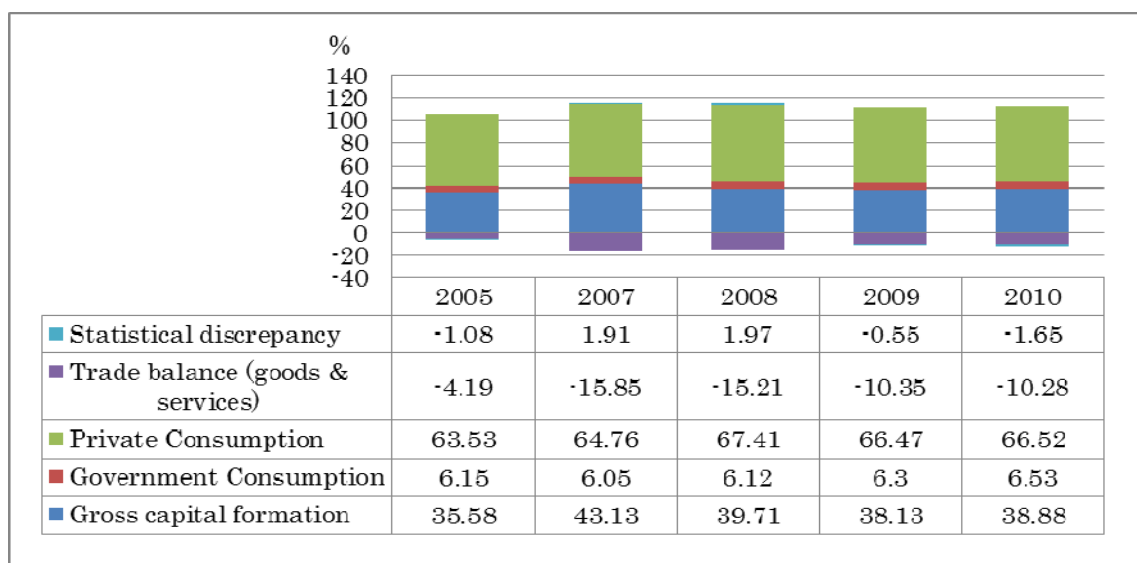


Source: statistical Yearbook of Vietnam 2011

Figure 3.1-2 Change of Vietnam's Economic Structure (Constant Price of 1994)

(3) Situation of Gross Domestic Expenditure (Demand Side of GDP)

Among the factors that drive economic growth from the demand side, private consumption is strong, accounting for more than 60% of total demand consistently in the five-year period of 2005-2010. Gross capital formation with investment in fixed assets constituting its major part has become a factor second only to the private consumption in driving the economic growth, accounting for 30% to 40% of total demand. A significant portion of the investment in fixed assets is presumed to be fulfilled by foreign capital. As for the proportion of government spending, it is not more than a trifle. Therefore, private consumption and private investment including foreign capital investment are considered two major factors supporting the growth of Vietnam's economy.



Source: Statistical Yearbook of Vietnam 2011

Figure 3.1-3 Trends in Gross Domestic Expenditure by Item (Constant Price of 1994)

However, trade deficit has been a negative factor dragging on economic growth. It is to be understood as closely related to the lack of supporting industries, which will be described later. (Figure 3.1-3)

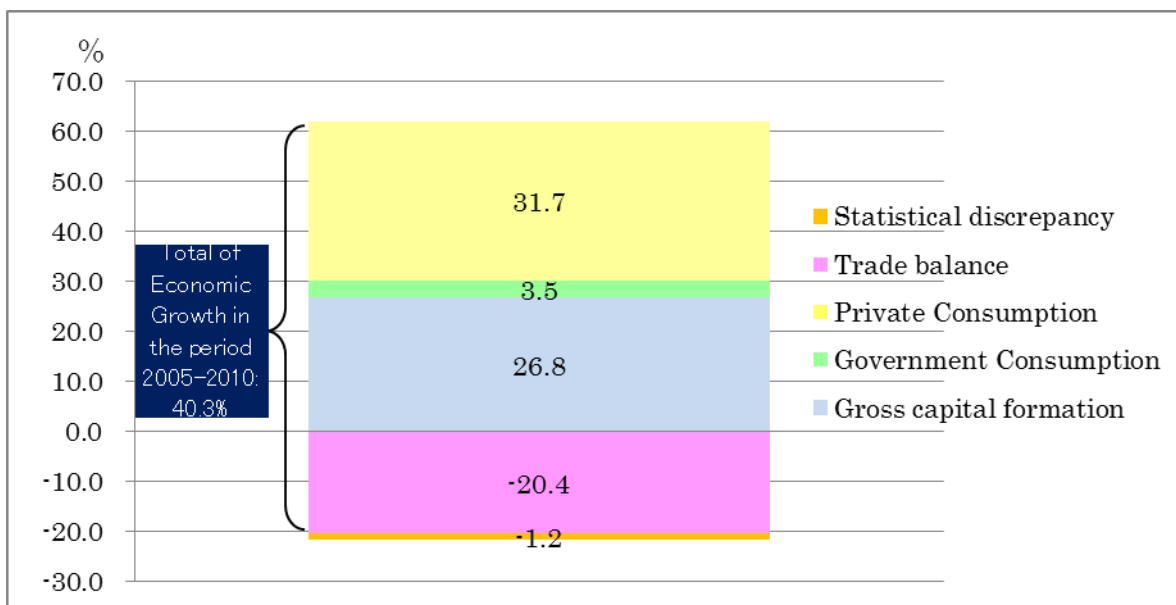
(4) Contribution to Economic Growth by Item of Gross Domestic Expenditure

In the five-year period of 2005 ~ 2010, real GDP grew by 40.3%, out of which 31.7% (or 78.5% out of 100%) is what private consumption contributed. Also, gross capital formation accounted for 26.8% of it (or 66.5% out of 100%), while government spending accounted for a mere 3.5% (or 8.6% out of 100%). However, because of the trade deficit in terms of services and goods, a proportion of 20.4% (or 50.5% out of 100%) has to be offset from the above-mentioned positive factors of contribution to economic growth; it is evident that foreign trade deficit has become a negative factor of economic growth in Vietnam is evident . (Table 3.1-1, Figure 3.1-4)

**Table 3.1-1 Calculating Table of Contribution to Economic Growth
by Item of Gross Domestic Expenditure (2005-2010)**

Item	2005	2010*	Growth from 2005 to 2010	Breakdown of Growth	Contribution Ratio
	(Bill.Don.)	(Bill.Don.)	(Bill.Don.)	(%)	(%)
GDP in Total	393,031	551,609	158,578	100.0	40.3
Gross capital formation	143,291	248,702	105,411	66.5	26.8
Government Consumption	25,620	39,323	13,703	8.6	3.5
Private Consumption	254,484	378,958	124,474	78.5	31.7
Trade balance (goods & services)	-24,438	-104,557	-80,119	-50.5	-20.4
Statistical discrepancy	-5,926	-10,817	-4,891	-3.1	-1.2

Source: Statistical Yearbook of Vietnam 2011

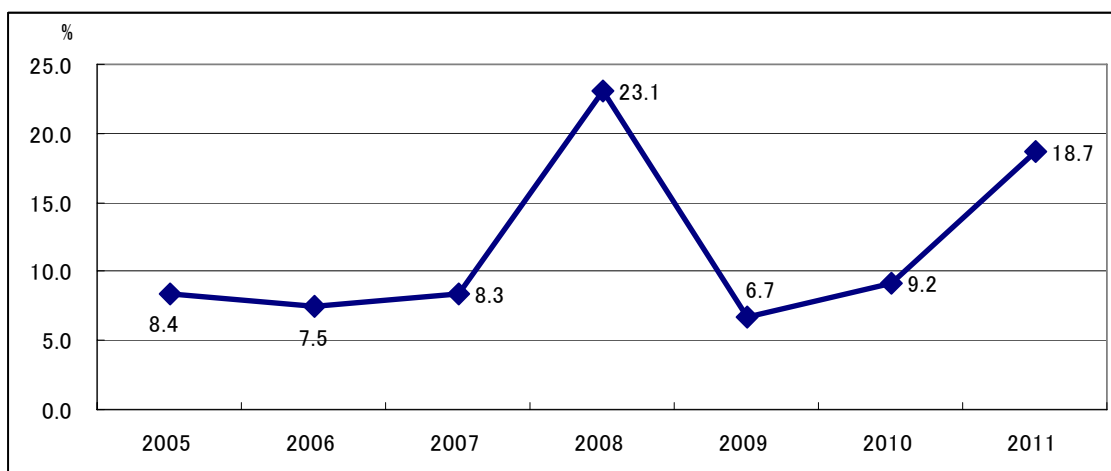


Source: Statistical Yearbook of Vietnam 2011

Figure 3.1-4 Contribution to Economic Growth by Item of Gross Domestic Expenditure (2005-2010)

(5) Inflation Rate

Inflation rate in terms of Consumer Price Index (CPI) has been persistently high, which attained the peak of 23.1% in 2008. Though falling down to 6.7% later in 2009, it rose again to 9.2% and further to 18.7% in 2010 and 2011 successively. The soaring inflation rate has become a great negative factor against the Vietnamese government’s efforts in economic operation and foreign investment attraction. Accordingly, it calls for attention to the actual performance of the government’s inflation combating policy. (Figure 3.1-5)

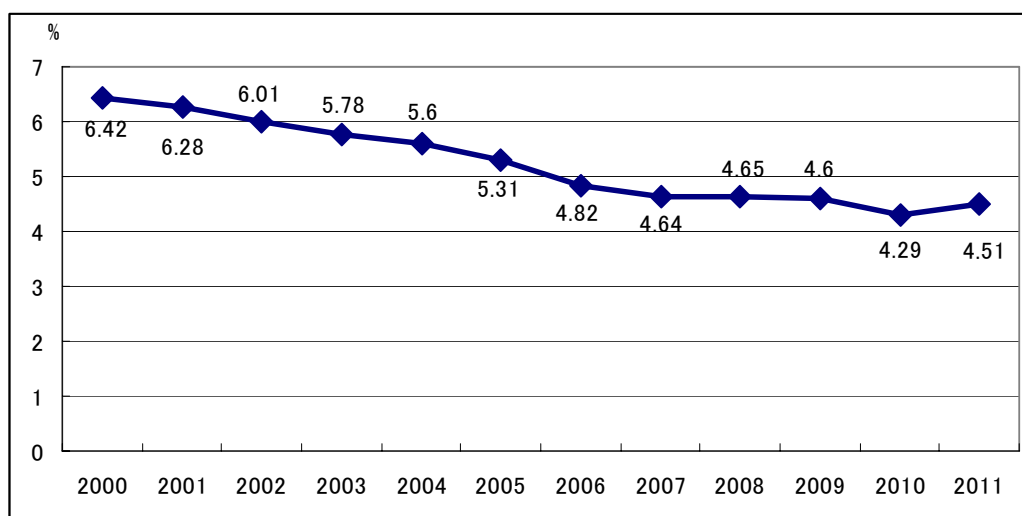


Source: International Monetary Fund, “2011 World Economic Outlook”

Figure 3.1-5 Trend of Vietnam’s Consumer Price Index

(6) Unemployment Rate

Unemployment rate slipped down gradually from 6.42 % in year 2000 to 4.29% in 2010, but it showed signs of rising again in 2011 when it climbed to 4.51%. Although Vietnam’s unemployment rate has been relatively low compared with other emerging and developing countries, it has always been a key issue for both the central and the local governments to promote employment with an eye to stabilizing socio-economic and political conditions. (Figure 3.1-6)



Source: International Monetary Fund, “2011 World Economic Outlook”

Figure 3.1-6 Trend of Vietnam’s Unemployment Rate

(7) Future Economic Perspective

1) Outline of “Socio-Economic Development Strategy (SEDS) ”

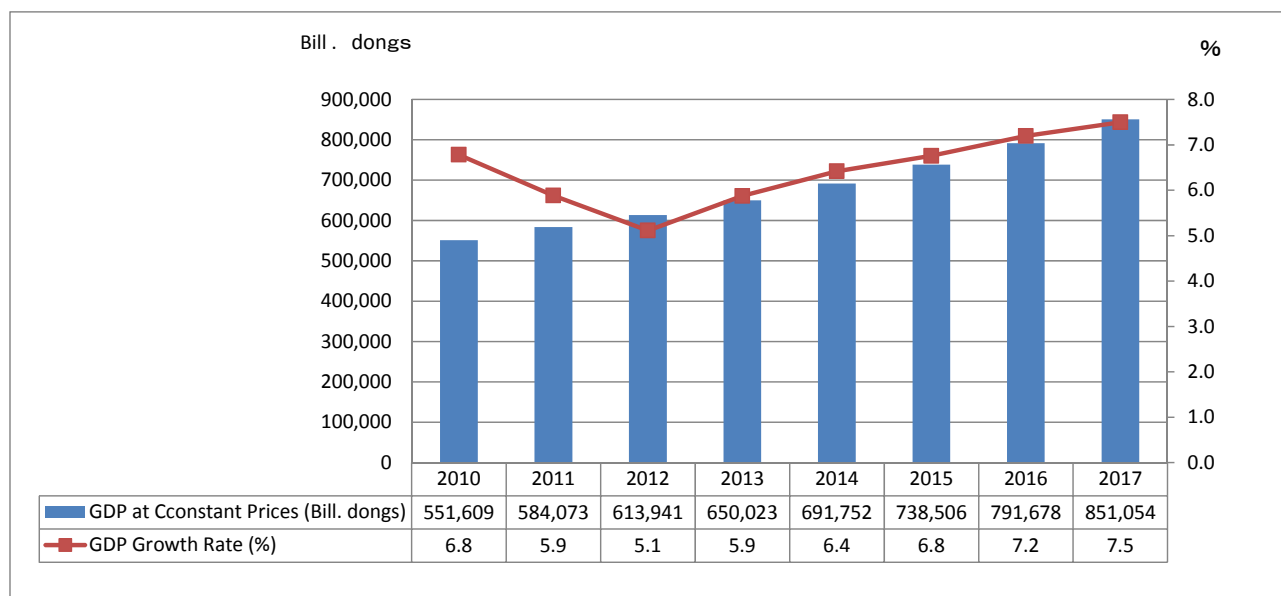
The Vietnamese central government has set it up as a goal of 2020 to realize a “Modern Industrialized Society” by that time, and is paying more attention to issues such as structural reformation, environmental sustainability, social equality and stabilization of macro-economy as stated in the document of “Socio-Economic Development Strategy (SEDS) ” it formulated in 2010. In this document, the following three issues are regarded as priorities requiring special efforts:

- Human resource cultivation and skill development (particularly the skill needed for innovation of modern industry)
- Institutional improvement
- Infrastructural development

Moreover, with regard to the issue of structural reformation, reforms in the three fields known as public investment, state-owned enterprise and financial sector were prioritized as key areas in the National Convention of Vietnamese Communist Party held in October 2011.

2) Optimistic Forecast by IMF

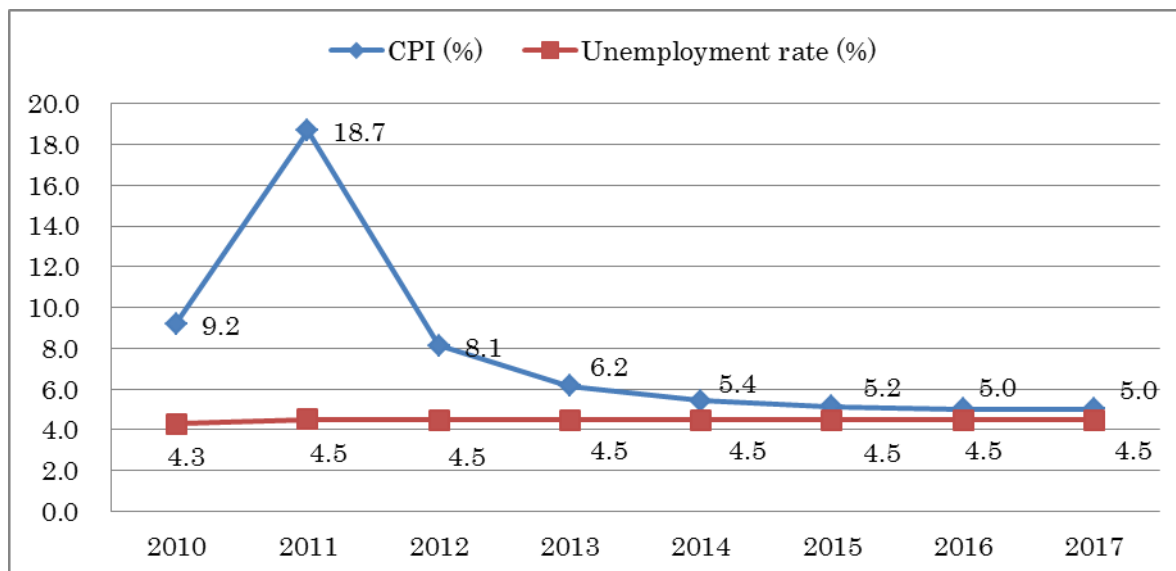
According to the “World Economic Outlook Database” issued by IMF in October 2012, although the growth rate of Vietnam’s GDP has shown signs of deceleration by declining from 6.8% in 2010 to 5.9% in 2011, and further to 5.1% in 2012, it is expected to turn up gradually to the level of 5.9%, 6.4%, 6.8%, 7.2%, 7.5% in the coming period of 2013-2017. Based on the result of this forecast, the average annual growth rate of GDP during the 5-year period from 2012 to 2017 is expected to be as high as 6.7%.



Resource: International Monetary Fund, “World Economic Outlook Database, October 2012”

Figure 3.1-7 Forecast of Vietnam’s Economic Growth by 2017

Besides, IMF's forecasts regarding inflation rate and unemployment rate are, generally speaking, optimistic. According to this, CPI is expected to decline from 18.7% in 2011 to the single-digit level of 8.1% in 2012, and to fall further down gradually to 6.2% in 2013, 5.4% in 2014, and 5% in 2016. Meanwhile, unemployment rate is expected to level off at 4.5% starting from 2011.



Resource: International Monetary Fund, "World Economic Outlook Database, October 2012"

Figure 3.1-8 Forecast of Vietnam's CPI and Unemployment Rate by 2017

3) Pessimistic Opinions among Private Business Circle

In contradiction to the IMF forecast, opinions heard from the local private business circle are far more pessimistic.

In late October, 2012, the result of an opinion survey was released by Vietnam Report JSC, a Vietnamese private consulting and evaluation company, which conducted the survey by interviewing the managers of 200 largest companies. According to this, 46% of the interviewees held that Vietnam's economy would remain stagnant throughout the year of 2013, while 44% considered the sluggish economy would not turn better until the middle of 2013.

In addition, many interviewees complained about their suffering from the credit crunch and their difficulty to borrow money. Although the Vietnamese Central Bank decided in mid-October to raise the growth rate of bank's lending from the existing 17% to 27% and thus announced its decision lower the lending interest rate to 15%, many companies claimed that they had actually not benefited from this new policy. The Vice President of Ho Chi Minh City Business Association revealed that many of its member companies had had to pay off their loan interest at the rate of 17% just as usual. Even the Vice President's company itself had been made to pay at a higher rate of 19.5%. Moreover, the Vice President of Vietnam Plastics Association pointed out the fact that although many companies were feeling agony brought by the burden of high interest rate, they had preferred not to make public their grievances for fear that they might be disqualified from borrowing further from the banks.

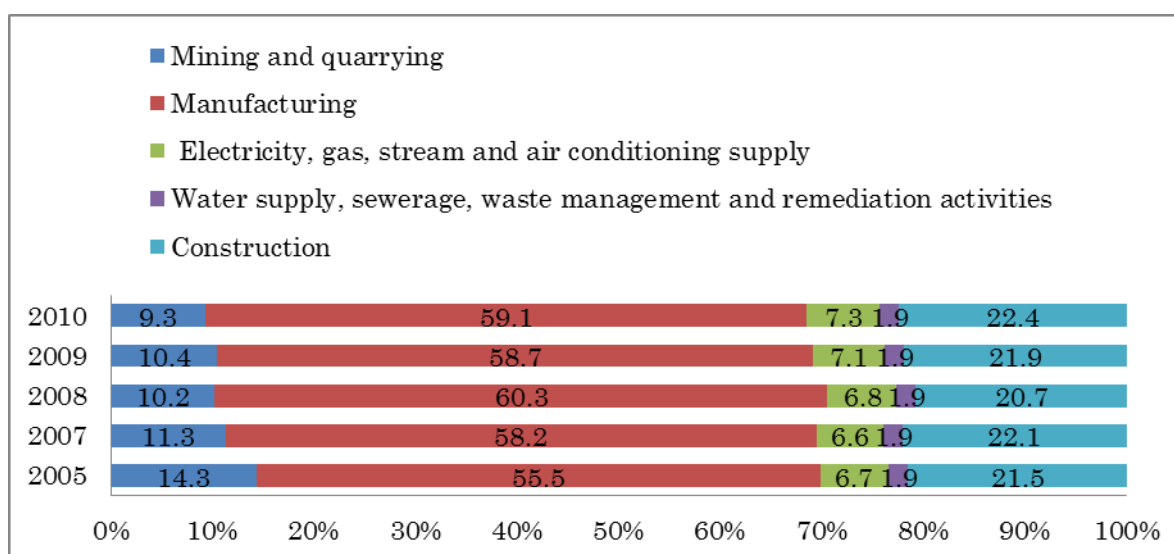
3.2 Current Situation of Vietnam’s Industry and Its Future Perspective

(1) Structure of Secondary Industry and the Trends

Secondary industry includes four sectors known as mining and quarrying, manufacturing, supply of electricity, gas, steam, air-conditioning, construction and water supply, sewage, waste treatment and disposal. Among them, the proportion of manufacturing sector is the largest, which had increased by 3.6 points to 59.1% in 2010 from 55.5% in 2005. Construction, as the the second largest sector next to manufacturing, had also expanded slightly 0.9 percentage points to 22.4 percent from 21.5 percent in 2005. Supply of electricity, gas, steam and air-conditioning had also expanded to 7.3% from 6.7% in the same period, while mining and quarrying had significantly reduced to 9.3% in 2010 from 14.3% in 2005, the only sector which had seen its share decreasing in the secondary industry. In addition, water supply, sewage, waste treatment and disposal sector had kept its share consistently at the level of 1.9%. (Figure 3.2-1)

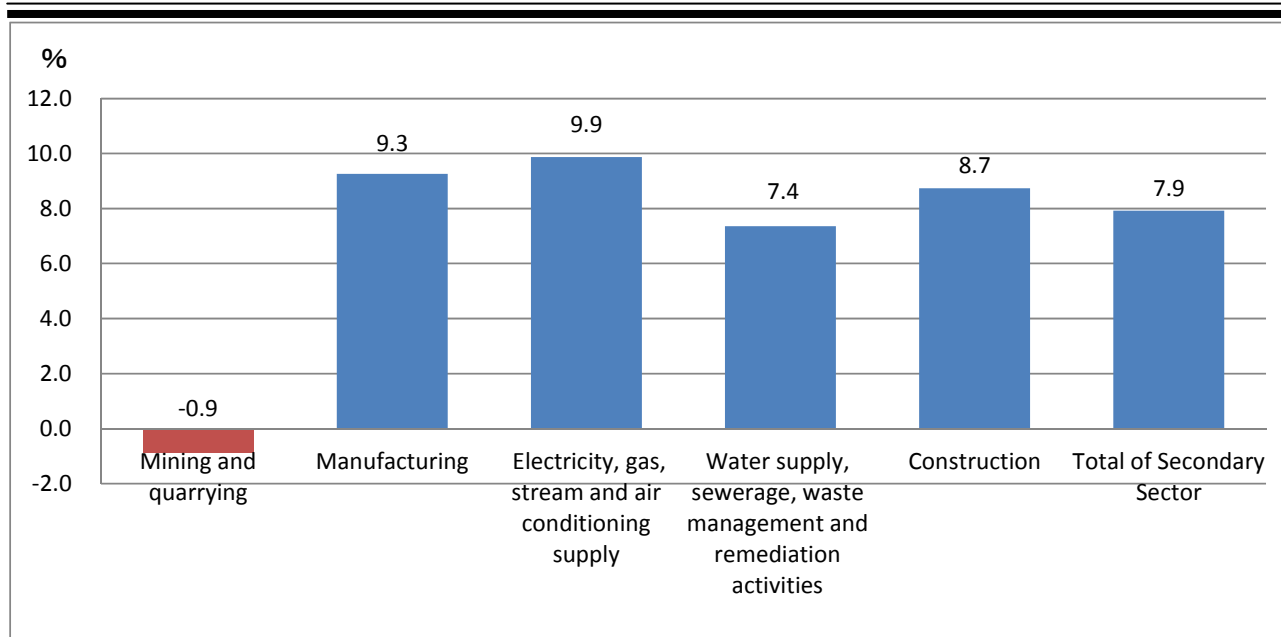
Relevant to these structural features and their respective trends, the average annual GDP growth rate of respective sectors of secondary industry in the period from 2005 to 2010 are as follows. As compared with the average growth rate of 7.9% for the entire secondary industry, the growth rates of manufacturing, supply of electricity, gas, steam and air-conditioning and construction are respectively 9.3%, 9.9%, and 8.7%, all exceeding the average value. But the growth rate of water supply, sewage, waste treatment and disposal sector is 7.4%, slightly lower than the average value, while that of mining and quarrying stands at -0.9%, registering a negative growth. (Figure 3.2-2)

The contrasting trends as seen between manufacturing sector and mining and quarrying sector can be understood as the evidence of a steady progress of industrialization in Viet Nam.



Source: Statistical Yearbook of Vietnam 2011

Figure 3.2-1 Trends in the Proportion of Sectors under the Secondary Industry (2005-2010)



Source: Statistical Yearbook of Vietnam 2011

Figure 3.2-2 Average GDP Growth Rate of Sectors under the Secondary Industry (2005-2010)

(2) Structure of Manufacturing Sector and the Trends

The structure of manufacturing sector and the trends of its respective subsectors are as follows. As of 2010, the food processing subsector was the largest, accounting for 20.6% of the entire manufacturing sector. The other subsectors that went into the top 10 following this are, in order from top to bottom, other non-metallic mineral products (9.1%), fabricated metal products (6.3%), rubber and plastic products (5.3%), other transportation equipment (5.0%), leather and related products (4.9%), apparel (4.7%), chemistry and chemical products (4.6%), textile (4.5%), basic metal (4.4%), computer, electronic and optical products (4.2%).

Trends in the proportion of different subsectors in the years from 2005 to 2010 are shown in Table 3.2-1, while Figure 3.2-3 created on the basis of this table reflects the respective position of each subsector among manufacturing sector and their changes in the period from 2005 to 2010.

According to this, the subsector of repair and installation of machinery and equipment which was at the bottom of among the whole sector did not change over the five-year period of 2005-2010, while the following 10 subsectors increased their respective proportion over the same period. These are coke and petroleum products, fabricated metal products, computer, electronic and optical products, other transportation equipment, basic metal, pharmaceuticals, medicinal chemical & botanical products, moto vehicles, other manufacturing, rubber and plastic products, and furniture.

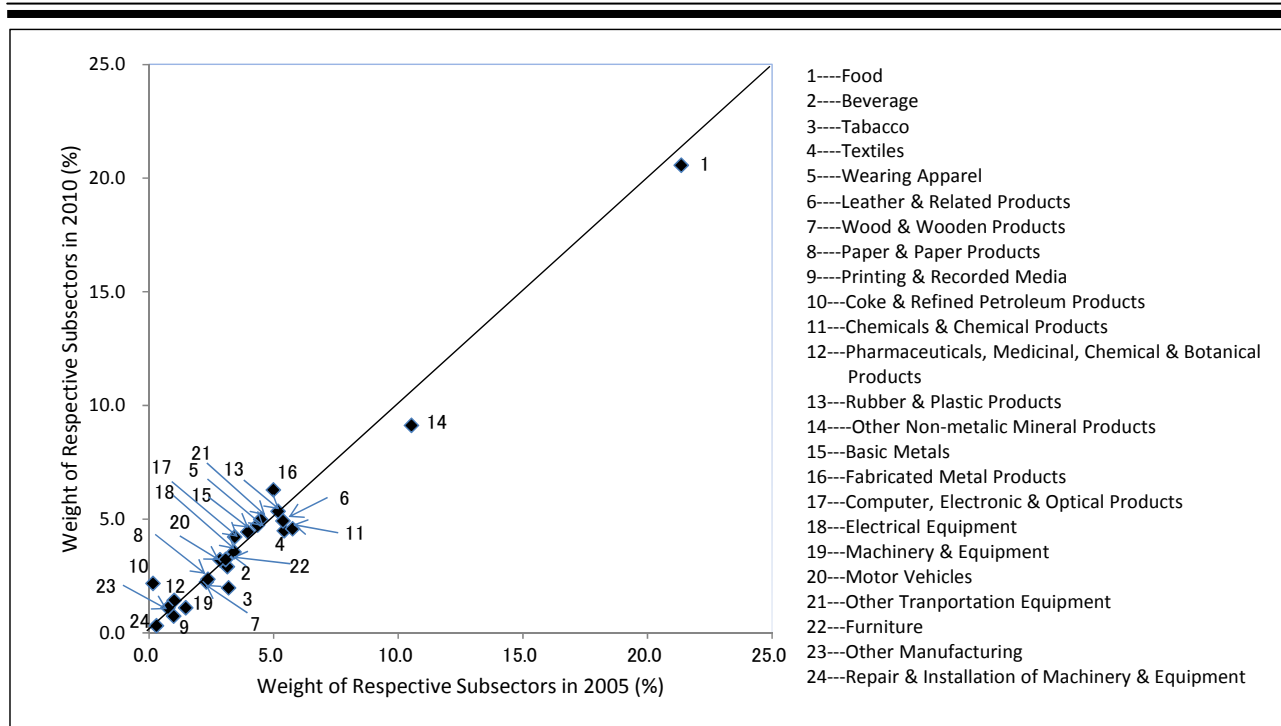
On the other hand, the other 11 subsectors having appeared to decrease their respective proportion are other non-metallic mineral products, tobacco, chemicals and chemical products, textile, food, leather and related products, machinery and equipment, beverages, printing & recorded media, wood and wood products, and paper and paper products.

However, it is a notable structural feature of the manufacturing industry that, in contrast to the traditional areas with high proportion such as food and other non-metallic mineral products mainly including building materials, areas of modern industry such as computer, electronic and optical products, electrical equipment, mechanical equipment, automobile still account for lower proportions.

Table 3.2-1 Proportion of Respective Subsectors in Manufacturing and the Trends (Unit: %)

		2005	2006	2007	2008	2009	2010
Total of Manufacturing		100.0	100.0	100.0	100.0	100.0	100.0
1	Food	21.4	21.3	21.1	21.1	21.0	20.6
2	Beverage	3.2	3.1	3.1	3.4	3.3	2.9
3	Tobacco	3.2	3.0	2.5	2.2	2.1	2.0
4	Textile	5.4	4.9	5.1	4.7	4.6	4.5
5	Apparel	4.4	4.3	4.6	4.7	4.7	4.7
6	Leather and Related Products	5.4	5.0	4.9	4.8	4.6	4.9
7	Wood and Wood Products	2.3	2.4	2.2	2.1	2.2	2.2
8	Paper and Related Products	2.4	2.4	2.3	2.5	2.4	2.3
9	Printing and Recorded Media	1.0	0.9	0.7	0.7	0.7	0.7
10	Coke and Petroleum Products	0.2	0.1	0.1	0.1	0.7	2.2
11	Chemicals and Chemical Products	5.8	5.7	5.6	5.3	5.3	4.6
12	Pharmaceuticals, Medicinal Chemical & Botanical Products	1.0	1.0	1.0	1.1	1.1	1.4
13	Rubber and Plastics	5.2	5.4	5.3	5.6	5.3	5.3
14	Other Non-metallic Mineral Products	10.5	9.6	9.6	9.3	9.9	9.1
15	Basic Metals (Iron & Steel)	4.0	3.9	3.7	3.8	3.9	4.4
16	Fabricated Metal Products	5.0	5.1	5.6	5.8	6.0	6.3
17	Electronic, Optical & Electrical Products	3.4	3.9	3.9	4.0	4.0	4.2
18	Electrical Equipment	3.4	3.7	4.4	4.1	3.9	3.6
19	Machinery and Equipmen	1.5	1.7	1.1	1.2	1.1	1.1
20	Motor Vehicles	2.9	3.3	2.7	3.2	3.3	3.2
21	Other Transportation Equipment	4.5	5.2	5.6	5.6	5.5	5.0
22	Furniture	3.1	3.0	3.5	3.3	3.1	3.2
23	Other Manufacturing	0.8	0.7	0.9	1.0	1.0	1.1

Source: Statistical Yearbook of Vietnam 2011



Source: Statistical Yearbook of Vietnam 2011

Figure 3.2-3 Proportion of Respective Subsectors in Manufacturing and the Trends (2005-2010)

(3) Future Perspective of Industry

Provided the goal of "Modern Industrialized Society" set forth in the "Socio-Economic Development Strategy (SEDS) 2011-2020" by the Vietnamese government as previously described can be achieved, both the proportion of secondary industry to Vietnam's GDP and the proportion of manufacturing sector to the secondary industry are expected to rise further from the current level.

In addition, with regard to the prediction of how the proportion of respective subsectors to the total of manufacturing industry will change with the progress of industrialization, the trend of structural change in the manufacturing industry in the past few years and the trend of investment by Japanese companies to be described later should be important materials for judging.

According to Table 3.2-1 and Figure 3.2-3 above, the subsectors that have seen their proportions increasing over the past few years are coke and refined petroleum product, fabricated metal products, other transportation equipment, computer, electronic and optical products, iron and steel, pharmaceuticals, medicinal, chemical and botanical products, and automobiles. Among them, coke and refined petroleum product, fabricated metal products, other transportation equipment, and computer, electronic and optical products respectively account for relatively higher proportion. Accordingly they are worthy of attention as promising subsectors in the future.

Moreover, when looking at the number and percentage of Japanese companies that have moved into the industrial zones in terms of subsector to be described later, manufacturing of machinery and equipment (21%), electrical and electronic products (19%), plastics (7%), textile (7%), and automobiles (7%) are dominant.

Therefore, machinery equipment, electrical equipment, plastics, textile and automobiles should also be considered promising in the future.

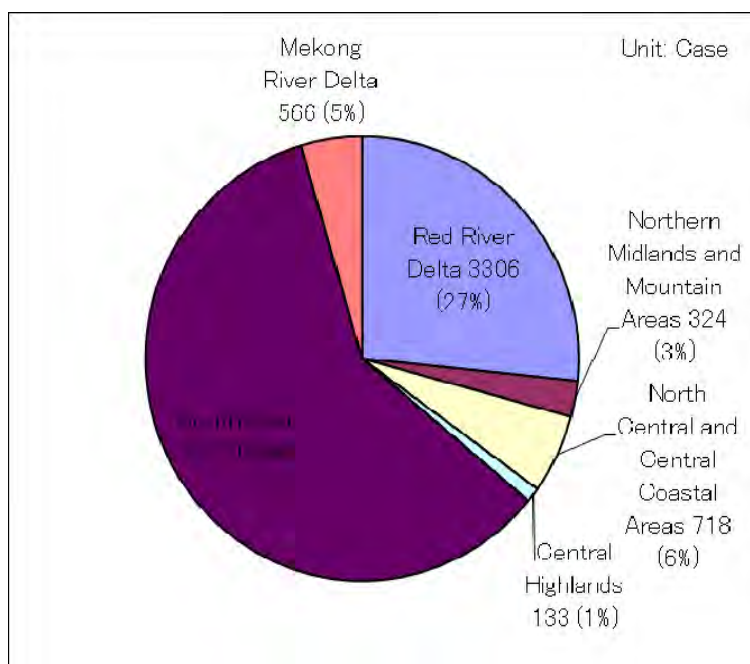
3.3 Trends of Japanese Companies' Expansion and Investment in Viet Nam

(1) Overview of Foreign Direct Investment (FDI) in Viet Nam

By the end of December 2010, the total number of FDI cases in the country of Vietnam had been 12,463, which had generated a total amount of \$ 194.57 billions, with the average amount per case standing at \$ 15.6 millions. When dividing the whole country into 6 regions known as the Red River (Song Koi Rier) Delta Region, Northern Midlands and Mountain Region, North Central and Central Coastal Region, Central Highlands Region, South East Region, and the Mekong River Delta Region, the actual situation of FDI in respective regions are as indicated in Figure 3.3-1, 3.3-2, 3.3-3 .

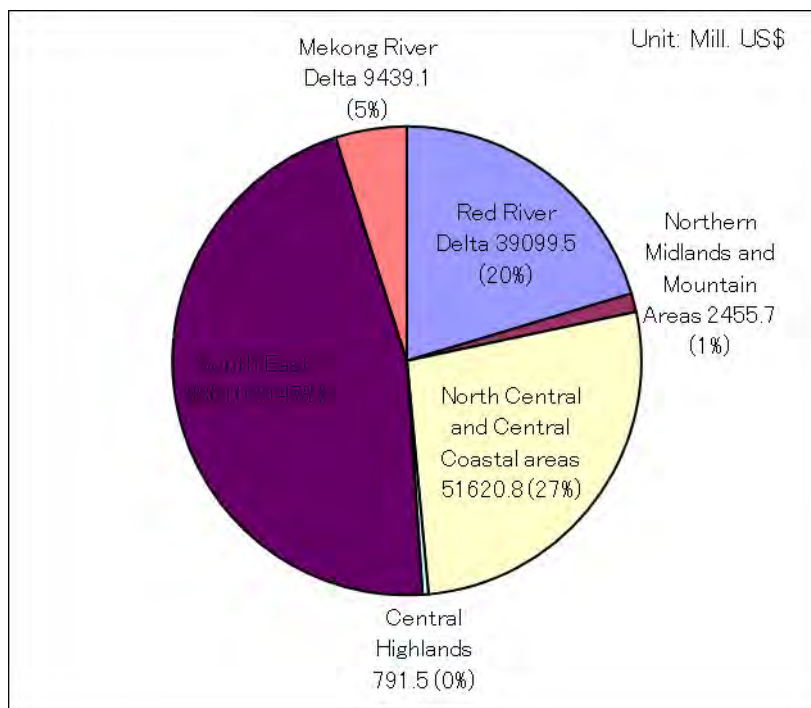
With regard to the number of cases, South Eastern Region occupies the top spot with the number of 7,377 cases, while the other 5 regions with their number of cases from top to bottom are Red River Delta Region with 3,306 cases, North Central and Central Coastal Region with 718 cases, Mekong River Delta Region with 566 cases, Northern Midlands and Mountain Region, with 324 cases, and Central Highlands Region with 133 cases.

When looking at the amount, South East Region also tops the others with \$88.61 billion, while North Central and Central Coastal Region ranks second with \$52.62 billion, and the regions ranking third and below are Red River Delta Region with \$39.1 billion, Mekong River Delta Region with \$9.44 billion, Northern Midlands and Mountain Region with \$2.46 billion and Central Highlands Region with \$790 million.



Source: Statistical Yearbook of Vietnam 2011

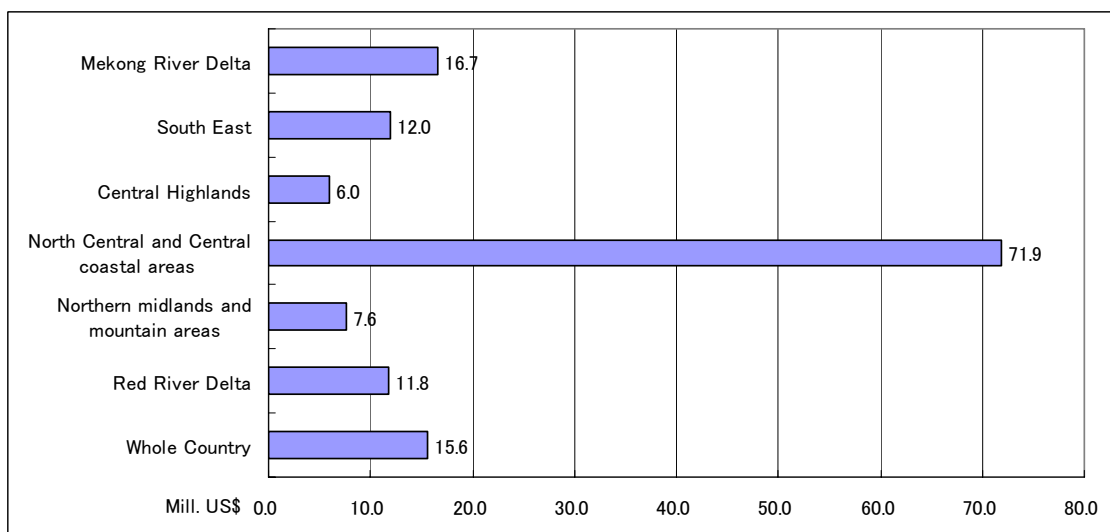
Figure 3.3-1 Proportion of Respective Regions to Total FDI in Terms of Number of Cases (Cumulative Total by the End of 2010)



Source: Statistical Yearbook of Vietnam 2011

Figure 3.3-2 Proportion of Respective Regions to Total FDI in Terms of Amount of Capital (Cumulative Total by the End of 2010)

With relation to the above, North Central and Central Coastal Region is top at \$71.9 millions in trms of average size of investment per case, and the second place is taken by Mekong River Delta Region with \$16.7 millions, both exceeding the national average level of \$15.6 millions. As for the other regions, South East Region stands at \$12 millions, Red River Delta Region at \$11.8 millions, Northern Midlands and Mountain Region at \$7.6 millions, Central Highlands Region at \$6 millions, all below the national average level



Source: Statistical Yearbook of Vietnam 2011

Figure 3.3-3 Comparison of Average Size of FDI by Region(Cumulative Total by the End of 2010)

(2) FDI in Terms of Cumulative Total and Average Size

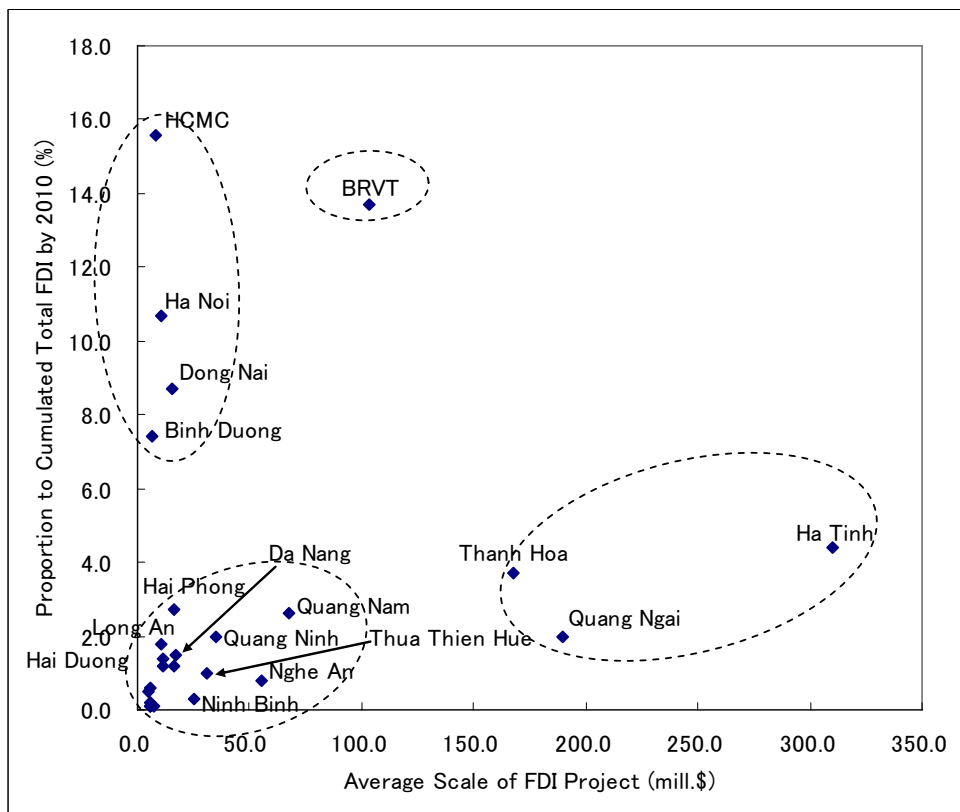
When viewing the FDI in 25 provinces and cities targeted in this study both in terms of cumulative total (up to the end of 2010) and in terms of average size as illustrated in Figure 3.3-4, the 25 provinces and cities can be divided into 4 groups, with the first group characterized by large cumulative total but small average size, the second group by small cumulative total but large average size, the third group by both large cumulative total and large average size, and the fourth group by both small cumulative total and small average size.

To be more specific, provinces and cities in the first group all account for more than 7% of the national cumulative total amount of FDI on the one hand, and the average size of FDI per case in this group is below \$15 millions on the other. 4 provinces and cities included in this group are Ho Chi Minh City, Hanoi, Dong Nai and Binh Duong. To take Ho Chi Minh City as a typical example, while accounting for 15.6% of the whole nation's cumulative total amount of FDI and topping all the other provinces and cities in this category, its average size of FDI per case is not more than \$8.3 millions. It is obvious that the foreign investors are dominantly small and medium-sized enterprises.

With regard to the second group, proportion of each province to the whole nation in terms of cumulative total amount of FDI is lower than 5%, while the average size of FDI per case is over \$160 millions, indicating that the FDI projects are mainly in large scale. Included in this group are 3 provinces known as Ha Tinh, Thanh Hoa and Quang Ngai.

The third group in fact consists of the only one province of Ba Ria-Vung Tau. Its cumulative total amount of FDI accounts for 13.7% of that of the whole nation, ranking second among all the provinces and cities and meanwhile its average size of FDI stands at over \$100 millions, suggesting a feature of comparatively large scale investment project.

The fourth group consists of the remaining 17 provinces and cities. Each province or city of this group accounts for less than 3% of the country's cumulative total amount of FDI, while the average size of FDI project is below \$75 millions. This group includes major provinces and cities like Hai Phong, Da Nang, Long An, Quang Nam etc.



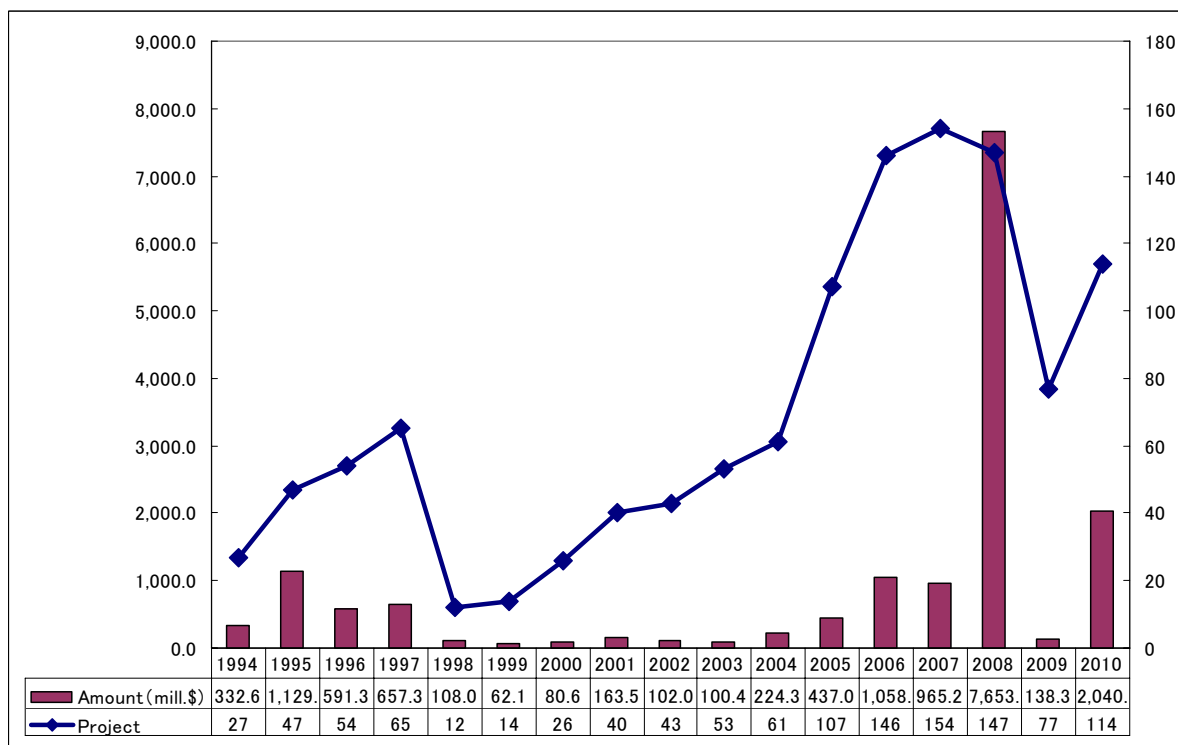
Source: Statistical Yearbook of Vietnam 2011

Figure 3.3-4 Distribution of 25 Major Provinces and Cities in Terms of Cumulative Total Amount and Average Size of FDI (Cumulative Total by the End of 2010)

(3) Trends of Japanese Companies' Expansion and Investment

1) Performance of Expansion and Investment Up to 2010

Although the Japanese companies' full-scale business expansion to Viet Nam started from 1994, due to the impact of the Asian financial crisis originated in 1997, their FDI to Viet Nam in 1998 fell in both amount of capital and number of cases from \$660 millions and 65 cases of the previous year to \$110 millions and 12 cases. Although the number of cases started to recover later in 1999, the amount of FDI remained stagnant until 2003. The number and amount set to increase together from 2004, but the number of cases reached its peak at 154 in 2007, while the amount peaked at \$7.65 billions in 2008. Owing to the adverse effects of the collapse of Lehman Brothers, the number and amount of Japanese FDI declined sharply again to 77 cases and \$140 millions in 2009, though it showed signs of upturn again by rebounding to 114 cases and \$2.04 billions in 2010. . (Figure 3.3-5)



Source: Presentation Material of Viet Nam Seminar (Sept.13, 2011) "Latest Development of Viet Nam's Economy and Japanese Companies in Viet Nam Now" by Morobe Hiroyuki, Chief Researcher of Overseas Research Department of JETRO

Figure 3.3-5 Trends of Japanese Companies' FDI to Viet Nam in Terms of Amount and Number of Cases

2) Trends of Expansion and Investment in Viet Nam After 2011

Against the background of enhanced economic cooperation between Japan and Viet Nam simulated by the successive announcements of "Japan-Viet Nam Joint Statement" by the leaders of the two countries in 2010 and 2011, Japanese companies' FDI to Vietnam rose to \$2.44 billions in 2011, becoming the second largest investor next to Hong Kong. Moreover, the cumulative total amount of Japan's FDI to Viet Nam jumped to the first place at \$27.49 billions as of May, 2012, far exceeding that of Korea which stands at the second place (\$ 23.93 billions) (Table 3.3-1,3.3-2)

It should be noted that, according to "The Saigon Times Daily" of May 28, 2012, Japanese companies' FDI to Viet Nam accelerated even further in 2012, registering a total amount of \$3.7 billions in the first 5 months of this year, ascending to the top spot surpassing British Virgin Islands, Hong Kong and South Korea.

Table 3.3-1 FDI to Viet Nam in 2011 by Country

Order	Source of FDI by Country or Region	Amount (\$100 millions)
1	Hong Kong	30.9
2	Japan	24.4
3	Singapore	22.1
4	Korea	14.7

Order	Source of FDI by Country or Region	Amount (\$100 millions)
5	China	7.5
6	Taiwan	5.7
7	Virgin Islands	4.8
8	Malaysia	4.5
9	Luxembourg	4
10	Netherland	4

Source: Viet Nam Foreign Investment Agency

Table 3.3-2 FDI to Viet Nam by Country (Cumulative Total Up to May,2012)

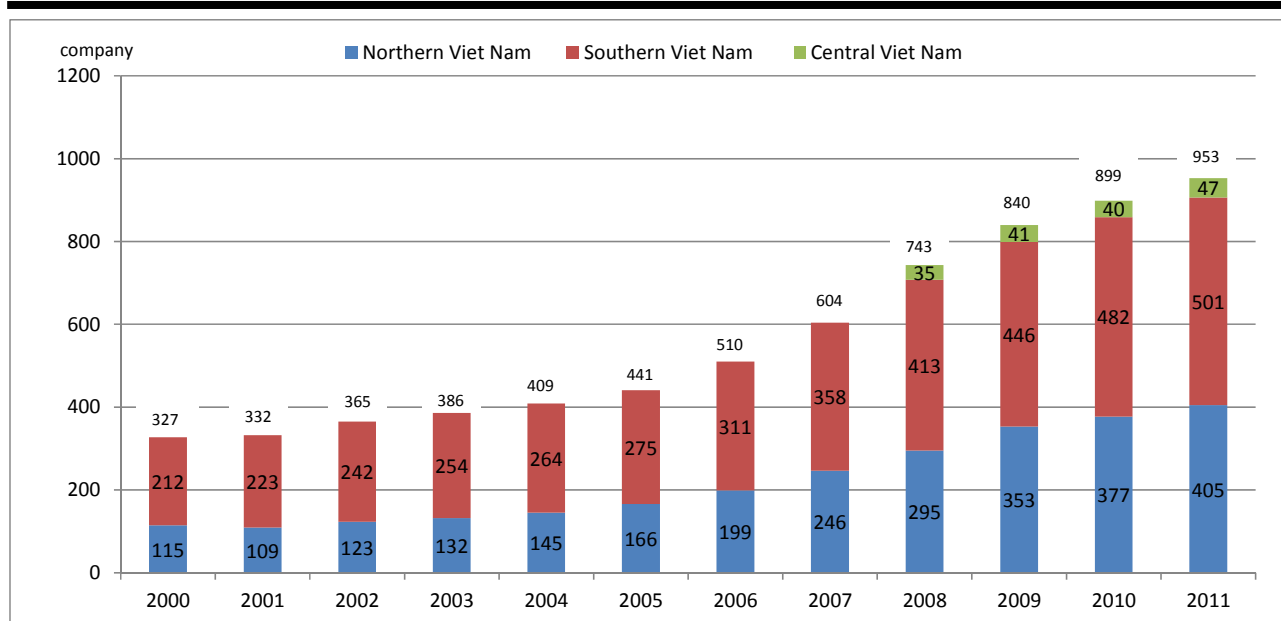
Order	Source of FDI by Country or Region	Amount (\$100 millions)
1	Japan	274.9
2	Korea	239.3
3	Taiwan	236.5
4	Singapore	230.1
5	Virgin Islands	154.6
6	Hong Kong	117.1
7	Malaysia	111
8	United States	104.4
9	Cayman Islands	75
10	Netherland	59.2

Source: Viet Nam Foreign Investment Agency

3) Changes in the Number of Japanese Business Association Member Companies in Viet Nam

The majority of Japanese companies that have expanded across the country of Viet Nam are members of either Japanese Business Association of Viet Nam (JBAV for companies in northern Viet Nam), or Japanese Business Association of Ho Chi Minh City (for companies in southern Viet Nam), or Japanese Business Association of Da Nang (JBAD for companies in central Viet Nam). Therefore, although the 3 Japanese Business Associations can not necessarily cover all the Japanese companies in Viet Nam, it is understood that the number of their members reflects the majority.

As shown in Figure 3.3-6, at the time of 2000, the total number of member companies of Japanese Business Associations in Viet Nam was 327, out of which 212 were members of JBAH, and 115 were members of JBAV. In 2008, with the establishment of JBAD in central Viet Nam, the total number grew up to 743 and further ascended to 953 in 2011. As of 2011, while JBAV and JBAD had 405 and 47 member companies respectively, the number of JBAH member companies in southern Viet Nam reached 501, maintaining the top spot as usual.



Source: Presentation Material of Viet Nam Seminar (Sept.13, 2011) "Latest Development of Viet Nam's Economy and Japanese Companies in Viet Nam Now" by Morobe Hiroyuki, Chief Researcher of Overseas Research Department of JETRO

Note: Data of JIBAV, JBAH and JBAD are used respectively for Northern Viet Nam, Southern Viet Nam and Central Viet Nam.

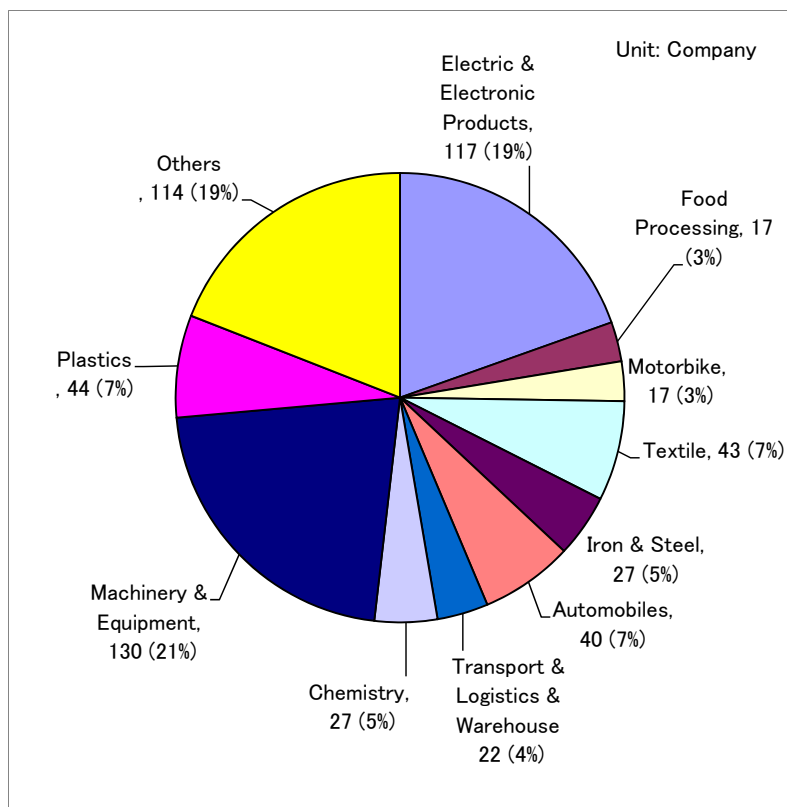
Figure 3.3-6 Changes in the Number of Japanese Business Association Member Companies in Viet Nam

4) Composition by Sector of Japanese Companies Having Moved into the Main Industrial Zones (Izs)

According to the data obtained in the investigation conducted by the JICA study team, the composition by sector of Japanese companies that have moved into the major existing IZs in 21 provinces and cities of 21 Viet Nam is shown in the figure below.

Of the 598 Japanese companies having moved into major existing IZs as understood by the study team, those of machinery and equipment tops the others with the number of 130 (21%), while the subsector of electrical and electronic products occupies the second place with the number of 117 (19%). As the 2 subsectors put together account for about 40% of the total, significantly higher than other subsectors, they can be seen as typical areas of investment by Japanese companies in Vietnam.

Next to this, another 3 subsectors where comparatively more Japanese companies have extended their business are plastics, textile and automobiles, which respectively account for 44 (7%), 43 (7%) and 40 (7%). The other key subsectors worthy of mentioning are steel and chemistry with 27 companies (5%) each, transportation and logistics and warehouse with 22 companies (4%), food processing and motorbike with 17 companies (3%) each.



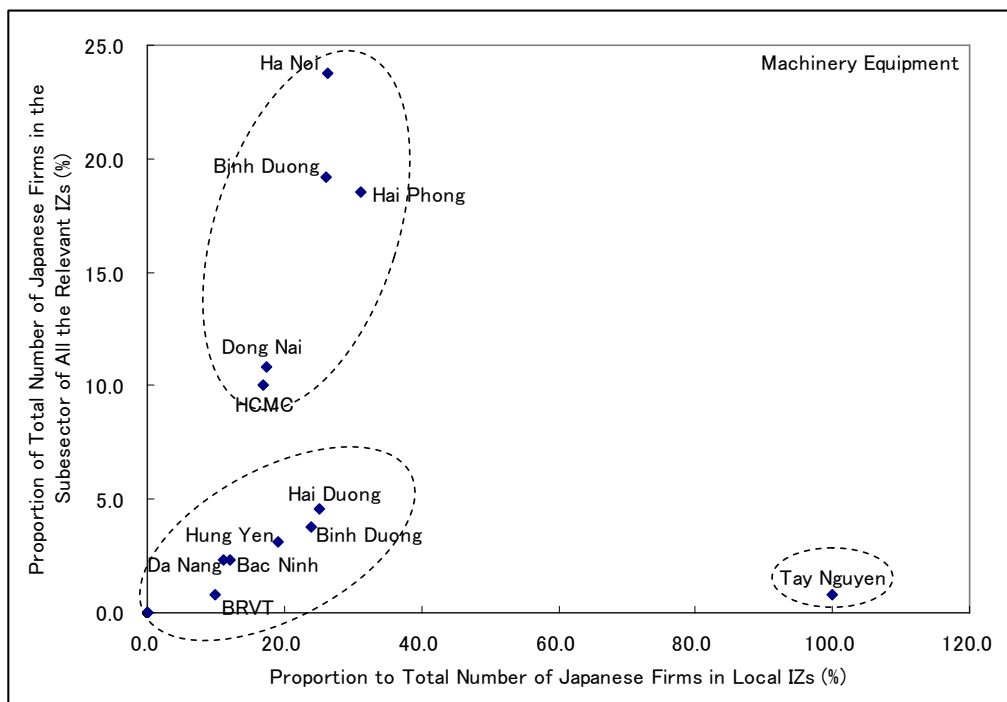
Source: JICA Study Team

Figure 3.3-7 Number and Share by Subsector of Japanese Companies Having Moved into Major IZs in Viet Nam

5) Distribution of Japanese Companies Having Moved into IZs by Major Subsector

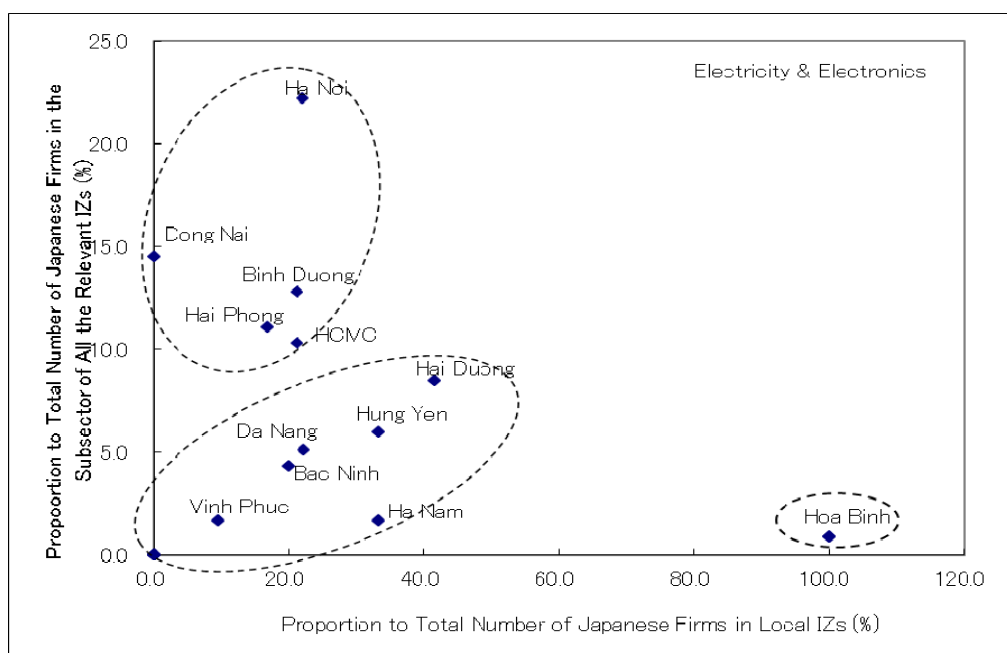
With regard to the above-mentioned subsectors, when focusing on the 7 subsectors with relatively more Japanese companies moving into the IZs, i.e. machinery and equipment, electric and electronic products, plastics, textiles, automobiles, iron & steel and chemistry, the regional distribution of Japanese companies in each sector is as follows.

In the field of machinery and equipment, Japanese corporate tenants in the IZs of Ha Noi, Binh Duong, Hai Phong, Dong Nai and Ho Chi Minh City respectively account for more than 10% of the total number of Japanese companies in the same field across Viet Nam, and meanwhile they account for 17-31% of Japanese companies in respective local IZs. In other words, these 5 provinces and cities exist as major production sites of Japanese companies in the field of machinery and equipment, while the presence of this field among Japanese companies in respective local IZs is also comparatively important. In contrast to this, Japanese companies of this field in other provinces account for less than 5% of or the respective local IZs. But it needs to point out that in the case of the IZ in Thai Nguyen Province, there is only one Japanese tenant, which happens to be a machinery and equipment company. (Figure 3.3-8)



Source: JICA Study Team

Figure 3.3-8 Regional Distribution of Japanese Tenants of IZs in the Field of Machinery & Equipment

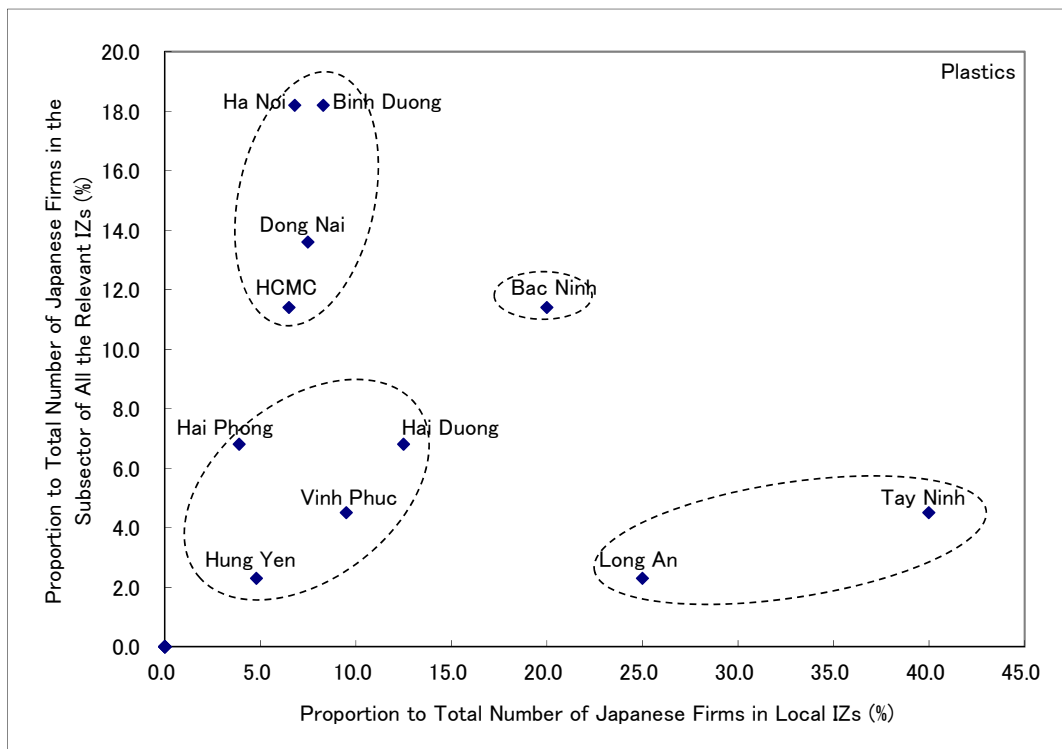


Source: JICA Study Team

Figure 3.3-9 Regional Distribution of Japanese Tenants of IZs in the Field of Electricity & Electronics

In the field of electricity and electronics, in the five provinces and cities of Hanoi, Dong Nai, Binh Duong, Hai Phong and Ho Chi Minh City, the number of Japanese corporate tenants respectively account for more than 10% of the total number of Japanese companies in the same field across Viet Nam, and at the same time, they account for less than 23% of Japanese corporate tenants in respective local IZs. It is worth noting that Ha Noi occupies

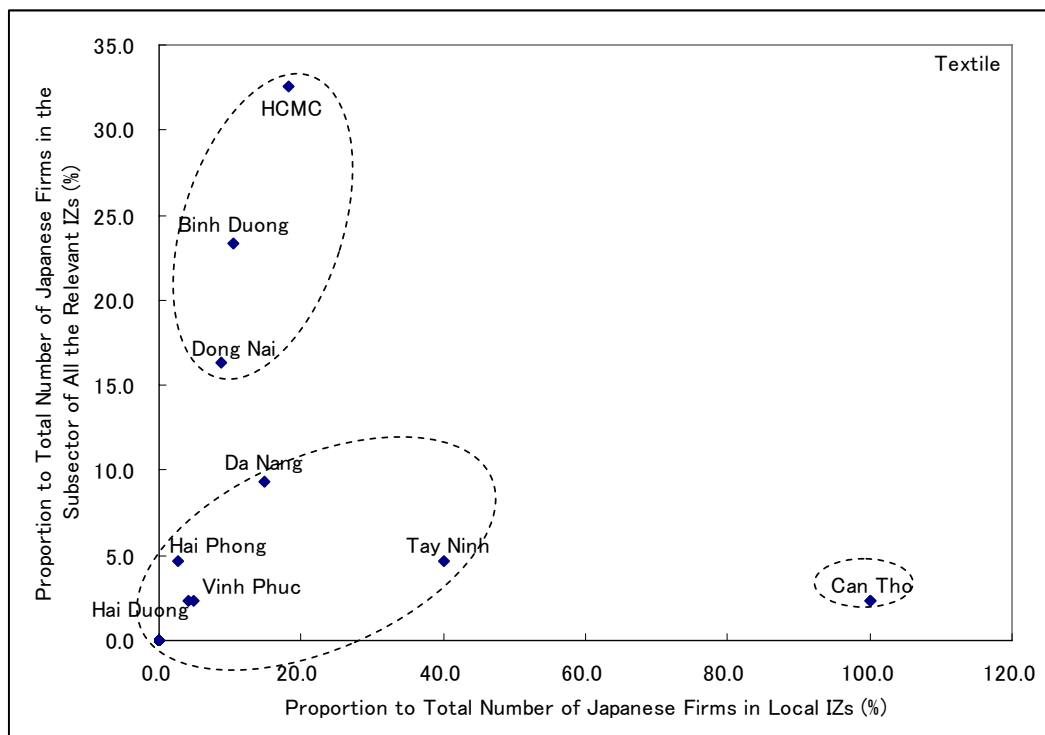
the top spot in terms of Japanese corporate tenants of IZs not only in machinery and equipment as mentioned above but also in the field of electricity and electronics. As for the IZs of other provinces and cities, the proportion of Japanese tenants of this field to the total number of Japanese tenants of respective local IZs is less than 10%. In the case of Hoa Binh Province, there is only one Japanese tenant of local IZ, which is a company of the electrical and electronic field. (Figure 3.3-9)



Source: JICA Study Team

Figure 3.3-10 Regional Distribution of Japanese Tenants of IZs in the Field of Plastics

In the field of plastics, the number of Japanese corporate tenants of local IZs in the four provinces and cities of Ha Noi, Binh Duong, Dong Nai, Ho Chi Minh City also account for more than 11% of the total number of Japanese tenants of IZs in the same field across Viet Nam, but their proportion to the number of all Japanese tenants of respective local IZs is less than 9%. In the case of Bac Ninh Province. Japanese tenants in this field accounts for 11.4% of the total number of Japanese tenants of IZs in the same field across Viet Nam, and at the same time, its proportion to the total number of Japanese tenants of the local IZ reaches 20%, higher than the above-mentioned four provinces and cities. With regard to the other provinces and cities, the proportion of Japanese tenants of local IZs to the total number of Japanese companies in the same field across Viet Nam.. Among them, in the cases of Tay Ninh and Long An, the proportion of Japanese tenants in the field of plastics to the total number of Japanese companies of local IZs is 25% and 40%, respectively, relatively higher than that of the other provinces. (Figure 3.3-10)



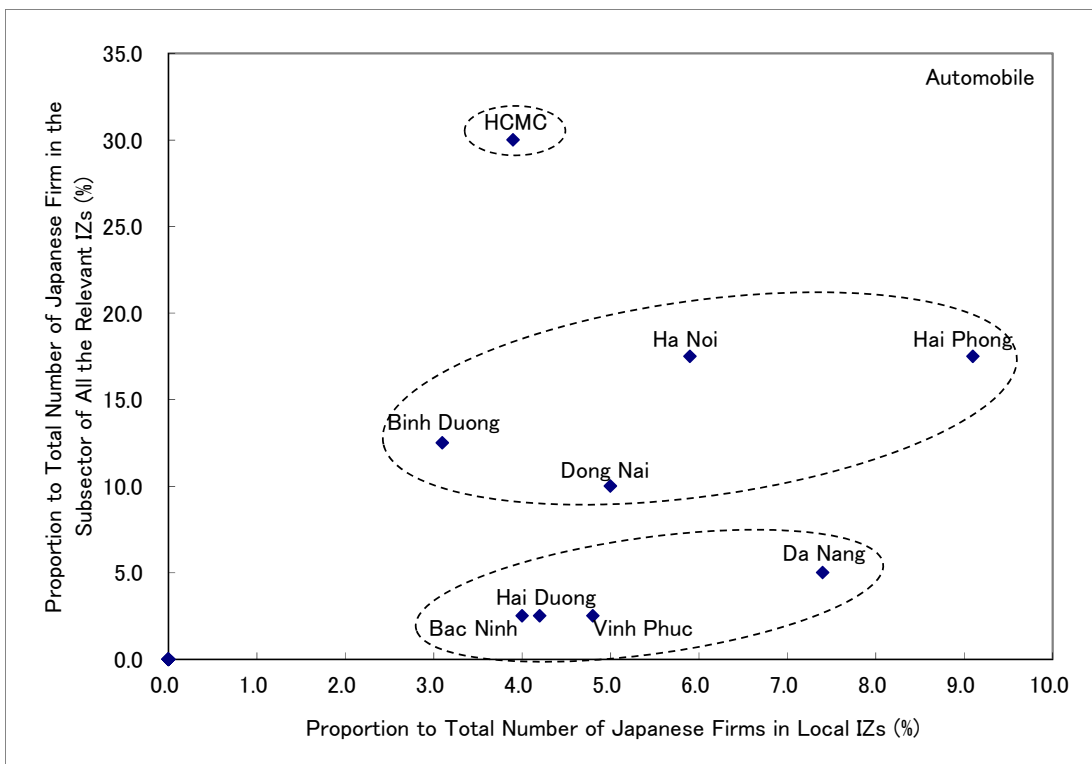
Source: JICA Study Team

Figure 3.3-11 Regional Distribution of Japanese Tenants of IZs in the Field of Textile

In the field of Textile, the number of Japanese corporate tenants of local IZ is higher in Ho Chi Minh City, Binh Duong, and Dong Nai, the three major provinces and city in the south. Their respective proportions to the total number of Japanese tenants of IZs in the same field across the whole country stand at 16-33%. As for the other regions, the same figure is less than 10%. In the case of Can Tho Province, there is only one Japanese tenant in the local IZ, which is a textile company. (Figure 3.3-11)

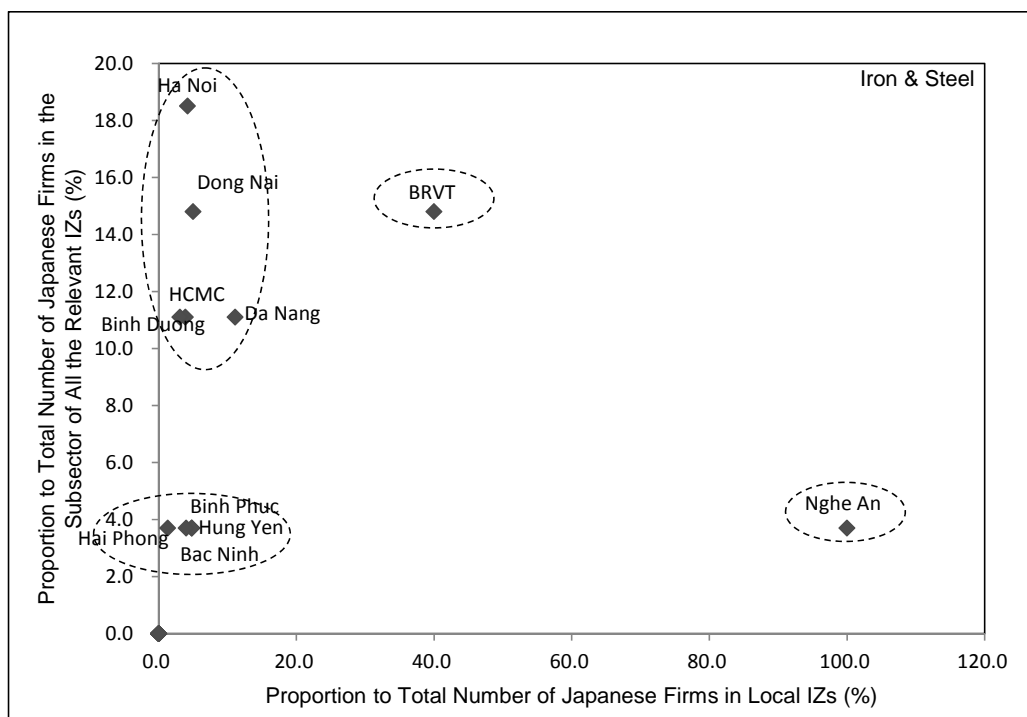
In the field of automobile, Ho Chi Minh City tops the other regions in terms of Japanese tenants of local IZ, which accounts for 30% of the total number of Japanese companies in this field across the whole country. Next to it are the four regions of Hanoi, Hai Phong, Binh Duong and Dong Nai, which account for 10-18% respectively. As for the other four regions such as Da Nang, Vinh Phuc, Hai Duong and Bac Ninh, their respective proportions are all below 5%. (Figure 3.3-12)

Regarding the field of Iron & Steel, the number of Japanese corporate tenants of local IZ is relatively higher in the five provinces and cities of Hanoi, Dong Nai, Ba Ria-Vung Tau, Da Nang, Ho Chi Minh City and Binh Duong. Their respective proportions to the total number of Japanese tenants in this field across Viet Nam are all above 11%. Among them, Japanese tenants of this field in Ba Ria-Vung Tau accounts for more than 40% of the total. As for the other regions like Nghe An, Vinh Phuc, Hung Yen, Bac Ninh and Hai Phong, the number of Japanese tenants accounts for not more than 3.7% of the total number of Japanese tenants of the same field across the whole country. With regard to Nghe An Province, the only one Japanese tenant in the local IZ is a steel company. (Figure 3.3-13)



Source: JICA Study Team

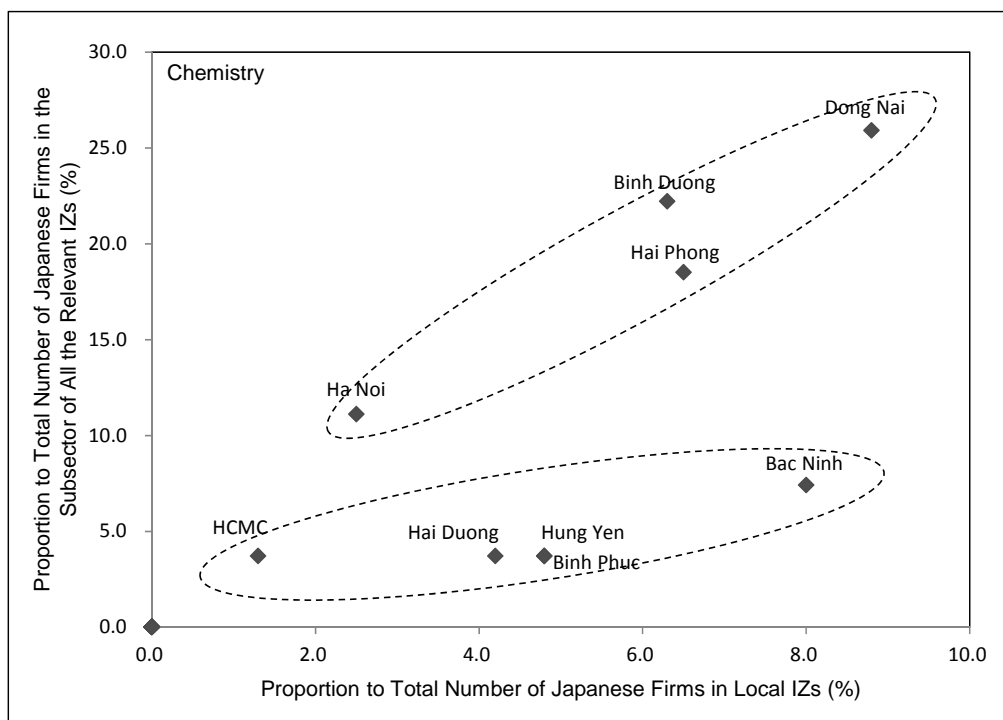
Figure 3.3-12 Regional Distribution of Japanese Tenants of IZs in the Field of Automobile



Source: JICA Study Team

Figure 3.3-13 Regional Distribution of Japanese Tenants of IZs in the Field of Iron & Steel

In the field of chemistry, the major provinces and cities can be basically divided into two groups based on their respective proportion of Japanese tenants' number of the local IZ to that of the whole country in the same field. The first group includes four provinces and cities of Dong Nai, Binh Duong, Hai Phong and Hanoi, all of which are the above the level of 11% in terms of the above-mentioned figure, while the second group with the five regions of Bac Ninh, Hung yen, Vinh Phuc, Hai Duong and Ho Chi Minh City is characterized by the same figure lower than 8%. In addition, for both of the two groups, the respective proportions of Japanese tenants in the field of chmeistry to the total number of Japanese tenants of local IZs are all less than 9%.. (Figure 3.3-14)



Source: JICA Study Team

Figure 3.3-124 Regional Distribution of Japanese Tenants of IZs in the Field of Chemistry

3.4 Overview of Economic Zones in Viet Nam

As the results of guarantee by the Foreign Investment Law revised in 2007 to ensure not to confiscate assets of foreign investors or not to nationalize the foreign-owned companies, the promotion of foreign investments was succeeded in attracting more than 12,500 foreign direct investment (FDI) and accepted more than \$ 1,944 billion foreign capital by 2009. Then the development of industrial zones was actively undertaken. In order to receive those investments in many regions and 291 industrial zones, including those under planning, were undertaken by the end of 2011,.

Table 3.4-1 Industrial zones in Vietnam

Region	Base City	Number of Industrial zone
Northern Region	Ha Noi	64
Central Region	Da Nang	40
Southern Region	Ho Chi Minh City	143
Mekong Delta	Canto	44
TOTAL		291

Sources: Compiled by the Study Team with the Collected Information.

The development of above industrial zones are concentrated in the metropolis area and resulted to expand the economic gap among developed regions and other regions being behind economic development. In order to reduce those economic gaps among those regions, development of economic infrastructure, such as transportation and social infrastructure was proposed by the Prime Minister in 1980s and 15 Economic Zones were appointed by 2010 across the country. In particular, the government intended to focus on the development of the Central Region where the economic development has been behind and therefore designated 10 Economic Zones out of 15 were in the central region. The development system itself of the Economic Zones has been conceived by the model of Special Economic Zone (SEZ) in China to exempt political and economic system under the communist regime in order to establish special economic activities in SEZ, which is called "two systems in one country", whereas the Economic Zone of Vietnam was established without touching the political system itself of the communist regime. It is the difference of economic zones in China and Vietnam which is promoting investments only by incentives for aspects of the tax system. Economic Zones that have been approved by the Minister to date are shown in the following table 3.43-2.

Table 3.4-2 Economic Zones in the Country

No.	Region	Names of Economic Zones	Province	Approved	Area (ha)
1	North	Van Don	Quang Ninh	2007	217,133
2	North	Din Vu Cat Hai	Hai Phong	2009	21,600
3	North-Central	Nghi Son	Thanh Hoa	2006	18,611
4	North-Central	Dong Nam Nghe An	Nghe An	2007	18,826
5	North-Central	Vung Ang	Ha Tinh	2006	22,781
6	North-Central	Hon La	Quang Binh	2008	10,000
7	North-Central	Chang May - Lang Co	Thua Thien Hue	2006	27,108
8	South-Central	Chu Lai	Quang Nam	2003	27,040
9	South-Central	Dung Quat	Quang Ngai	2005	10,300
10	South-Central	Nhon Hoi	Binh Dinh	2005	12,000
11	South-Central	Nam Phu Yen	Phou Yen	2008	20,730

No.	Region	Names of Economic Zones	Province	Approved	Area (ha)
12	South-Central	Van Phong	Khanh Hoa	2006	150,000
13	Mekong Delta	Dinh An	Tra Vinh	2009	39,020
14	Mekong Delta	Phu Quoc	Kien Giang	2006	56,100
15	Mekong Delta	Nam Cam	Ca Mau	2010	11,000

Source : Ministry of Planning and Investment

Development of Economic Zones is proposed by Economic Management Council of each province and agreed by the Peoples Committee, and finally approved by the Prime Minister and permitted to start the development. Locations and Names of approved and permitted Economic Zones are shown in the Figure 3.4-1 below.

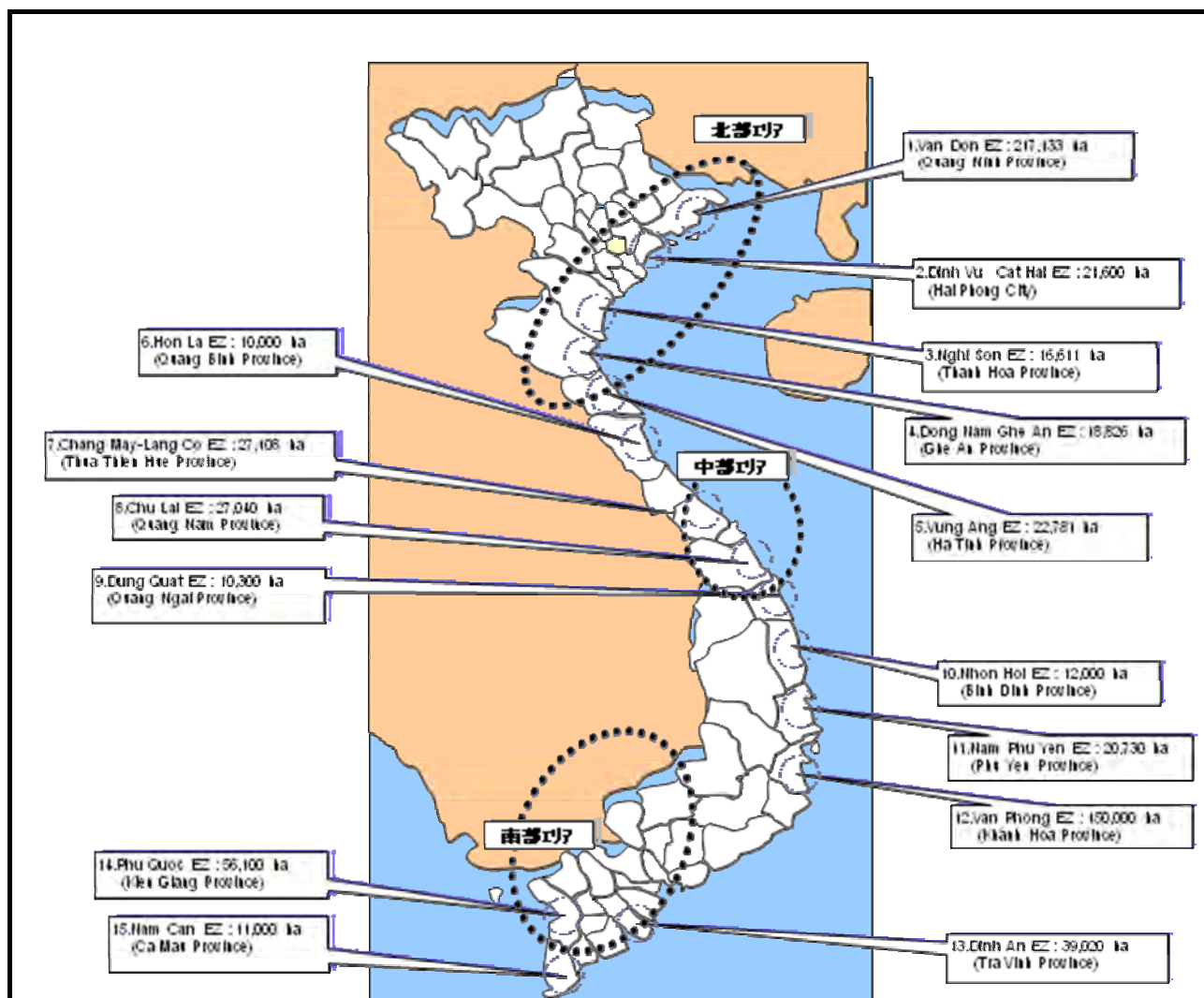


Fig. 3.4-1 Economic Zones in the Country

(Source : Produced by the Study Team with Information of Each province)

Chapter4. Outline of relevant Vietnamese

Legal Framework

As for the legal framework concerned, the four areas of the associated legal framework were described in this chapter, such as 1) legal system to affect supporting industry development, 2) legal system to modify industry given priority to promotion of industrial support policy, 3) legal system to modify incentive grants such as tax incentive, 4) legal system for economic zone development, industrial zone development and free trade zone development plan.

4.1 Legal Framework for Promotion of Supporting Industry

(1) Outline

In Vietnam, there are two laws and ordinances for promotion of supporting industry development such as Prime Minister Decision (NO.12/2011/QD-TTg) in 2011 and the order of the Ministry of Finance (NO.96/2011/TT-BTC) in 2011.

Name	Main theme	Outline
Decision NO.12/2011/QD-TTg	The Prime Minister's decision for supporting industry development	<p>The decision has given the definition of the industry along with the supporting industries in Vietnam, and has provided companies of the listed industries that can be enjoyed on various incentive measures. Ministry of Industry and Commerce ministries is concerned, (MOIT).</p> <p>①Subject to the provisions of the Industry Specified in the following six industries, the industries subject to the promotion of supporting industries. High-tech manufacturing /Leather ,Shoes / Garment /Automobile manufacturing and assembly / IT / Mechanical / Electrical</p> <p>②Incentive measures 1) license free government web-system, 2) preferential allocation of land for office 3), exemption of customs import and export measures, etc. There is mention of No.56/2009/ND-CP government decision that defines the various measures relating other support to small and medium enterprises, with regard to the application of the various incentives.</p>
Circular NO.96/2011/TT-BTC	Ordinance of the Ministry of Finance in accordance with the funding support for	<p>The provisions relating to the financing of the above-mentioned decision of the government, and corporate industries supporting industries, various priority measures for preferential treatment.</p> <ul style="list-style-type: none"> • The application of import and export tariff reduction measures along the (Decree

Name	Main theme	Outline
	supporting industries	No.87/2010/ND-CP) government decision relating to import and export tariff incentives <ul style="list-style-type: none"> • Prescription of the corporate tax reduction measures (described in detail in the place of NO.124) incentives along the Decree No. 124/2008/NDCP • preferential loan from the State Development Investment Fund • Apply measures grace and refund of VAT in the case that meets the specifications of the Treasury Circular (Circular No.92/2010/TT-BTC) • in accordance with the provisions Decree No.198/2004/ND-CP, Decree No. 142/2005/ND-CP, the application of measures and use tax exemption of land use fees

(2) Details

1) The Prime Minister's decision for supporting industry development (Decision NO.12/2011/QD-TTg)

Article	Theme	Outline
Article 1	Scope of regulation and subjects to be applied	Defined as follows, subject to the promotion of industries supporting industries. <ul style="list-style-type: none"> • Machinery / IT and electronics / automobile assembly and manufacturing / garment / shoe manufacturing and leather / high-tech industries
Article 2	Interpretation of expressions	Definitions of legal terminology. For supporting industries, the definition of a "related material manufacturing industries, manufacture of parts and accessories and manufacturing" has been made especially
Article 3	Promote the development of supporting industries	(1)promotion of new market development <ul style="list-style-type: none"> •Projects supporting industries of the manufacturing sector, the free publicity to the website of the MOIT / DOIT is granted •For projects supporting industries of the manufacturing sector is assigned a priority budget Trade Promotion Program, the Investment Promotion Program • For investors in the field of high-tech industries supporting industries, incentives along the laws that have been defined for the high-tech field is applied (2)Promotion of relevant infrastructure development <ul style="list-style-type: none"> • Preferential allocation of land for the project, supporting industries in the manufacturing sector • When the land for the implementation of the project in the industrial complex supporting industries in the field of manufacturing is required, the use of infrastructure in the industrial park, the use of public services, employment worker training, which is prescribed in No.105/2009 decision Prime Minister / QD-TTg

Article	Theme	Outline
		<p>listed in the utilization of various preferential treatment can be applied</p> <ul style="list-style-type: none"> • For investors in supporting industries of the manufacturing sector, the investment promotion measures that are defined in the government decision No.56/2009/ND-CP is applied • For projects in the field of high-tech supporting industries, incentives related to land allocation along the laws that have been defined for the high-tech field is applied <p>(3) Promotion of human resource development and scientific technology</p> <ul style="list-style-type: none"> • For supporting industries of the manufacturing sector, the preferential allocation of funds from the reserve of the country is carried out research and development. • For investors in supporting industries of the manufacturing sector has been defined to No.56/2009/ND-CP government decisions, policies to promote science and technology and human resource development measures will be applied • For projects in the field of high-tech supporting industries, measures promoting human resource development along the laws that have been defined for the high-tech field is applied <p>(4) Information Provision</p> <ul style="list-style-type: none"> • Information, laws and regulations for the supporting industries will be published on the website of the central and local governments are appropriately updated • For investors in industries supporting industries of the manufacturing sector, it is possible to receive as specified in No.56/2009/ND-CP government decision, the provision of information services <p>(5) Fund procurement</p> <ul style="list-style-type: none"> • For projects supporting industries in the field of manufacturing, import and export tariff incentives are applied • Projects supporting industries of the manufacturing sector is able to take advantage of the government's investment and development financing can be • For investors in industries supporting industries in the manufacturing sector will be able to enjoy the financial support prescribed in No.56/2009/ND-CP, the government decision, • For projects in the field of high-tech supporting industries, tax reduction measures along the laws that have been defined for the high-tech field is applied <p style="text-align: right;">*)Government decision No.56/2009/ND-CP Note), is the Government decision for SME support measures</p>
Article 4	Incentives for development of supporting industries	<ul style="list-style-type: none"> • For projects in supporting industries of the manufacturing sector, for the industries listed in the priority list, enjoy a variety of incentives available.

Article	Theme	Outline
		Investors submitted to the Committee for Evaluation of Supporting Industry Promotion (specify in Article5) the proposal can apply preferential treatment. The Committee will report to the Prime Minister, the Prime Minister sought the settlement in accordance with the applicability incentives.
Article 5	Organizing the implementation	<p>(1)Agencies concerned</p> <ul style="list-style-type: none"> · MOIT <p>(2)Tasks</p> <ul style="list-style-type: none"> ·Coordination with other related ministries and the Ministry of Science and Technology •Report to the Prime Minister of the policy, update from time to time and priority list construction industry support ·As for operation and evaluation committee for supporting industry promotion, it is chaired by Deputy Minister of MOIT. The committee consists of representatives from the Ministry of Planning and Investment, the Ministry of Information and Communication, Ministry of Finance, Ministry of Science and Technology, Ministry of Justice, Ministry of the Environment, Vietnam Development Bank, trade association

2) Ordinance of the Ministry of Finance in accordance with the funding support for supporting industries
(Circular NO.96/2011/TT-BTC)

Article	Theme	Outline
Article 1	Scope of regulations	For this law applies, indicate that the following industries and supporting industries in the field of along the (Decision NO.12/2011/QD-TTg) above Prime Minister's decision. <ul style="list-style-type: none"> • Machinery / IT and electronics / Automobile assembly and manufacturing / Garment / Leather and shoe manufacturing / High-tech industries
Article 2	Subjects of application	• Target projects are specified in Prime Minister's Decision NO.12/2011/QD-TTg as supporting industries in the manufacturing sector
Article 3	Import duty and export duty incentive	• Import and export tariff reduction measures along the (Decree No.87/2010/ND-CP) government decision relating to import and export tariff preferential treatment is also applied to the supporting industries
Article 4	Borrow State's development investment loan	• The projects of supporting industries can receive a loan from the State Development Investment Fund when it is implementing
Article 5	Policy on financial support in accordance with policy to support the development of SMEs	• Investors in supporting industries of the manufacturing sector can enjoy the financial support. Prescribed in th Government decision of No.56/2009/ND-CP. In addition, investors can enjoy the support along the following guidelines regarding the operation of the same Decree. <ol style="list-style-type: none"> (1) Prime Minister's decision that defines the government guarantees for commercial banks for SME lending (Decision No.03/2011/QD-TTg) (2) The notification of MOF and MPI prescribing support of human resource development of SME (Inter-ministerial Circular No.05/2011/TTLT-BKHDT-BTC) (3) Prime Minister's decision that defines the preferential treatment relating to the payment of corporate tax SME (Decision No.21/2011/QD-TTg)
Article 6	Tax incentives to the projects producing products of supporting industries for the development of high-tech industries	A series of tax incentives to provide for high-tech industries will be applied to the supporting industries in the field of high-tech project <ol style="list-style-type: none"> (1) Import and export tariff reduction measures <ul style="list-style-type: none"> • As for projects that have been able to enjoy the import and export tariff reduction measures as specified in the same Decree, or projects that are implemented in the area with difficult geographical conditions, or projects of supporting industries in the field of high-tech industries listed in the Decree NO.87/2010/ND-CP, those projects can enjoy the import and export tariff reduction measures • Import and export tariff reduction measures applicable procedures shall be pursuant to Circular No. 194/2010/TT-BTC (2) Corporate income tax reduction measures

Article	Theme	Outline
		<ul style="list-style-type: none"> • Corporate incme tax reduction measures are prescribed in Decree No. 124 /2008/NDCP、 Circular No.130/2008/TT -BTC、 Circular No.18/2011/TT-BTC
Article 7	Guiding policy on tax and other fee incentives	<p>(1) Grace and refund of VAT</p> <ul style="list-style-type: none"> • In the supporting industries, as for value-added tax in accordance with the special vehicles, machinery and equipment that must rely on imports due to difficulty of production in their own country , measures for grace and refund of the VAT can be applied, which is prescribed in the Treasury Circular (Circular No.92/2010/TT-BTC) <p>(2) Exemption measures of land use tax and land use fees</p> <ul style="list-style-type: none"> • Exemption measures of land use tax and land use fees are applied along the Decree No.198/2004/ND-CP and Decree No. 142/2005/ND-CP

4.2 Legislation relating to prioritized Industries for Promotion Assistance

(1) Outline

Legislation relating to prioritized Industries for Promotion Assistance are the following 3 legislations such as Ministry of Science and Technology Minister decision in 2006: (NO.27/2006/QD-BKHCN) , Prime Minister's decision in 2007: (NO.55/2007/QD-TTg) and Government decision in 2009: (NO.56/2009/ND-CP)

Name	Main theme	Outline
Circular NO.27/2006/QD-BKHCN	Decision of the Minister of Ministry of Science and Technology in accordance with the decision criteria of high-tech product production projects	As for criteria for the determination of high-tech products production project, the following seven topics have been defined: <ol style="list-style-type: none"> 1) Criteria according to the business areas 2) Criteria relating to the suitability of the product 3) Criteria according to the proportion of research and development expenditure 4) Criteria according to the ratio of college graduate workers 5) Standard level of advanced technology line 6) Compliance with international standards of quality management system, such as ISO9000/2001 7) Environmental standards
Decision NO.55/2007/QD-TTg	Prime minister's decision for various incentive measures for prioritized Industries for promotion assistance	Supporting measures for prioritized Industries for promotion assistance in the field of high-tech industry are prescribed as follows: <ol style="list-style-type: none"> 1) Preferential allocation of land in the industrial park 2) Various subsidy provided by central government 3) Enjoyment of free product public relations services in the web site of the Ministry of Industry Commerce and local government 4) Free presentation of products in the exhibition, such as fair trade
Decree NO.56/2009/ND-CP	Government decision relating to SME support measures	On the classification defined in micro-enterprises and small businesses from capital and scale, various incentives and support measures as well as appropriate subsidies for small and medium-sized enterprises are prescribed in detail

(2) Details

1) Decision of the Minister of Ministry of Science and Technology in accordance with the decision criteria of high-tech product production projects (Circular NO.27/2006/QD-BKHCHN)

Article	Theme	Outline
Article 1	Scope of the regulation	This decision shows the criteria of high-tech products that have been invested in the Hoa Lac Hi-Tech Park and Ho Chi Minh City Hi-Tech Park
Article 2	Criteria	<p>(1) Criteria related to business areas</p> <ul style="list-style-type: none"> • It must belong to the high-tech sector, which is prescribed in the Cabinet Order of 99/2003/ND-CP dated 28 August 2003. corresponding fields are as follows: <ul style="list-style-type: none"> 1)Software technology, information and communication, 2) biotechnology and medical agriculture and fisheries, 3)opt electronics, clock centronics precision machinery, mechanical and electrical automation, 4)nanotechnology, new materials, 5)environment and Energy, 7)other special technology <p>(2) The suitability of the productivity</p> <ul style="list-style-type: none"> • it must belong to the list of high-tech products to be encouraging productivity of investment, which was promulgated by the Board of Trustees take High Park <p>(3)Rate of spending for research and development</p> <ul style="list-style-type: none"> • Total R & D spending must account for more than 5% of total annual sales • Content of research and development expenditure, can match what is shown in ANNEX 1 of this Decision <p>(4) College labor ratio</p> <ul style="list-style-type: none"> • Ratio of the number of workers graduates to participate directly in research and development, must be greater than or equal to 5% <p>(5) Line technology must be advanced level</p> <p>(6) Quality management system must meet international standards such as ISO9000/2001</p> <p>(7) It must meet environmental standards</p>
Article 3	Organization of implementation	On the basis of the development strategy based on the status of the high-tech park, goals, economic growth, high-tech park management committee publishes a list of products to encourage investment in high-tech park.
ANNEX 1	Research and Development expenditure	It specifies that the contents of research and development spending.
ANNEX 2	Lists of prioritized and spearhead industries	It defines a list of high-tech products to be produced encouraging investment.

2) Prime minister's decision for various incentive measures for prioritized Industries for promotion assistance (Decision NO.55/2007/QD-TTg)

Article	Theme	Outline
Article 1	Introduction	Approval of the arrangement for prioritized support industries which include high-tech industries in supporting industry
Article 2	Encouragement policy	As for specific measures include support for priority industry

		sectors such as high-tech industry support, the following are listed: <ul style="list-style-type: none"> ·Allocation and priority of land in the industrial park industrial cluster ·Financial support at the central government level: a state-of-the-art research and development funding for technology transfer, human resource development, productivity improvement ·Financial support: at the local government level grants freebie manufacturing cost of a product placed on the market before ·In the local government web site, enjoy the free publicity service of the Ministry of Industry and Commerce product ·Free presentation of the product in commercial fairs and exhibitions, etc.
Article 3	Organization of implementation	<ul style="list-style-type: none"> · It is Under the jurisdiction of the Ministry of Industry and Trade · Ministry of Planning and Investment, the jurisdiction over inter-ministerial coordination ·The provincial authorities publish the list of priority assistance industry without delay, and support measures will be incorporated into a five-year plan of the provincial master plan
ANNEX	Lists of prioritized and spearhead industries	A list of the specific industrial names for prioritized Industries for promotion assistance

3) Government decision relating to SME support measures (Decree NO.56/2009/ND-CP)

Article	Theme	Outline
CHAPTER 1 General Provisions		
Article 1	Scope of regulation	<ul style="list-style-type: none"> • The decision expressly stipulates measures to support small and medium enterprises promotion (SMEs)
Article 2	Objectives of application	Same as above
Article 3	Definition of SMEs	<ul style="list-style-type: none"> • For each micro-enterprises (Micro Enterprise), small business (Small Enterprise), medium-sized businesses (Medium Enterprise), against the criteria of number of employees and capital, the definition of each classifications is stated
Article 4	Plans to support SME development	<ul style="list-style-type: none"> • SME support measures are assumed that factored into the five-year plan and annual plan in the country or province
Article 5	Support programs	<ul style="list-style-type: none"> • Among the small business that is need to be supported, company of which owner is a woman or company of which majority of workers are women's employment, is a prioritized support company • To avoid conflicts, overlap with other support measures at the national level • And provincial governments and the central government drafted a SMEs support program. • Ministry of Planning and Investment reviews the program comprehensively, and considers the pros and cons of prime minister reporting as necessary
Article 6	Promulgation of SMEs-related regulations	<ul style="list-style-type: none"> • Those who drafted the law as measures to support small and medium enterprises, it should avoid duplication and inconsistency with the policy of the central government, and make the appropriate adjustments

Article	Theme	Outline
CHAPTER II SUPPORT POLICIES		
Article 7	Financial support	<p>(1) Government credit guarantees for SMEs</p> <ul style="list-style-type: none"> • Towards the establishment of the Credit Guarantee Fund for SMEs, Ministry of Finance is responsible for various adjustments, approval procedures Prime Minister, the provision of guidelines for SMEs credit guarantee <p>(2) Support of promotion of SMEs by the central bank</p> <ul style="list-style-type: none"> • Towards the delivery of the report and the Prime Minister, such as promotion mechanisms support, the central bank takes the responsibility of coordination between related institutions. The support mechanism, including technical assistance to strengthen the capacity of small and medium enterprises, financial processing capacity building, and investment management <p>(3) Technical assistance of government</p> <ul style="list-style-type: none"> • Through the implementation of the training program, the government aims to strengthen the business capacity of SMEs for project proposals, and capacity building for doing other businesses <p>(4) Establishment of SMEs support fund</p> <ul style="list-style-type: none"> • The purpose of establishing the Fund is the financial support when SMEs carry out the business activity for production of a variety of products that are rich in SMEs competitiveness, eco-friendly, and the introduction of state-of-the-art technology • The source of Fund are the national financial subsidies, investment gains, from domestic institutions, foreign funding sources and other funds to the extent that is legally allowed • Major activities are utilization and management, transfer of funds financing to support the activities of the SMEs business, the development of programs and projects that leverage funds, principal activities, induction of measures for loan relief for SMEs businesses <p>·Ministry of Planning and Investment takes the responsibility for coordination between related institutions, Ministry of Finance, the Central Bank, and other agencies. And Ministry of Planning and Investment shall advances to submit proposals towards the establishment of the fund reported the Prime Minister</p> <p>·The Ministry of Finance is responsible for establishment of a mechanism for management of the fund,and monitoring inspection</p>
Article 8	Production space	<ul style="list-style-type: none"> • Based on the socio-economic master lam and land-use planning with the approval of Prime Minister, People's Committee of provinces and special city have to ensure a special land to satisfy the request of location of SMEs
Article 9	Renovation and increase of technological capacity and technical qualification	<p>(1)Government responsibility</p> <ul style="list-style-type: none"> • In line with the strategy of expanding production of export products and SMEs in supporting industries,

Article	Theme	Outline
		<p>to promote investment in equipment for the introduction of innovative and leading edge science and technology</p> <ul style="list-style-type: none"> • Technology transfer, and the like, in order to strengthen scientific and technological capacity of SMEs • Facilitate the provision of information in the field of science and technology for SMEs, to strengthen science and technology capacity for evaluation and selection of SMEs <p>(2) Diversion of national research and development reserve</p> <ul style="list-style-type: none"> • Funding for science and technology capacity building of SMEs business is ensured from the annual budget <p>(3) Support of keeping compliance with international standards and intellectual property rights of SMEs business</p> <ul style="list-style-type: none"> • The People's Committee provide assistance for protection of intellectual property rights and registration of SMEs, towards the support of the observance of the relevant international standard ISO and other quality standards, and the People's Committee performs the allocation of budget and support measures
Article 10	Promotion of market expansion	<ul style="list-style-type: none"> • Each year, the central governments and local authorities do the planning and budget allocation for market expansion for SMEs • The central government ensures support for the activities of SMEs trade through some of the national budget for the promotion of trade
Article 11	Participation in public service procurement and supply plans	<ul style="list-style-type: none"> • For orders to SMEs businesses, the People's Committee and the central government secure a portion of the public procurement budget. • Towards the entry into the market support public procurement for SMEs, the Ministry of Finance shall adjust the relationship between institutions
Article 12	Regarding information and consultancy	<ul style="list-style-type: none"> • People's Committee and the central government are to provide information in accordance with relevant laws, regulations and policies for SMEs
Article 13	Support to human resource development	<ul style="list-style-type: none"> • Based on the coordination of relevant agencies, the Ministry of Planning and Investment will develop a framework for human resource development program • On the basis of the above framework, the central and local governments will develop a human resource development plan for SMEs and it is incorporated into the annual and five-year master plan for each socio-economic master plan • Through aggregating the above plans, the Ministry of Planning and Investment will create the necessary documents for the development budget of the Ministry of Finance
Article 14	SME incubation center	<ul style="list-style-type: none"> • The government is promoting the establishment of SMEs entrepreneurial business support center • Ministry of Science and Technology shall be responsible for adjustment of inter-agency

Article	Theme	Outline
		relationship towards the establishment of the above-mentioned center
CHAPTER III STATE MANAGEMENT OVER SUPPORT TO SME DEVELOPMENT		
Article 15	The state management body responsible for support to SME development at the central level	<ul style="list-style-type: none"> • Ministry of Planning and Investment will take the responsibility to promote the integration of planning and planning and other SME support • Regarding planning and legislation, Establishment of training, window function for the international cooperation agencies, including through coordination among relevant agencies, EDA (Enterprise Development Agency) supports the Ministry of Planning and Investment
Article 16	The SME Development Council	<ul style="list-style-type: none"> • as for policies and support mechanisms for SMEs business, SMEs support committee shall give advice to the Prime Minister. The Ministry of Planning and Investment is to preside over the committee, head of the EDA is the Secretary-General, the representative of the People's Committee, each representative of the central government relations, Ho Chi Minh City-Hanoi-Hai Phong, Da Nang, Can Tho, members of such Chamber of Commerce and those involved in the economic sector and industry representatives from industry associations are the members of the committee
Article 17	The Center for Promotion of SME Development	<ul style="list-style-type: none"> • Ministry of Planning and Investment shall establish the Center for Promotion of SME Development. Task of the center, it is assumed to act proactively as a center of the implementation of the policy and in the conduct of SME support, technical support for SMEs
Article 18	State management bodies responsible for support to SME development in localities	<ul style="list-style-type: none"> • People's Committee shall perform annual reports to the Ministry of Planning and Investment, facilitate the implementation of SME promotion policy, public relations and dissemination of policy support, monitoring of the implementation of the policy. • The People's Committee shall appoint local DPI as SME support policy implementation body
Article 19	SME support organizations	<ul style="list-style-type: none"> • Government is committed towards the integration with existing institutions and the establishment of SMEs support organization
CHAPTER IV IMPLEMENTATION PROVISIONS		
Article 20	Implementation effectiveness	<ul style="list-style-type: none"> • This decision is assumed to be replaced with the Decree No.90/2001/ND-CP decision in August 2009. Other prior decisions relating to this government decision will be discarded
Article 21	Implementation responsibility	<ul style="list-style-type: none"> • Ministry of Planning and Investment will take the responsibility for coordination of relevant agencies

4.3 Legislation relating to the Provision of Incentives including Tax Reduction

(1) Outline

Legislations relating to the provision of incentives are the Government Decree in 2006: No.108/2006/ND-CP, the Government Decree in 2008:No.14/2008/QH12, No.124/2008/ND-CP, Finance Ministry Ordinance in 2008: No.130/2008/TT-BTC and Government Decree in 2010: No.87/2010/ND-CP

Name	Main theme	Outline
Decree No. 108 /2006/ND-CP	Implementation guideline of Law on Investment	Defines a comprehensive terms and conditions in accordance with enterprise requirements, procedures, responsibilities, incentives, investment approval procedures, etc., in Vietnam, established and operated company, and investments
Law on Corporate Income Tax No. 14 /2008/QH12	Law on corporate income tax	It provides a comprehensive legal system relating to corporate income tax. The standard corporate income tax rate is 25% for a Vietnamese company. This is in accordance with the terms and conditions of business activity, such as receiving, provision has been included the application of preferential tax rates.
Decree No. 124 /2008/ND-CP	Implementation guideline of Law on corporate income tax	It s a guidelines for Law on Corporate Income Tax listed as above. Regulations and subject to the conditions required for preferential treatment, preferential tax rate when applied, etc. applicable period are it has been prescribed in this decree
Circular No. 130 /2008/TT-BTC	Finance Ministry Ordinance for Implementation guideline of Law on corporate income tax	In line with the guidelines listed as above, description is more practical.
Decree No. 87 /2010/ND-CP	Government Decree on import and export tariff incentives	Provisions on import and export tariff incentives are incorporated.

(2) Details

1) Implementation guideline of Law on Investment (Decree No.108/2006/ND-CP)

Article	Theme	Outline
CHAPTER I General Provisions: Article 1~4		<ul style="list-style-type: none"> The provisions of this law range, explanation of legal terminology
CHAPTER II Forms of Investment Article 5~10		<ul style="list-style-type: none"> Provisions of the Notes in accordance with the provisions relating to the legal establishment of enterprise organization, the implementation of investment projects, the provisions relating to joint ventures, etc. according to the investment provisions
CHAPTER III Rights and Obligations of Investors Article 11~21		<ul style="list-style-type: none"> Provisions of legal constraints to be observed by investors. For example, the provisions relating the utilization of natural resources and land acquisition financing, employment, exports and imports, the provisions relating to opening a bank account, the provisions relating to the right to use of land in the industrial park, and guarantee at the time of investment laws and amendments
CHAPTER IV Investment Incentive Sectors and Geographical Areas; Investment Support Article 22~36		<ul style="list-style-type: none"> it presents a specific list of the incentives, industry sector, socio-economic conditions, and on site conditions It shows the technical assistance measures and standards, investment projects for assistance. It also shows the government support in accordance with the related infrastructure. In addition, related infrastructure development in the region inside the industrial park applies incentives, we have also shown support measures such as investment in special economic zones and high-tech park.
CHAPTER V Direct Investment Procedures Article 37~61		<ul style="list-style-type: none"> Provisions relating to direct investment
CHAPTER VI Provisions on Commencement of Implementation of Investment Projects and Organization of Business Article 62~70		<ul style="list-style-type: none"> Provisions for each stage of the implementation of the investment such as construction, capital raising, investment and operation of the project
CHAPTER VII State Administration of Investment Article 71~85		<ul style="list-style-type: none"> Provision of jurisdiction, authority, and responsibility for: Ministry of Planning and Investment, Ministry of Finance, Ministry of Commerce, Ministry of the Environment, Ministry of Science and Technology, Ministry of Construction, the central bank, the People's Committee, administrators of the special economic zone, import, export processing zones and industrial parks
CHAPTER VIII Implementing Provisions Article 86~88		<ul style="list-style-type: none"> Actual provisions of the investment

2) Law on Corporate Income Tax (No.14/2008/QH12)

Article	Theme	Outline
CHAPTER I General Provisions		
Article 1	Governing scope	• This law is the provisions to the effect that has incorporated comprehensive provisions relating to corporation tax
Article 2	Applicable entities:	• It specifies the requirements of the company to be taxed
Article 3	Taxable income	• Taxable income is defined such that the taxable income is an income obtained through business activities such as production activities and service provision activities
Article 4	Tax exempt income	• Provisions for tax-exempt income. In other words, the tax-exempted corporate income is an income obtained through the activities of such as the business activities in the field of agricultural technology development activities, free sample product applied to science and technology innovation, service activities for people living with HIV and auxiliary disabled, vocational training activity, investment in the joint venture in the field of Science and Technology and Education
Article 5	Tax assessment period	• Taxable income Is evaluated in the base calendar year or fiscal year
CHAPTER II Basis and Method of Tax Assessment		
Article 6	Basis for tax assessment	• It provides that the tax amount is calculated on taxable income and tax rate
Article 7	Determination of assessable income	• The provisions relating to assessed valuation
Article 8	Turnover	• The provisions relating to sales amount
Article 9	Deductible expenses and non-deductible expenses when determining taxable income	• The provisions relating to deduction on taxable income
Article 10	Tax rates	• The standard rate is 25%. However, the tax rate on income derived from business activities pertaining to mining and refining of scarce resources such as oil and gas, rare metals, are 32-50%
Article 11	Method of assessing tax	• As for the tax amount, the calculation methodology is provided in such a way that tax amount is calculated on taxable income and tax rate, excluding the amount already paid and deductions
Article 12	Tax payment	• Place of tax payment is specified as the regional headquarters of the company is located.
CHAPTER III Corporate Income Tax Incentives		
Article 13	Incentives being preferential tax rates	<ul style="list-style-type: none"> • Corporate income tax incentives are applied to the following business activities such as business activities in high-tech zones, industrial park, less developed areas and other business activity in the field of especially important infrastructure projects. • For new businesses that meet the above criteria, the first 15 years of the corporate tax rate is 10%. • For operations in the environmental sector, sports, culture, education, vocational training, medical care, apply a corporate tax rate of 10%. • For operations in less developed areas, the rate of the first 10 years of 20% will be applied. • Tax on agricultural finance activities and agricultural

Article	Theme	Outline
Article 14	Incentives being duration of tax exemption and reduction	cooperatives are 20%. • The following companies can enjoy tax-free for up to four years and continue to enjoy preferential 50% tax exemption for subsequent nine years a. Companies engaged in less-developed area, b. Companies located in the high-tech zone or special economic zone, c. Companies in the field of high-tech industry, d. Companies engaged in especially important infrastructure project, e. Companies engaged in environment, sports, culture, healthcare, education and vocational training
Article 15	Other cases of tax reduction	• Tax provisions for tax cuts for companies of manufacturing, construction and transportation industries that employ a lot of women. • Regulations and measures of tax cuts for companies to hire ethnic minorities.
Article 16	Carrying forward losses	• Financial loss can be carried forward for up to 5 years in the future
Article 17	Establishment of Science and Technology Development Fund of an enterprise	• Companies can benefit from a tax cut of up to 10% to the reserve fund for research and development
Article 18	Conditions for applicability of tax incentives	• Prescribed conditions for the application of preferential treatment
CHAPTER IV Implementing Provisions		
Article 19	Effectiveness	• Expiration date of the law is stipulated
Article 20	Implementing guidelines	• The provisions on the need for provision of the Act detailed guidelines

3) Implementation guideline of Law on corporate income tax (Decree No.124/2008/ND-CP)

Article	Theme	Outline
CHAPTER I GENERAL PROVISIONS		
Article 1	Governing scope	• This guideline articulates that it is the operational guidelines of the Law on Corporate Income Tax
Article 2	Taxpayers	• Definitions of the taxpayer as defined in the law on Corporate income Tax
Article 3	Taxable incomes	• Provisions for taxable income, which is defined in the Law on Corporate Income Tax as specified in Article 3 of the Law on Corporate Income Tax
Article 4	Tax-exempt incomes	• Provisions for non-taxable income, which is defined in the Law on Corporate Income Tax as specified Article 4 of the Law on Corporate Income Tax
CHAPTER II TAX BASES AND TAX CALCULATION METHODS		
Article 5	Tax bases	• Provisions of the tax rate and the taxable income in the taxable period
Article 6	Determination of taxed incomes	• Provision for the definition of taxable income. That is: $(\text{taxable income}) = \text{corporate income} - (\text{tax-exempted income} + \text{loss (including carryforwards)})$
Article 7	Determination and carrying forward of losses	• Definition of loss carryforwards
Article 8	Turnover	• Definition of sales
Article 9	Deductible and non-deductible expenses upon determination of taxable incomes	• Provision for expenses to be deductible and non-deductible
Article 10	Tax rates	• Provision of tax rate (Article 10 of the Law on Corporate Income Tax)
Article 11	Tax calculation method	• Provision of tax calculation methodology
Article 12	Places for tax payment	• Provision of home to provide for taxation (Article 12 of the Law on Corporate Income Tax)
CHAPTER III INCOMES FROM REAL ESTATE TRANSFER		
Article 13	Incomes from real estate transfer	• Income generating with the transfer of land includes the following income: 1) income associated with the transfer of land use rights, or land use, 2) income associated with the sublease of land
Article 14	Taxable income from real estate transfer	• As for income associated with the transfer of land, income to be deducted from taxable income is prescribed
CHAPTER IV ENTERPRISE INCOME TAX INCENTIVES		
Article 15	Tax rate incentives	• Conditions for corporate income tax rate is 10% over 15 years is as follows. a. Business activities in the region, which is defined in the Appendix to less developed areas outstanding, Economic Zone, Hi-Tech Park, etc., of this decision b. High-tech industries as defined in the law and science and technology research activities c. prime minister decides, especially in important infrastructure construction

Article	Theme	Outline
		<p>companies engaged in water supply plant, energy plant, drainage facilities, and construction of roads, railways, airports and ports, bridges</p> <p>d. Software development.</p> <ul style="list-style-type: none"> •Of the companies engaged in high-tech science and technology activities for particularly important business field, the rate of 10% will be applied to up to 30 years ·10% corporate tax rate is applied to the business activities engaged in education and training, vocational training, health care, culture, sports and environmental field •For corporate activities in less developed areas, the tax rate of 20% is applied over the 10 years ·As for tax on agricultural finance activities and agricultural cooperatives, 20% of tax rate is applied across all active period
Article 16	Tax exemption and reduction	<ul style="list-style-type: none"> • As for business activities in the field of social services in the less developed areas that stand out are received tax-free for four years, and 50% of tax reduction incentive measures of the subsequent nine years. · There is less developed areas in other regions that stand out for business activities in the field of social services, it is provided by the four-year tax exemption, tax reduction of 50% incentive measures of the next five years. • You are an enterprise engaged in investment projects, for business activities in the less developed areas are entitled to a two-year tax exemption, tax reduction of 50% of the incentive measures are the next four years. · Tax-exemption period is counted from the first year in which the taxable income is generated. If no taxable income is generated over the first three years, tax exemption period is counted from the fourth year for the occurrence of the taxable income.
Article 17	Tax reduction in other cases	<ul style="list-style-type: none"> · The businesses that employ a large number of women workers, subject to business tax exemption, the following additional expenses will be deducted from taxable income. That is: <ul style="list-style-type: none"> a. Operations expenses for vocational training, b. Allowance expenses such as allowances, salaries of teachers in kindergarten, nursery school, b. expenses for periodic health examination every year, c. allowance for female labor after the birth, d. allowance expenses for female labor returning to work after maternity leave · Of the additional cost of training people from ethnic minorities, housing allowance, social insurance, health insurance, etc., for the minutes that are not subsidized by the State, will be deducted from taxable income

Article	Theme	Outline
Article 18	Deduction for setting up of enterprises' scientific and technological development funds	<ul style="list-style-type: none"> For the purposes of research and development funding to the reserve, the company can receive tax-deductible up to 10% of the annual income of the company. Companies can declare himself percentage deduction After integration into the new company, if that would involve a transfer of ownership of the company, it is assumed that the new company to be taken over responsibility for the operation of research and development reserve
Article 19	Conditions for application of enterprise income tax incentives	<ul style="list-style-type: none"> Companies are exempt from income and corporate income to be granted incentives are recorded separately. If more than one incentive will apply, the company will be able to select the most favorable measures for companies. If the applicable conditions are not met in the middle of the annual application in Nentibus, 25% corporate tax rate will be applied prior. Companies and new incentives will be applied to the new company is registered as a new incentive to apply except in the following cases.

CHAPTER V IMPLEMENTATION PROVISIONS

Article 20	Effect	• This decision is effective from January 1, 2009
Article 21	Duty of the Ministry of Finance	• Ministry of Finance takes the initiative of the implementation of this Decision. In addition, the head of the institutions concerned minister, the country, the head of the People's Committee, relevant organizations and individuals to take responsibility for the execution of this decision as a principal

Appendix LIST OF GEOGRAPHICAL AREAS ELIGIBLE FOR ENTERPRISE INCOME TAX INCENTIVES

Less-developed areas are listed as follows:

1) Extremely less-developed areas are:

Hai Phong City: Bac Long Vi, Cat Hai island districts, Da Nang City: Hoang Sa island district, Quang Nam Province: Dong Giang, Tay Giang, Nam Giang, Phuoc Son, Bac Tra My, Nam Tra My, Hiep Duc, Tien Phuoc, Nui Thanh districts, Cu Lao Cham island, Quang Ngai Province: Ba To, Tra Bong, Son Tay, Son Ha, Minh Long, Binh Son, Tay Tra districts, Ly Son island district, Ba Ria Vung Tau Province: Con Dao island district

2) less-developed areas are:

Quang Nam Province: Dai Loc and Duy Xuyen districts, Quang Ngai Province: Nghia Hanh and Son Tinh districts, Ba Ria Vung Tau Province: Tan Thanh district

LIST OF GEOGRAPHICAL AREAS ELIGIBLE FOR ENTERPRISE INCOME TAX INCENTIVES

(To the Government's Decree No. 124/2008/ND-CP of December 11, 2008)

No	Province	Geographical areas with extreme socio-economic difficulties	Geographical areas with socio-economic difficulties
1	Bac Kan	All districts and towns	
2	Cao Bang	All districts and towns	
3	Ha Giang	All districts and towns	
4	Lai Chau	All districts and towns	
5	Son La	All districts and towns	
6	Dien Bien	All districts and Dien Bien city	
7	Lao Cai	All districts	Lao Cai city

Article	Theme	Outline
8	Tuyen Quang	Na Hang and Chiem Hoa districts
9	Bac Giang	Son Dong district
10	Hoa Binh	Da Bac and Mai Chau districts
11	Lang Son	Binh Gia, Dinh Lap, Cao Loc, Loc Binh, Trang Dinh, Van Lang and Van Quan districts
12	Phu Tho	Thanh Son and Yen Lap districts
13	Thai Nguyen	Vo Nhai and Dinh Hoa districts
14	Yen Bai	Luc Yen, Mu Cang Chai and Tram Tau districts
15	Quang Ninh	Ba Che and Binh Lieu districts, Co To island district and islands in the province
16	Hai Phong	Bac Long Vi and Cat Hai island districts
17	Ha Nam	Ly Nhan and Thanh Liem districts
18	Nam Dinh	Giao Thuy, Xuan Truong, Hai Hau and Nghia Hung districts
19	Thai Binh	Thai Thuy and Tien Hai districts
20	Ninh Binh	Nho Quan, Gia Vien, Kim Son, Tam Diep and Yen Mo districts
21	Thanh Hoa	Muong Lat, Quan Hoa, Ba Thuoc, Lang Chanh, Thuong Xuan, Cam Thuy, Ngoc Lac, Nhu Thanh and Nhu Xuan districts
22	Nghe An	Ky Son, Tuong Duong, Con Cuong, Que Phong, Quy Hop, Quy Chau and Anh Son districts
23	Ha Tinh	Huong Khe, Huong Son and Vu Quang districts
24	Quang Binh	Tuyen Hoa, Minh Hoa and Bo Trach districts
25	Quang Tri	Huong Hoa and Dac Krong districts
26	Thua Thien Hue	A Luoi and Nam Dong districts
27	Da Nang	Hoang Sa island district
28	Quang Nam	Dong Giang, Tay Giang, Nam Giang, Phuoc Son, Bac Tra My, Nam Tra My, Hiep Duc, Tien Phuoc and Nui Thanh districts, and Cu Lao Cham island
29	Quang Ngai	Ba To, Tra Bong, Son Tay, Son Ha, Minh Long, Binh Son and Tay Tra districts, and Ly Son island district
30	Binh Dinh	An Lao, Vinh Thanh, Van Canh, Phu Cat and Tay Son districts
31	Phu Yen	Song Hinh, Dong Xuan, Son Hoa and Phu Hoa districts
32	Khanh Hoa	Khanh Vinh and Khanh Son districts, Truong Sa (Archipelagos) island district and islands in the province
33	Ninh Thuan	All districts
34	Binh Thuan	Phu Quy island district
35	Dak Lak	All districts
36	Gia Lai	All districts and towns
37	Kon Tum	All districts and towns
38	Dak Nong	All districts
39	Lam Dong	All districts
40	Ba Ria-Vung Tau	Con Dao island district
41	Tay Ninh	Tan Bien, Tan Chau, Chau Thanh and Ben Cau districts
42	Binh Phuoc	Loc Ninh, Bu Dang and Bu Dop districts
43	Long An	Duc Hue, Moc Hoa, Tan Thanh, Duc Hoa, Vinh Hung and Tan Hung districts
44	Tien Giang	Tan Phuoc district
45	Ben Tre	Thanh Phu, Ba Chi and Binh Dai districts
46	Tra Vinh	Chau Thanh and Tra Cu districts
47	Dong Thap	Hong Ngu, Tan Hong, Tam Nong and Thap Muoi districts
48	Vinh Long	Tra On district
49	Soc Trang	All districts
50	Hau Giang	All districts
51	An Giang	An Phu, Tri Ton, Thoai Son, Tan Chau and Tinh Bien districts
52	Bac Lieu	All districts
53	Ca Mau	All districts
54	Kien Giang	All districts and islands in the province

4) Finance Ministry Ordinance for Implementation guideline of Law on corporate income tax (Circular No.130/2008/TT-BTC)

Article	Theme	Outline
Part A: SCOPE OF APPLICATION OF ENTERPRISE INCOME TAX		• Companies that are subject to the provisions for this Cabinet Order are prescribed
Part B: ENTERPRISE INCOME TAX CALCULATION METHOD		• Provision of tax calculation methodology along the following formula: a. Corporate income tax = taxable income × tax rate or b. Corporate income tax = (taxable income - reserve fund for research and development) × tax rate
Part C: ENTERPRISE INCOME TAX BASES		• taxable income along to tax standard is: Taxable income = total income - (tax-exempt income + carryforwarded loss) • In addition, detailed provisions relating to the taxable income of each industry is described
Part D: PLACES FOR TAX PAYMENT		• The place to pay tax is prescribed to be a place where the corporate headquarters is located.
Part E: DETERMINATION OF TAXED INCOMES FROM AND ENTERPRISE INCOME TAX ON CAPITAL OR SECURITIES TRANSFER		• The capital transfer provisions, the tax base for income and taxable capital gains in accordance with the securities are prescribed
Part F: DETERMINATION OF TAXED INCOMES FROM AND ENTERPRISE INCOME TAX ON REAL ESTATE TRANSFER		• The taxable income and tax bases relating to the transfer of real estate is prescribed
Part G: ENTERPRISE INCOME TAX INCENTIVES		• As for tax incentive measure, the provisions of Decree No.124/2008/ND-CP is reproduced
Part H: ORGANIZATION OF IMPLEMENTATION		• The responsibilities of taxpayers (companies) is defined

5) Government Decree on import and export tariff incentives (Decree No.87/2010/ND-CP)

Article	Theme	Outline
CHAPTER I GENERAL PROVISIONS		
Article 1	Dutiable objects	• The goods subject to import and export tax are defined
Article 2	Non-dutiable objects	• Import and export goods exempt of tax are defined as follows: a. Goods only through Vietnam without the ultimate goal, b. Relief goods trafficking, c. The goods with a non-refundable aid that is provided by the foreign economic institutions NGO, international organizations, foreign governments, the United Nations and intergovernmental organizations, and public documents that the Vietnamese government has been exchanged, d. Aid, such as failure brought on by natural disasters, epidemics, wars, etc., e. Import and export of goods between foreign countries and the special economic zone, f. Oil and gas that royalties are paid
Article 3	Duty payers; subjects authorized to pay duty, guaranteeing duty payment, and paying duty for others	• The fact that the taxpayer, the owner of goods, importers and exporters, and the like assurance businesses is stipulated
Article 4	Application of treaties	• It stipulates that treaty provisions take precedence over this decision
Article 5	Duty on goods traded or exchanged by border residents	• Import and export transactions between a resident of the border is provided around the allocation of certain tax-exempt. People's Committees of provinces and cities located in the border region can submit to the Prime Minister an application in accordance with the tax-free limit.
CHAPTER II DUTY BASES AND TARIFFS		
Article 6	Duty bases	• The stipulations relating to the tax base for taxable goods are provided
Article 7	Dutiable prices and exchange rates used for duty calculation	• Price of the goods subject to taxation are to be in effect in accordance with the provisions of the Ministry of Finance
Article 8	Duty payment currency	• It is stipulated that Import and export tax payment has to be made in Vietnam Dong.
Article 9	Duty rates	• Tax rate has the effect that the provisions set forth by item. Preferential tax rates are defined in accordance with the provisions to the effect that tax rate
Article 10	Duty-related measures for safeguard, anti-dumping, anti-subsidy and anti-discrimination in the import of goods	• Such import item and goods as infringe safeguard, anti-dumping, anti-subsidy and the anti-discrimination, is stipulated to be dealt in accordance with the provisions of relevant laws and regulations of each.
Article 11	Competence to set export duty rates, import duty rates, specific duties and duty-related measures against discrimination in the import of goods	• Responsibilities of the Ministry of Finance pertaining to import and export tax collection and management is stipulated
CHAPTER III DUTY EXEMPTION, CONSIDERATION OF DUTY EXEMPTION. DUTY REDUCTION AND DUTY REFUND		
Article 12	Duty exemption	• The tax exemption of the following articles are provided:

Article	Theme	Outline
		<p>a. Temporary import and export items to exhibitions, b. Moveable property in the allocation limit, c. Goods that have been granted diplomatic immunity, d. Importation of goods, such as materials to be processed by either of the Vietnamese companies or foreign companies to be exported to overseas, e. Exemption of tax-free goods within the tax-free stipulation, f. Goods that are subject to preferential tax, g. Food plant species needed for animals in the field of agriculture, forestry and fisheries industries, h. Articles necessary for updating and renewal of goods and technology to support the expansion project, i. Articles that are listed in this Decision being applied to preferential treatment, j. Petroleum industry related articles, k. Shipbuilding ship to be exported, l. Imported goods that are directly required for the fabrication of software, m. Imported materials and parts that can not be domestically produced and is necessary in less developed areas, n. Materials and parts imported and domestic production is not possible in the field of science and technology, o. ODA related materials</p>
Article 13	Consideration for duty exemption	<ul style="list-style-type: none"> • When importing goods for special applications such as scientific research, education, training and maintenance of security, defense, tax exemption will be considered separately. • For gifts to Vietnamese government officials, the exemption has been studied from a foreign organization or individual
Article 14	Consideration for duty reduction	<ul style="list-style-type: none"> • For imported goods caused loss or damage to the tax cuts will be discussed.
Article 15	Import duty or export duty shall be refunded in the following cases	<ul style="list-style-type: none"> • The provisions for tax refund
CHAPTER IV IMPLEMENTATION PROVISIONS		
Article 16	Effect	<ul style="list-style-type: none"> • the decision is in effect from October 1st, 2010
Article 17	Implementation responsibilities	<ul style="list-style-type: none"> • The Ministry of Planning and investment will beresponsible for the decree

4.4 Legal System for Economic Zone Development, Industrial Zone Development and Free Trade Zone Development Plan

(1) Outline

Legal system for economic zone development, industrial zone development and free trade zone development plan has the Government Decree in 2008: No. 29/2008/ND-CP.

Name	Main theme	Outline
Decree No. 29 /2008/ND-CP	Legal basis for establishment of industrial parks, export processing zones and economic zones	For administrative conditions relating to new and expanding economic zones, industrial parks, export processing zones, corresponding procedure and jurisdiction are defined. In addition, in accordance with tax incentives and land use fees, rights and responsibilities of the Management Committee and other detailed stipulations are provided

(2) Details

1) Legal system for economic zone development, industrial zone development and free trade zone development plan (Decree No. **29**/2008/ND-CP)

Article	Theme	Outline
CHAPTER I General Provisions		
Article 1	Governing scope and applicability	<ul style="list-style-type: none"> • It is specifying the definitions of the jurisdiction of the principal management and operation of this law, according to the industrial parks, export processing zones, economic zones, and near the border gate
Article 2	Interpretation of terms	<ul style="list-style-type: none"> • definition of the terminologies of the decree
Article 3	Application of specialized laws and international treaties	<ul style="list-style-type: none"> • it is stipulating the fact that for the special investment actions, the provisions of this law will be applied
CHAPTER II Order and Procedures for Establishment of Industrial Zones and Economic Zones		
Article 4	Master plan for development of industrial zones or economic zones	<ul style="list-style-type: none"> • When performing a submission to the Prime Minister for local government agencies and People's Committees to formulate a master plan of industrial parks and economic zones, and to ask for a decision, the Ministry of Planning and Investment is responsible for coordinating with each of the government agencies concerned
Article 5	Conditions for establishment or expansion of industrial zones	<ul style="list-style-type: none"> • Conditions of the establishment of the industrial park are as follows: <ul style="list-style-type: none"> ➢ They must be consistent with the approved master plan industrial park ➢ As for more than 60 percent of industrial park land shall be for projects that have been registered, the right to use of the land shall be allocated • Conditions of expansion of the industrial park is as follows: <ul style="list-style-type: none"> ➢ They must be consistent with the approved master plan of the industrial park ➢ As for more than 60 percent of industrial park land shall be for projects that have been registered, the right to use of the land shall be allocated ➢ Aggregated wastewater treatment facilities has to be constructed and it must be provided for use in the industrial park • Before getting into the detailed planning of industrial park master plan or, in the case of a large number of investors investing in investment and commercial construction in the area adjacent or very, more than 500ha industrial park, the plan must be consistent with the guidelines of the Ministry of Construction • Prior to the approval of the People's Committee, in the following cases, the detailed planning of the master plan, it is necessary to display feedback to the Ministry of Construction <ul style="list-style-type: none"> ➢ Industrial park with the area of more than 500ha ➢ Industrial park located in the land adjacent to the national highway ➢ Industrial park close to the following areas such

Article	Theme	Outline
Article 6	Conditions for adding an industrial zone to the master plan for development of industrial zones	<p>as national defense and sanctuaries, historical attractions, famous places, nature reserve</p> <ul style="list-style-type: none"> • Conditions under which the industrial park master plan includes additional Industrial park are as follows <ul style="list-style-type: none"> ➤The case that more than 60% of the land in the industrial park is leased to investment projects registered ➤The case that is consistent with the such master plans as socio-economic, land use, urban development, technology infrastructure, and mining of mineral resources, etc. ➤The case that has a positive influence on the technical and social infrastructure projects, and the case that has a favorable impact on population to secure placement and industrial park development master plan, other urban development master plan and a good living environment ➤The case that there exist sufficient funds for land acquisition in order to aggregate distributed industrial parks in one place ➤The additional industrial park can attract investors from abroad as well as domestic ares ➤Sufficient labor supply ➤The plan shall be consistent with the national defence policy
Article 7	Conditions for establishment or expansion of economic zones	<ul style="list-style-type: none"> • Conditions of establishment of economic zones are as follows <ul style="list-style-type: none"> ➤The plan is consistent with the approved Master Plan of Economic Zone ➤It has a location which has economically advantageous conditions. For instance, it is close to deep water ports and airports. Alternatively, it is close to major international traffic routes. Or, that it is a region with a favorable regional resource for technical infrastructure investment. ➤The area is more than 10,000ha ➤It is able to attract significant investment projects on a large scale. And socio-economic impact on the surrounding area is fully expected. in the time of location ➤It does not adversely affect the surrounding natural environment, cultural heritage, historical heritage and the like • In areas near the border gate, the establishment of economic zones conditions are as follows <ul style="list-style-type: none"> ➤The plan is consistent with the approved Master Plan of Economic Zone ➤It has a border gate economic zone with international importance, and the practical and as defined in the Decree NO.32-2005-ND-CP government decision ➤It is connected to the important traffic route. Or that I have a friendly relationship exchanges with its neighbors through the border gate. , And

Article	Theme	Outline
		<p>having preferred conditions in the technical infrastructure investment</p> <ul style="list-style-type: none"> ➤ Economic Zone function must be carried out commercial activities, import and export activities, temporary import and export, for the purpose through, and providing tourism services, transportation, logistics, transportation and industrial products. And to contribute to the attraction of investment, and practical level meets the requirements necessary for the functioning of these. ➤ The case that it can function for ensuring the economic development and social activities, political security, for the maintenance of national security and prestige, and the case that its impact can be clearly seen ➤ It does not adversely affect the surrounding natural environment, cultural heritage, historical heritage and the like • Conditions of expansion of the industrial park is as follows: <ul style="list-style-type: none"> ➤ It is along with the Master Plan developed practical economic zones, and all infrastructure is completed ➤ More than 70% of land has been allocated as a project site ➤ Economic Zone will be built as the area that may be fully functional and can not leave the land idle
Article 8	Procedures for establishment or expansion of an industrial zone	<ul style="list-style-type: none"> • Approval procedures and investment into the industrial estate is governed by the "Law on Investment." • It can be extended to go to the construction and operation without going through the approval process, if the industrial park have been incorporated into the master plan of economic zones and industrial parks master plan, which were approved by the Prime Minister • In case that industrial park has not been incorporated into the master plan of economic zone nor industrial park master plan which have been already approved, the People's Committee shall add the additional industrial park expansion plan in the existing industrial park master plan
Article 9	Procedures for establishment or expansion of economic zones	<ul style="list-style-type: none"> • For the case that economic zones have been incorporated into the existing economic zone master plan, Ministry of Planning and Investment shall evaluate the expansion plan of the economic zone and proceed to the further steps on the basis of it - For the case that economic zones have not been incorporated into the existing economic zone master plan, the Economic Zone will be added in accordance with the law
Article 10	File for establishment or expansion of an industrial zone	<ul style="list-style-type: none"> • necessary documents are as follows: <ul style="list-style-type: none"> ➤ Industrial park construction application form submitted by the investor ➤ Details relating to the construction master plan

Article	Theme	Outline
		<p>industrial park approved by the People's Committee</p> <ul style="list-style-type: none"> ➤ Permit investment • The above documents shall be taken 4 photocopies. And those documents, along with the original ones, must be submitted to Industrial Park Management Committee, Management Committee of import and export processing zones, economic zones management committee or the DPI • DPI or management committee shall submit the documents to the People's Committee within five days of receipt of the above documents • People's Committee shall make the decision of whether or not authorization for the establishment or expansion of industrial park within 10 days of receipt of the documents
Article 11	Application file for establishment and expansion of an economic zone	<ul style="list-style-type: none"> • For the establishment and expansion of economic zones, the following conditions must be specified: <ul style="list-style-type: none"> ➤ Legal basis and the need for construction of economic zone ➤ Constraint evaluation and benefits assessment for socio-economic conditions and natural geographic as well as the proposal of economic zone ➤ Evidence that the conditions of Section 7 of the Act can clear all ➤ The direction of the development of the proposed Economic Zone, the direction of the development of sector and industrial activity and the direction of land use policy ➤ Scale of investment and financing method, time of establishment economic zone, the construction plan and schedule of construction of economic zones ➤ Environmental impact assessment ➤ Proposal for the representation of the Economic Zone on the map • The plan of the Newly establishing or expanding economic zone will be submitted to the Prime Minister from the People's Committee • The application form in ten, two of which are in the original, the original one is submitted to the Prime Minister, the remaining nine, including the original one, will be submitted to the Ministry of Planning and Investment
Article 12	Application file for addition of an industrial zone to the master plan for development of industrial zones	<ul style="list-style-type: none"> • When added to the master plan of the industrial park, the following conditions must be specified <ul style="list-style-type: none"> ➤ Legal basis and the need for additional industrial park ➤ Evaluation of regional development direction associated with the development of industrial parks ➤ Current assessment of the existing industrial park development. ➤ The name, located position and ongoing development of the additional industrial park

Article	Theme	Outline
		<p>which is to be incorporated in the master plan.</p> <ul style="list-style-type: none"> ➤Evidence of the fulfillment of Article 6 of this law ➤How industrial park construction funding ➤Proposal for the representation of the industrial park on the map <ul style="list-style-type: none"> • Additional industrial park development plan will be submitted to the Prime Minister from the People's Committee • The application form in ten, two of which are in the original, the original one is submitted to the Prime Minister, the remaining nine, including the original one, will be submitted to the Ministry of Planning and Investment
Article 13	Evaluation of the addition [of an industrial zone or an economic zone] to the master plan for development of industrial zones and establishment of economic zones	<ul style="list-style-type: none"> • When added to the master plan of the industrial park, the following conditions must be specified <ul style="list-style-type: none"> ➤Legal basis and the need for additional industrial park ➤Consistency with the master plan of the other economic zones about adding new economic zone ➤The purpose of the additional economic zone, the possibility of sufficiency conditions • Ministry of Planning and Investment shall do a hearing from the relevant ministries within 5 days of receipt of the application. • If the contents of the description of the application does not satisfy Section 10 or 11 of the Decree, the Ministry of Planning and Investment send the request to the People's Committee for making correction • Within 10 days of receipt of the application for development of industrial park approved by the Ministry of Planning and Investment, the relevant ministries and local authorities shall send a written opinion to the Ministry of Planning and Investment. Within 20 days of the receipt of the application form of the economic zone development plan, he relevant ministries and local authorities shall send a written opinion to the Ministry of Planning and Investment • If necessary, the Ministry of Planning and Investment will convene a conference on related issues with the relevant ministries and people's committees • Ministry of Planning and Investment shall submit a written application for industrial park development plan approved by the relevant ministries to the Prime Minister within 30 days. And within 45 days, the application form for Economic Zone establishment plan, the Ministry of Planning and Investment shall submit a written application to the Prime Minister
Article 14	Initial expansion and adjustment of the area of an industrial zone	<ul style="list-style-type: none"> • As for the area, which extends to the first, be less than 30ha, or does not exceed 10% of the original area, when the impact of the master plan on the other industrial zones does not reach, the People's Committee will decide of adoption of the plan without submission of written application to the Prime Minister

Article	Theme	Outline
		<ul style="list-style-type: none"> • If the planning area and the actual area is different, the People's Committee will make a recommendation for modification to developers
Article 15	Authority to establish or expand an industrial zone or an economic zone	<ul style="list-style-type: none"> • As for expansion or newly establishment of economic zones, the Prime Minister take a responsibility to determine • Establishment and expansion of the industrial park, Chairman of People's Committee will determine.
CHAPTER III Policies Applicable to Industrial Zones, Export Processing Zones and Economic Zones		
Article 16	Investment incentives applicable to industrial zones and economic zones	<ul style="list-style-type: none"> • Industrial park which is located in the area where preferential treatment is applied, it is possible to enjoy the same preferential treatment. • The enterprise, which is located in the industrial park and the preferential treatment apply, can enjoy the same preferential treatment
Article 17	Methods of raising capital for investment in development of technical and social infrastructure systems in economic zones	<ul style="list-style-type: none"> • The stipulation of fund procurement
Article 18	Entry, exit, travel and residence or temporary residence in economic zones	<ul style="list-style-type: none"> • Employers and their families, who are engaged in the business of investing in the Economic Zone, can acquire the multiple-entry visa
Article 19	Provisions on finance and credit for economic zones	<ul style="list-style-type: none"> • In Economic Zone near the border gate, the distribution of multiple currencies is possible
Article 20	Stay, temporary residence in industrial zones, export processing zones and export processing enterprises	<ul style="list-style-type: none"> • Residents are not allowed in industrial parks and economic zones • Only investors and employees of export processing zones can enter into export processing zones. However, residents are not allowed. • However, in line with the rules established by the People's Committee, in overseas experts, it is possible to live in export processing zones and the industrial park, if necessary. It is necessary to observe the following conditions in that case also. <ul style="list-style-type: none"> ➢ High business necessity. ➢ It does not involve a spouse or other family members. ➢ To comply with the Vietnamese rules relating to temporary residence. ➢ The company strives to provide a separate building for residential building temporary foreign residents. And residents are to observe security conditions and to comply with the rules of industrial parks and export processing zones.
Article 21	Special provisions applicable to export processing zones and export processing enterprises	<ul style="list-style-type: none"> • Constraints condition pertaining to plant style of the factories built by the enterprise in export processing zone
CHAPTER IV State Administration of Industrial Zones, Export Processing Zones and Economic Zones		
Article 22	Contents of State administration of industrial zones, export processing zones and economic zones	<ul style="list-style-type: none"> • The national management jurisdiction for industrial parks, export processing zones and economic zones is stipulated
Article 23 ~35	Powers and responsibilities of State administration/Ministry /People's Committee	<ul style="list-style-type: none"> • Defining the roles and authority for Prime Minister, relevant ministries, relevant agencies, and the People's Committee
CHAPTER V Functions, Duties, Powers and Organizational Structure of Management Committees of Industrial Zones, Export Processing Zones and Economic Zones		

Article	Theme	Outline
Article 36	Functions of Management Committees of Industrial Zones, Export Processing Zones and Economic Zones	<ul style="list-style-type: none"> • Management Committee of industrial parks, export processing zones and economic zones are located under the People's Committee. And directly responsible for administrative duties of the central government. • Management Committee will be set up under the decision of the Prime Minister. Financial and business content for appointment of committee organizational regulations and is regulated by the People's Committee. • The management committee will be granted legal status. Operating expenses of the Commission, the investment cost will be allocated from the national budget.
Article 37	Duties and powers of Management Committees of industrial zones, export processing zones and economic zones	<ul style="list-style-type: none"> • For the People's Committee and the relevant ministries and agencies, management committee will submit a written legal opinion • Management committee is responsible for coordinating the various parties involved • Drafting of investment promotion programs • Drafting annual and five-year-plan of human resource development • Estimation of annual budget for investment • Management of economic zones, industrial parks • The issuance of the investment license registration, evaluation of investment • Review of construction plans industrial park • Assessment and approval of environmental impact assessment report
Article 38	Duties and powers of Management Committees of Economic Zones	<ul style="list-style-type: none"> • In addition to the provisions of Article 37, the duty of the management committees for economic zones is stipulated
Article 39	The organizational apparatus and personnel of a Management Committee	<ul style="list-style-type: none"> • Head of the management committee is appointed by the Chairman of the People's Committee

Chapter 5. Growth Pole in Northern Region of Viet Nam

5.1 Current Situation and Trend of Economy and Industry in Northern Region

(1) Target Areas of Northern Region in This Study

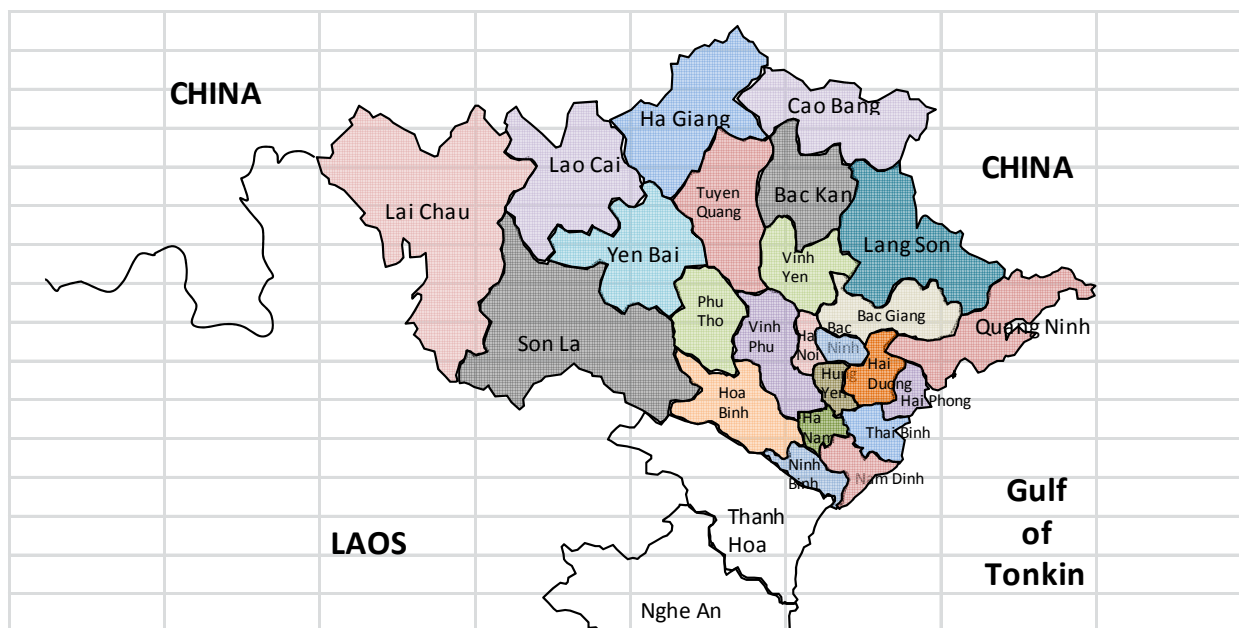
1) Basis for Area Classification into Northern, Central and Southern Regions

According to the "Statistical Yearbook" published by the General Statistics Office (GSO) of Vietnamese government, all the 63 provinces and cities of the whole country are divided into 6 regions respectively known as "Red River (Song Koi River) Delta Region", "Northern Midlands and Mountain Region", "North Central and Central Coastal Region", "Central Highlands Region", "South East Region", and "Mekong River Delta Region".

Therefore, in this study, the Red River Delta Region and Northern Midlands and Mountain Region are defined as Northern Region, the North Central and Central Coastal Region and Central Highlands Region are defined as the Central Region, and the South East Region and Mekong River Delta Region are as the Southern Region.

2) Scope of Northern Region

Based on the above definitions, northern region covers Ha Noi, Vinh Phuc, Bac Ninh, Quang Ninh, Hai Duong, Hai Phong, Hung Yen, Thai Binh, Ha Nam, Nam Dinh, and Ninh Binh of the Red River Delta Region, as well as Ha Giang, Cao Bang, Bac Kan, Tuyen Quang, Lao Cai, Yen Bai, Thai Nguyen, Lang Son, Bac Giang, Phu Tho, Dien Bien, Lai Chau, Son La, and Hoa Binh of the Northern Midlands and Mountain Region, 25 provinces and cities in total. (Figure 5.1-1)

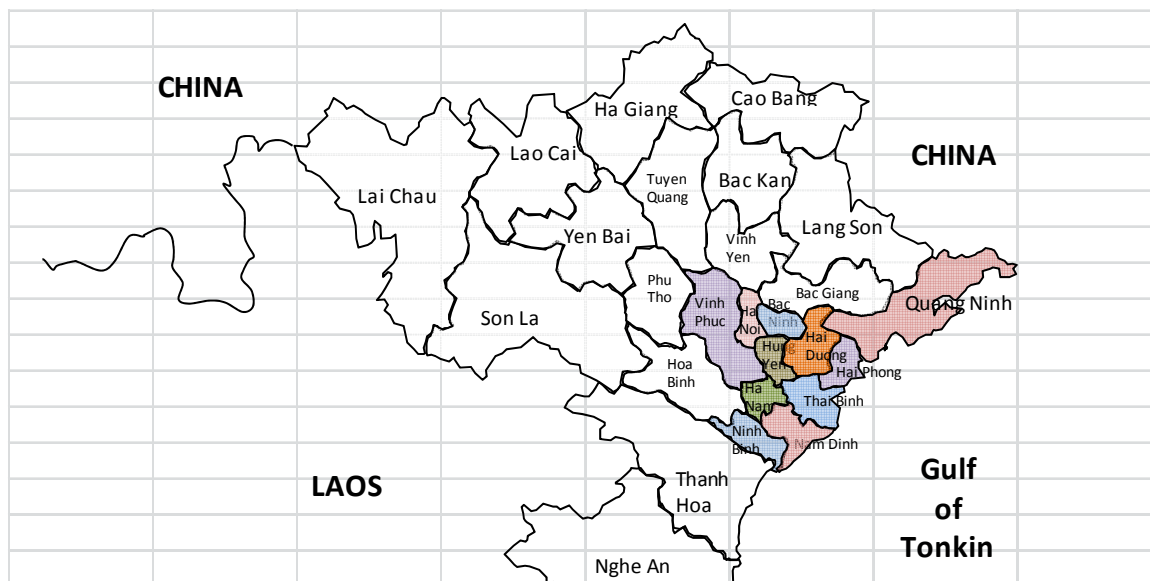


Source: Made by JICA Study Team based on the map and information officially published in Viet Nam

Figure 5.1-1 Map of 25 Provinces and Cities in Northern Region of Viet Nam

3) Target Areas of the Northern Region in This Study

In this study, 11 provinces and cities of the above-mentioned Red River Delta Region are chosen as the target areas with regard to Northern Region. (Figure 5.1-2)



Source: Made by JICA Study Team based on the map and information officially published in Viet Nam

Figure 5.1-2 Map of the 11 Provinces and Cities of Northern Region of Viet Nam as the Target Areas of This Study

(2) Current Situation and Trend of Economy in the Target Areas

Analysis of the target areas' economic situation is to be conducted by utilizing indicators like GDP growth rate, GDP, and GDP per capita. The relevant indicators with regard to the 11 provinces and cities of the Red River Delta Region proposed as the target areas covered by the Northern Region are illustrated as follows.

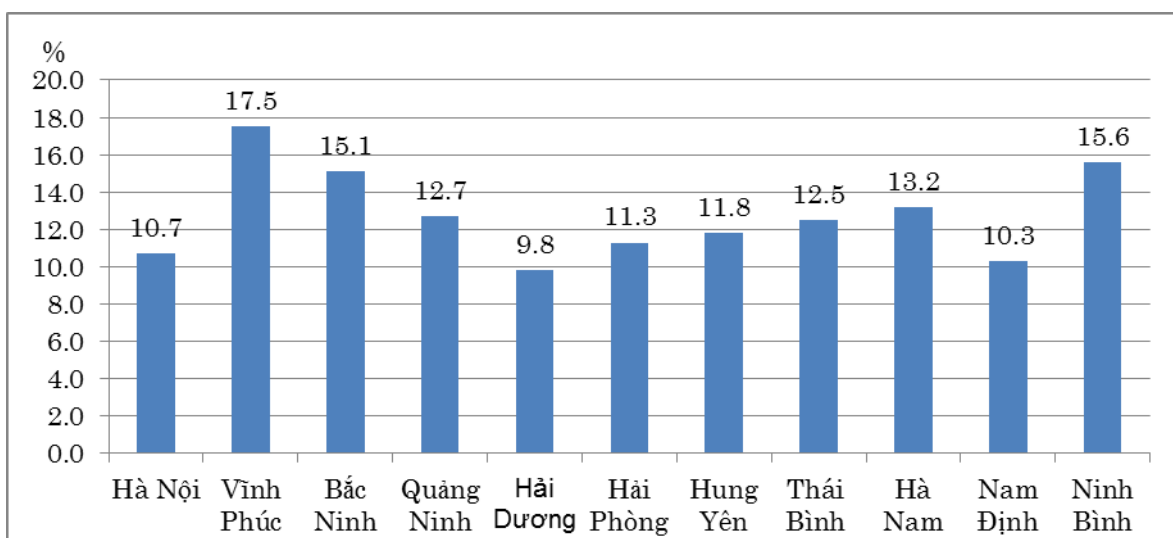
1) GDP Growth Rate of the Provinces and Cities Targeted

The figures of GDP growth rate announced by respective provinces and cities in Viet Nam so far have greatly differed from the national figures published by the General Statistics Office (GSO), with a general propensity to significantly exceed the number of the latter¹. For this reason, rather than discuss the level of the absolute value of the growth rate in a specific fiscal year, the purpose of using the values of GDP growth rate of respective provinces and cities in this report is to compare the trend of the average annual growth rates in the past few years among the provinces and cities so as to understand their relative situation.

Based on the idea above, the average annual growth rate of the 11 target provinces and cities in the Northern Region during the five-year period of 2005-2010 were calculated and the relative situation of respective provinces and cities is shown in Figure 5.1-3. From top to bottom in terms of average annual growth rate value, the order of these provinces and cities goes like the following: Vinh Phuc, Ninh Binh, Bac Ninh, Ha Nam, Quang Ninh, Thai Binh, Hung Yen, Hai Phong, Ha Noi, Nam Dinh and Hai Duong. The 3

¹ The fact that GSO has not published the values of GDP growth rate in the provincial level is said to be because this reason.

provinces, Vinh Phuc, Ninh Binh and Bac Ninh have registered relatively higher growth rates in the past few years.



Source: Statistical Yearbooks of 2011 edition published by respective provinces and cities

Note: The values of Vinh Phuc and Thai Binh are annual average of 2006-2010.

Figure 5.1-3 Annual Average GDP Growth Rate of Target Provinces and Cities of Northern Region (2005-2010)

2) GDP in Total Quantity and GDP Per Capita of Target Provinces and Cities

When looking at the values of GDP in total quantity at current price of the above-mentioned 11 provinces and cities in 2010, in order from the top it goes like the following: Ha Noi (VND 246.7 trillions), Hai Phong (VND 57.3 trillions), Hai Duong (VND 31.4 trillions), Quang Ninh (VND 41.8 trillions), will Bac Ninh (VND 37.1 trillions), Vinh Phuc (VND 34.1 trillions), Thai Binh (VND 30.1 trillions), Nam Dinh (VND 26.6 trillion), Hung Yen (VND 22.1 trillions), Ninh Binh (VND 18.9 trillions), and Ha Nam (VND 13.6 trillions). Needless to say that Ha Noi, as the Capital of the country, is much larger than other regions. But it is also worth noting that Hai Phong, being the second largest in total quantity of GDP within the Northern Region, is not only comparatively strong in manufacturing, but also better developed in service sector such as logistics owing to its advantage as a port city. Besides, Hai Duong and Quang Ninh also ascend to the upper places, due to the understandable reasons that the former is thriving in manufacturing, while the latter in coal mining.

However, when looking at the indicator of GDP per capita, the ranking changes to the following: Ha Noi (VND 37.28 millions), Quang Ninh (VND 36.12 millions), Bac Ninh (VND 35.64 million), Vinh Phuc (VND 33.84 million), Hai Phong (VND 30.83 millions) Ninh Binh Dong (VND 20.91 millions), Hung Yen (VND 19.52 millions), Hai Duong (VND 18.31 millions), Ha Nam (VND 17.24 millions), Thai Binh (VND 16.84 millions), Nam Dinh (VND 14.56 millions), where Hai Phong drops back to No.5. (Table 5.1-1)

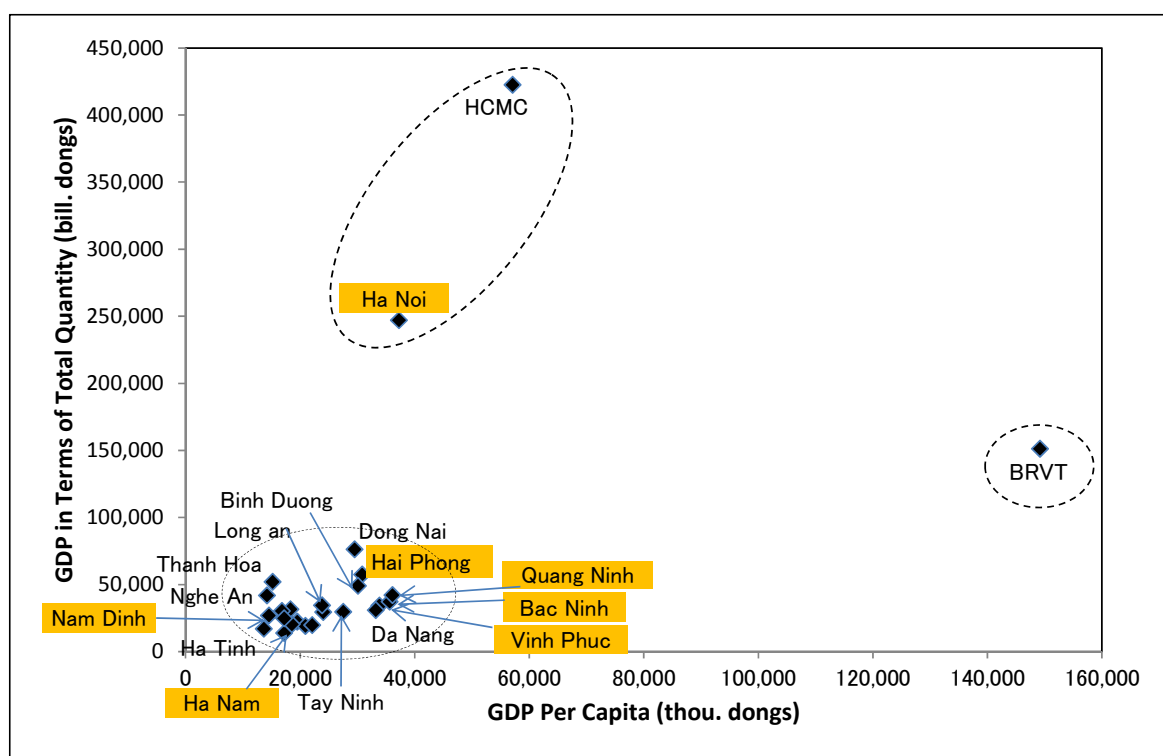
**Table 5.1-1 GDP in Total Quantity and GDP Per Capita of
Target Provinces and Cities in Northern Region (2010)**

Target Areas in Northern Region	GDP		GDP Per Capita	
	(billion VND)	(1,000VND)	(1,000VND)	(\$)
Hà Nội	246,737	37,283	1,911	
Vĩnh Phúc	34,119	33,838	1,734	
Bắc Ninh	37,111	35,643	1,827	
Quảng Ninh	41,841	36,120	1,851	
Hải Dương	31,361	18,310	938	
Hải Phòng	57,284	30,834	1,580	
Hung Yên	22,098	19,516	1,000	
Thái Bình	30,079	16,839	863	
Hà Nam	13,556	17,240	884	
Nam Định	26,645	14,560	746	
Ninh Bình	18,857	20,913	1,072	

Source: Statistical Yearbooks of 2011 edition published by respective provinces and cities

Note: 1.The values of GDP are at current prices.

2. The values of GDP per capita in dollar are converted using the exchange rate as of Dec.20, 2010 as follows: \$1 = VND 19,513 (the same for other parts of this report)



Source: Statistical Yearbooks of 2011 edition published by respective provinces and cities

**Figure 5.1-4 Positions of Target Provinces and Cities of Northern Region among
All the Target Areas in Terms of GDP and GDP Per Capita**

3) Positions of Target Provinces and Cities of Northern Region among All the Target Areas

In addition, the relative position of each of the target provinces and cities of the Northern Region among all the target areas, including those of the Central Region and Southern Region, can be clearly understood through the following comparison.

In terms of total quantity of GDP, Hanoi is second only to Ho Chi Minh City, but its scale is significantly below the that of Ho Chi Minh City, with the difference even reaching 1.7 times. In addition, Hai Phong, though boasting the second largest in the Northern Region, falls back to the fifth place behind Ba Ria-Vung Tau (the third) and Dong Nai (the fourth) when it is placed together with all the target areas.

With regard to the indicator of GDP per capita, Ha Noi stands at the third place behind Ba Ria-Vung Tau and Ho Chi Minh City, while Quang Ninh, Bac Ninh and Vinh respectively stand at the fourth, fifth, and sixth, and Hai Phong retreats further to the eighth place. (Figure 5.1-4)

Note that, by converting the values of GDP per capita from Vietnamese dong into U.S.dollar at the exchange rate as of around December 2010, the four provinces of Hai Duong, Thai Ninh, Ha Nam and Nam Tinh stay at the levels less than \$ 1,000, while the other seven provinces are all above \$ 1,000, with Hanoi arriving at \$ 1,911, close to the \$2,000 level.

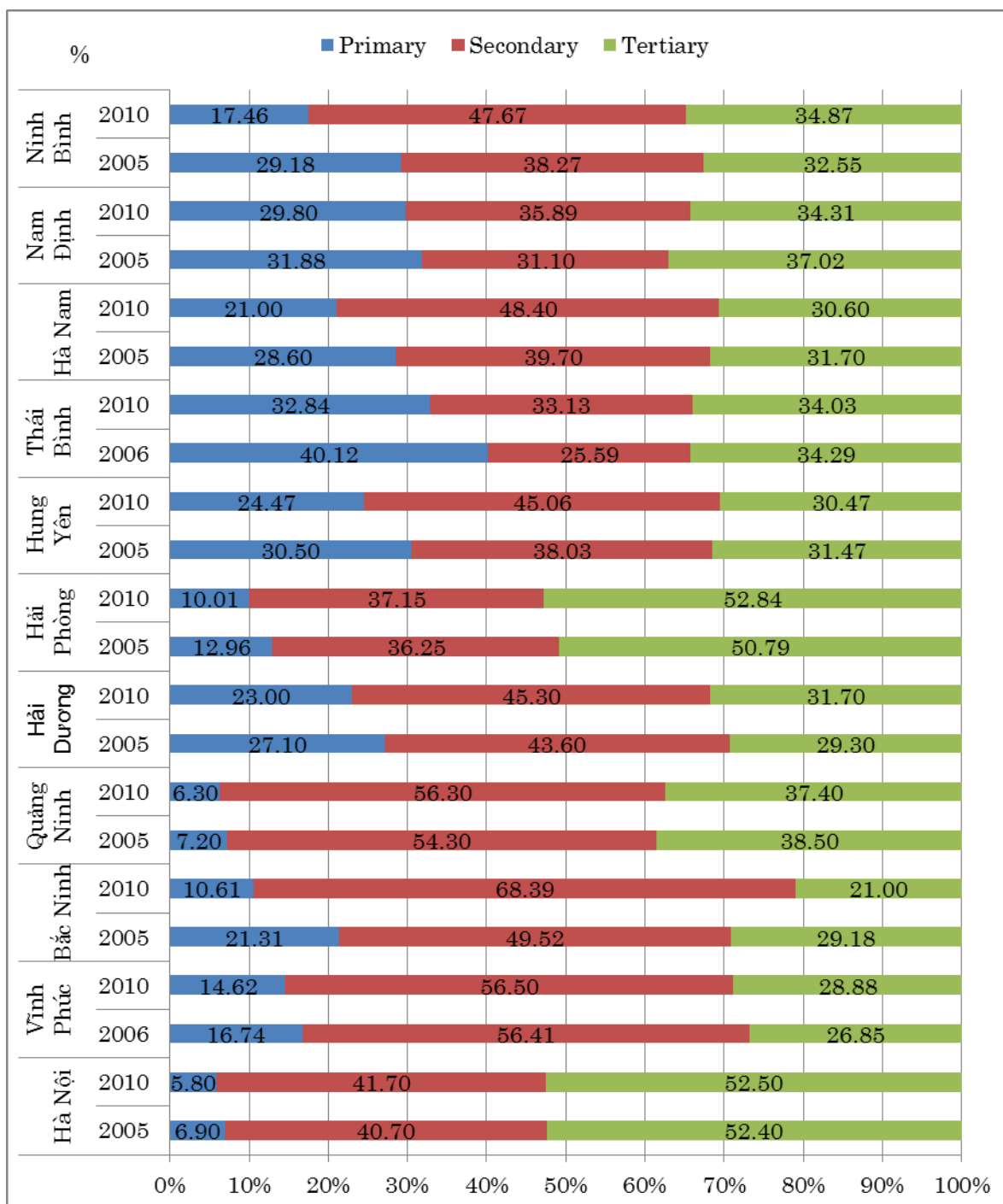
(3) Current Situation and Trend of Industry in the Target Areas

1) Change of Industrial Structure

When looking at the structure of GDP composed by the primary industry, secondary industry and tertiary industry in respective provinces and cities of the Northern Region as well as their changes over the period of 2005-2010, a common feature can be found among all the provinces and cities that the share of primary industry centering on agriculture has been reducing. This can be understood as an evidence of the comparative high-speed growth in the modern sectors, i.e. the secondary industry and tertiary industry, as a result of the Doi Moi Policy having been enforced in the past over 20 years.

However, as for whether the reduction of the share of primary industry has accompanied by the expansion of the share of secondary industry or tertiary industry, the situation varies with the difference of province and city. Among the 11 provinces and cities, those where the proportions of both secondary industry and tertiary industry have expanded are the 5 provinces and cities of Ha Noi, Quang Ninh, Hai Duong, Hai Phong and Ninh Binh, those with expansion in the proportion of secondary sector and reduction in that of tertiary industry are the 5 provinces of Bac Ninh, Hung Yen, Thai Binh, Ha Nam and Nam Dinh, while Vinh Phuc is the only province where the proportion of secondary industry has reduced with that of the tertiary industry expanding. Therefore, it is clear that as the destination for the transfer of the factors of production from the primary industry due to change in the industrial structure, the secondary industry is larger than the tertiary industry.

With respect to the status of industrial structure of the respective provinces and industry in 2010, Bac Ninh is the province where the secondary industry accounts for the largest proportion to its GDP (68.39%). As for the other provinces and cities, from top to bottom in terms of proportion of secondary industry, the order goes like this: Vinh Phuc (56.5%), Quang Ninh (56.3%), Ha Nam (48.4%), Ninh Binh (47.67%), Hai Duong (45.3%), Hung Yen (45.06%), Ha Noi (41.7%), Hai Phong (37.15%), Nam Dinh (33.13%), and Thai Binh (33.13%). (Figure 5.1-5)



Source: Statistical Yearbooks of 2011 edition published by respective provinces and cities

Figure 5.1-5 Change of Proportions of Primary, Secondary and Tertiary Industry to GDP in the Target Provinces and Cities of Northern Region

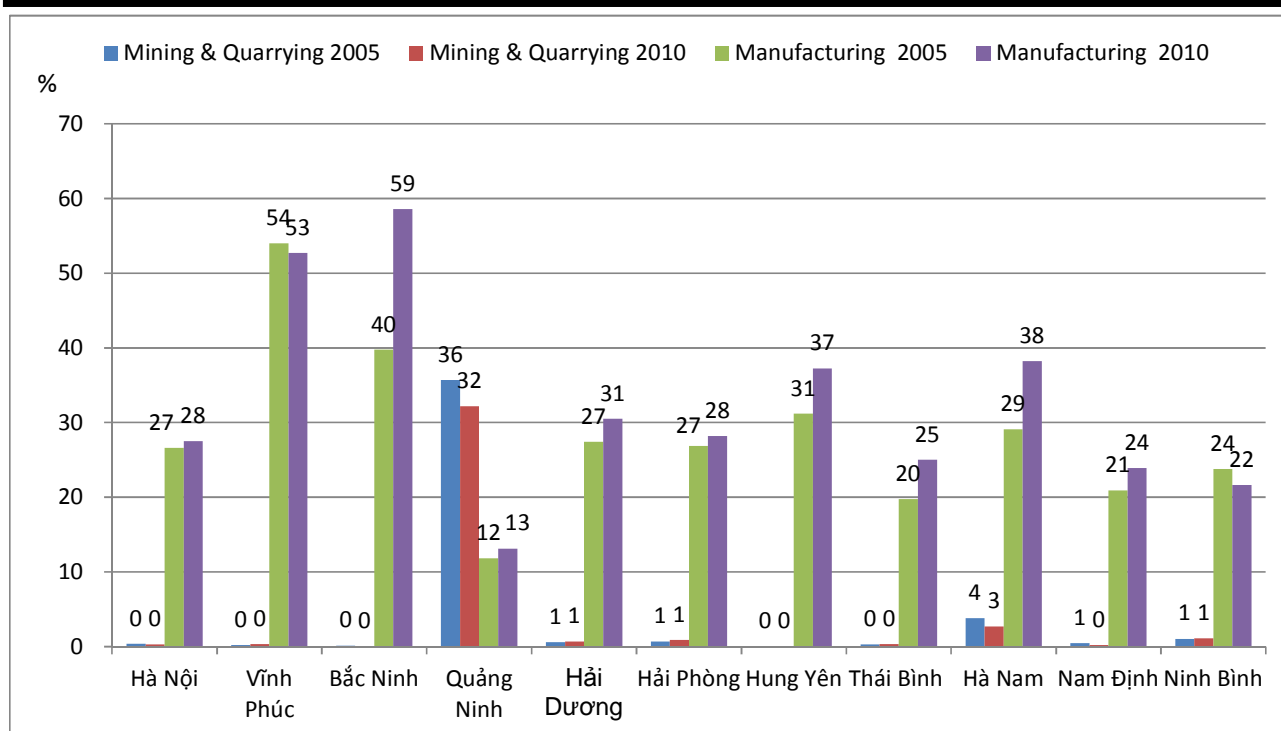
2) Change of the Weight of Mining & Quarrying and Manufacturing under the Secondary Industry

There are four sectors included in the secondary industry, i.e. mining & quarrying sector, manufacturing sector, electricity, gas and water supply sector, and e construction sector. But the report below will focus on two sectors, the mining & quarrying sector and the manufacturing sector, with an eye to watching the change of their respective proportions to the GDP.

As shown in Figure 5.1-6, out of the 11 target provinces and cities, only 5 maintain a certain proportion of the mining & quarrying sector to the local GDP, which are Quang Ninh, Ha Nam, Hai Phong, Hai Duong, and Ninh Binh. Among them, Ha Nam has seen its proportion of mining & quarrying sector to the local GDP reduced from 4% in 2005 to 3% in 2010, while the 3 provinces and cities of Hai Phong, Hai Duong and Ninh Binh have maintained this proportion at a low level of 1% throughout the period of 2005-2010. On the other hand, this value of Quang Ninh in 2010 was 32%, which significantly exceeded that of manufacturing which was not more than 13%. However, when comparing this figure to that of 2005, it is not deniable that the downward trend in the weight of mining & quarrying sector has also happened in Quang Ninh.

Regarding the proportion of manufacturing sector to GDP, it is noticeable that the values of Vinh Phuc and Bac Ninh are significantly higher than other regions. As far as the value added of manufacturing in 2010 is concerned, Ha Noi Topped the Northern Region at VDN 67 trillions, while Bac Ninh and Vinh Phuc entered the second and third place with VND 22.6 trillions and VND 18.1 trillions respectively. As Ha Noi's total quantity of GDP is much larger than the two provinces and its other sectors are also large in scale, its proportion of manufacturing sector to GDP looks smaller than that of Bac Ninh and Vinh Phuc.

When comparing the figures of 2010 and to 2005, whereas the proportion of manufacturing to GDP in Vinh Phuc went down 1 percentage point from 54% to 53%, the value of Bac Ninh contrarily rose by a great margin from 40% in 2005 to 59% in 2010, evidencing the remarkable growth of the manufacturing industry in this province during this period. As for the other regions, 8 provinces and cities i.e. Ha Noi, Quang Ninh, Hai Duong, Hai Phong, Hung Yen, Thai Binh, Ha Nam and Nam Dinh have seen their respective proportion of manufacturing sector increasing, while Ninh Binh is the only province apart from Vinh Phuc where the proportion of manufacturing sector has decreased.



Source: Statistical Yearbooks of 2011 edition published by respective provinces and cities

Note: The values of Vinh Phuc and Thai Binh are of 2005 and 2010.

Figure 5.1-6 Change of Proportions of Mining & Quarrying Sector and Manufacturing Sector to GDP in the Target Provinces and Cities of Northern Region

3) Situation of Major Subsectors of Manufacturing in the Target Areas of Northern Region

Based on the way of classification and comparability of data in the statistics yearbooks published by respective provinces and cities of Vietnam, it is possible to divide the manufacturing sector of all the provinces and cities into 20 sectors. In addition, with an eye to facilitating the analysis of data, the 20 subsectors are further divided into 3 groups, the light industry group, the mineral and heavy industry group, and the electronics and machinery group. The rankings of respective target provinces and cities in respective subsectors among all the 25 target provinces and cities are indicated in the tables below

With regard to the light industry group, Ha Noi ranks No.3 and above in almost all of the 9 subsectors except for the subsector of leather & related products (No.7). To be more specific, it is No.1 in the subsector of wood and wooden products, No.2 in both apparel and printing and recorded media, No.3 in food & beverage, textile, paper & paper products, rubber and plastics, and furniture. Regarding the other target areas, Bac Ninh and Hai Phong have comparatively more subsectors ranking at higher positions. The subsectors of both paper & paper products and furniture of Bac Ninh are at No.4, and rubber & plastics and food & beverage at No.5 and No.6 respectively. As for Hai Phong, its Rubber and plastic is at No.4, and both of leather & related products and paper & paper products are at No.6. Besides, Nam Dinh, with its apparel and textile at No. 4 and No.5, and Vinh Phuc, with its apparel at No.6, are also worthy of noting.

**Table 5.1-2 Rankings of the Target Provinces and Cities of Northern Region among
All Target Areas in Light Industry as of 2010**

Target Provinces and Cities	Food & Beverage	Textiles	Wearing Apparel	Leather & Related Products	Wood & Wooden Products	Paper & Paper Products	Printing & Recorded Media	Rubber & Plastics	Furniture
Hà Nội	3	3	2	7	1	3	2	3	3
Vĩnh Phúc	22	16	7	16	22	23	6	16	6
Bắc Ninh	6	18	13	20	12	4	13	5	4
Quảng Ninh	7		21	13	21		5		
Hải Dương	19	19	9	10	14	13	15	12	11
Hải Phòng	20	9	15	6	11	6	7	4	12
Hung Yên	9	13	6	12	16	9	17	9	15
Thái Bình	14	4	10	18	8	15	21	17	8
Hà Nam	12	6	18	21	19	18	25	13	14
Nam Định	23	5	4	15	9	14	11	14	7
Ninh Bình	25	22	14	22	15	22	22	20	16

Source: Statistical Yearbooks of 2011 edition published by respective provinces and cities

**Table 5.1-3 Rankings of the Target Provinces and Cities of Northern Region among
All Target Areas in Mineral and Heavy Industry as of 2010**

Target Provinces and Cities	Coke & Petroleum Products	Chemicals & Chemical Products	Pharmaceuticals, Medicinal Chemical & Botanical Products	Other Non-metallic Mineral Products	Basic Metals	Fabricated Metal Products
Hà Nội	5	4	1	3	6	2
Vĩnh Phúc		14		11	14	16
Bắc Ninh	7	8	8	10	5	6
Quảng Ninh				5		18
Hải Dương	3	11	5	4	11	11
Hải Phòng		5	6	9	2	7
Hung Yên		15	3	22	4	5
Thái Bình		12	7	18	9	15
Hà Nam		23		12	20	21
Nam Định		20	2	21	17	8
Ninh Bình	9	13	10	6	13	20

Source: Statistical Yearbooks of 2011 edition published by respective provinces and cities

With respect to the mineral and heavy industry group, Ha Noi, Hai Duong, Hai Phong and Hung Yen had relatively more subsectors with higher ranking. Ha Noi boasts No.1 and No.2 respectively in the subsectors of pharmaceuticals, medicinal chemical & botanical products, and fabricated metal products, while its other non-metallic mineral products, chemicals & chemical products, coke & petroleum products, and basic metals are respectively ranked from No.3 to No.6. Hai Duong has its coke & petroleum products, other non-metallic mineral products, pharmaceuticals, medicinal chemical & botanical products ranking from No.3 to No.5, while Hai Phong claims No.2 in basic metals, No.5 and No.6 in chemicals & chemical products and pharmaceuticals, medicinal chemical & botanical products, and Hung Yen claims No.3 to No. 5 in pharmaceuticals, medicinal chemical & botanical products, basic metals and fabricated metal products. In addition, Nam Dinh ranks No.2 in pharmaceuticals, medicinal chemical & botanical products, basic metal

products, Quang Ninh ranks No.5 in other non-metallic mineral products, Bac Ninh ranks No.5 and No.6 in basic metals and fabricated metal products, and Ninh Binh gets No.6 in other non-metallic mineral products. These are the fields where they respectively have some comparative competitiveness. .

Table 5.1-4 Rankings of the Target Provinces and Cities of Northern Region among All Target Areas in Electronics and Machinery as of 2010

Target Provinces and Cities	Electronic, Optical & Electrical Products	Machinery & Equipment	Motor Vehicles	Other Transport Equipment	Other Manufacturing
Hà Nội	2	3	2	2	1
Vĩnh Phúc	11	8	1	1	12
Bắc Ninh	3	17	10	14	7
Quảng Ninh				6	
Hải Dương	6	5	5	13	5
Hải Phòng	5	4	4	5	2
Hung Yên	4	7	6	4	8
Thái Bình	14	18	18	10	11
Hà Nam		12		22	
Nam Định	15	10	12	7	13
Ninh Bình	19	6	17	9	18

Source: Statistical Yearbooks of 2011 edition published by respective provinces and cities

Regarding the electronics and machinery group, there are comparatively more fields where the Northern Region has competitiveness; especially, there are many subsectors where the provinces and cities of Northern Region almost dominate the top 6 places. In the subsector of electronic, optical & electrical products, Ha Noi, Bac Ninh, Hung Yen, Hai Phong and Hai Duong are ranked No.2 to No.6. In machinery & equipment, Ha Noi, Hai Phong and Hai Duong are No.3 to No.5. In motor vehicles, Vinh Phuc and Ha Noi occupy No.1 and No.2, while Hai Phong, Hai Duong and Hung Yen get No.4 to No.6. In other transport equipment, Vinh Phuc, Ha Noi, Hung Yen, Hai Phong, Quang Ninh also occupy No.1, No.2, No.4, No.5 and No.6 respectively. In other manufacturing, Ha Noi and Haiphong occupy No.1 and No.2, while Hai Duong gets No.5.

(4) Current economic and industrial situation in city of Hai Phong

1) Current macroscopic situation and recent trend of industry in city of Hai Phong

- The average annual growth rate of gross domestic product between 2005 and 2010 is 11.3%. Value in 2010 amounted to 1.7 times the value in 2005. The average annual growth rate is higher than the national value (7%).
- The average annual growth rate of exports is 18.9% in the year between 2006 and 2010, and it amounted to 22.5% from 2006 to 2008. The main export destinations are Japan, Hong Kong, and the United States.
- The revenue of the city in 2005 amounted to 728 billion VND, while it recorded 1 trillion and 574 billion VND in 2010. the value in 2010 is two times of the one in 2005.
- The total number of workers in 2010 grew by 1.3 times of the one in 2006.

- The average annual income of workers has nearly doubled between 2006 and 2010.
- The rise of high-value-added industries related industry power supply, electrical and electronics manufacturing industry, such as manufacturing electronic components for industrial structure is remarkable. In addition, the remarkable rise of high-quality products as well. Production of steel, cement, ships, trucks, machinery, chemicals, fertilizer, electrical and electronic equipment, such as clothing has been growing.

Table 5.1-5 Statistics items in city of Hai Phong

Statistics items	Statistics	Year
1.Population		
Size	1,857,800 persons	2010
Density	1221persons/km ²	2010
Labor population (elder than 15 years)	1,062,700 persons	2010
Ratio of Labor population	55.3%	2010
2.Loabor force		
Size	300,236 persons	2009
Number and ratio of women workers	140,232 persons (46.7%)	2009
3.Enterprise		
Number of enterprises	5,646 enterprises	2009
Number and ratio (more than 300workers)	157 enterprises (2.8%)	2009
Number and ratio (50~299workers)	632 enterprises (11.2%)	2009
Number and ratio (less than 50workers)	4,857 enterprises (86%)	2009
Number and ratio(more than 50 billion dong capital)	443 enterprises (7.8%)	2009
Number and ratio(10~500billion dong capital)	4,415 enterprises (78.2%)	2009
Number and ratio(less than 10 billion dong capital)	788 enterprises (14%)	2009
4.FDI		
Cummulative amount of FDI in terms of US\$	5.1 billion US\$	Up to 2010
Cummulative number of FDI	316 numbers	Up to 2010
Average size of the project in terms of US\$	16.3 million US\$	Up to 2010
5.Productivity and management of the enterprises		
Product amount	64,583 Bill. Dong	2009
Product amount(FDI)	16,811 Bill. Dong	2009
Ratio of FDI	24.2%	2009
Ratio of numbr of profitable enterprises	58.18%	2009
6.wage, social insutance		
Amount of wage (monthly salary and insurance)	2,617,000Dong	2009
Ratio of entrprises serving social insurance	44%	2009
7.transportation		
Persons-kilo for passenger transport	1.05billion person-kilo	2009
Persons-kilo for passenger transport (Road)	1.02 billion person-kilo	2009
Tons-kilo for freight transport	10.25 billion tons-kilo	2009
Tons-kilo for freight transport (Road)	2.78 billion tons-kilo	2009
Tons-kilo for freight transport (river, sea transport)	7.48 billion tons-kilo	2009
8.Tele communication		
Number of telephone users (land telephone,+mobile)	452,000	2010
Rate of penetration	24.3%	2010
9.Education		
Number of university staffs and population ratio	1,935persons (1 : 960)	2010
Number of university students and population ratio	57,217persons (1 : 32)	2010
Number of vocational school staffs and population ratio	352persons (1 : 5,278)	2010
Number of vocational school students and population ratio	13,333persons (1 : 139)	2010
10.Poverty ratio	6.5%	2010

Source : Statistical Yearbook of Vietnam 2010

2) Present situation of each sector in city of Hai Phong

About the performance of Economy, Trade and Industry in the city in recent years, Hai Phong City's People's Committee has made an overview as follows: (according to the discussion with Hai Phong DPI as of April, 2012)

- The average annual growth rate of industrial production between 2006 and 2010 was 14.9%. This was less than 19% of the target value.
- Percentage of the production of high value-added industries such as electrical and electronics manufacturing industry to the total industry is still low. In addition, the priority of the development of industries supporting industries is low,
- Number of skilled workers in high-value-added industries sector has not reached the required number.
- Treatment of industrial waste in the industrial zone has not been properly implemented.

Source: Hai Phong DPI

3) Weights and Growth Rates by Subsectors under Manufacturing of Hai Phong City

The total manufacturing production of Hai Phong registered an average annual growth rate of 9.4% in the five-year period of 2005-2010. When looking at the annual growth rate of respective subsectors, those with annual growth rate exceeding the manufacturing average are wearing apparel (14.7%), wood & wood products (31.5%), paper & paper products of (14.7%), chemicals & chemical products (17.6%), rubber & plastic products (15.8%), basic metals (24%), fabricated metal products (12.5%) ,electronic, optical & electrical products (11.5%), motor vehicles (74.7%), and other manufacturing (175.8%), altogether 10 subsectors. Among them, the subsector of other manufacturing registered a particularly high growth rate, which includes recycling, repair and installation machinery & equipment, indicating the activation of industrial waste treatment, and equipment maintenance and engineering activities incidental to manufacturing. Besides, the high growth rate of motor vehicles is also noteworthy.

On the contrary, those with annual growth rate below that of the manufacturing average are 11 sub sectors of food & beverage (2.3%), tobacco (-13.3%), textiles (3.9%), leather & related products (-18.8%), printing and recorded media (-1%), cork & petroleum products (0%), pharmaceuticals, medicinal chemical & botanical products (-9.1%), other non-metallic mineral products (2.7%), other machinery & equipment (-1.5%), other transport equipment (-7.1%) and furniture (-11%). Among them, tobacco, leather & related products, printing & recorded media, pharmaceuticals, medicinal chemical & botanical products, other machinery & equipment, other transport equipment and furniture all descended to a negative growth.

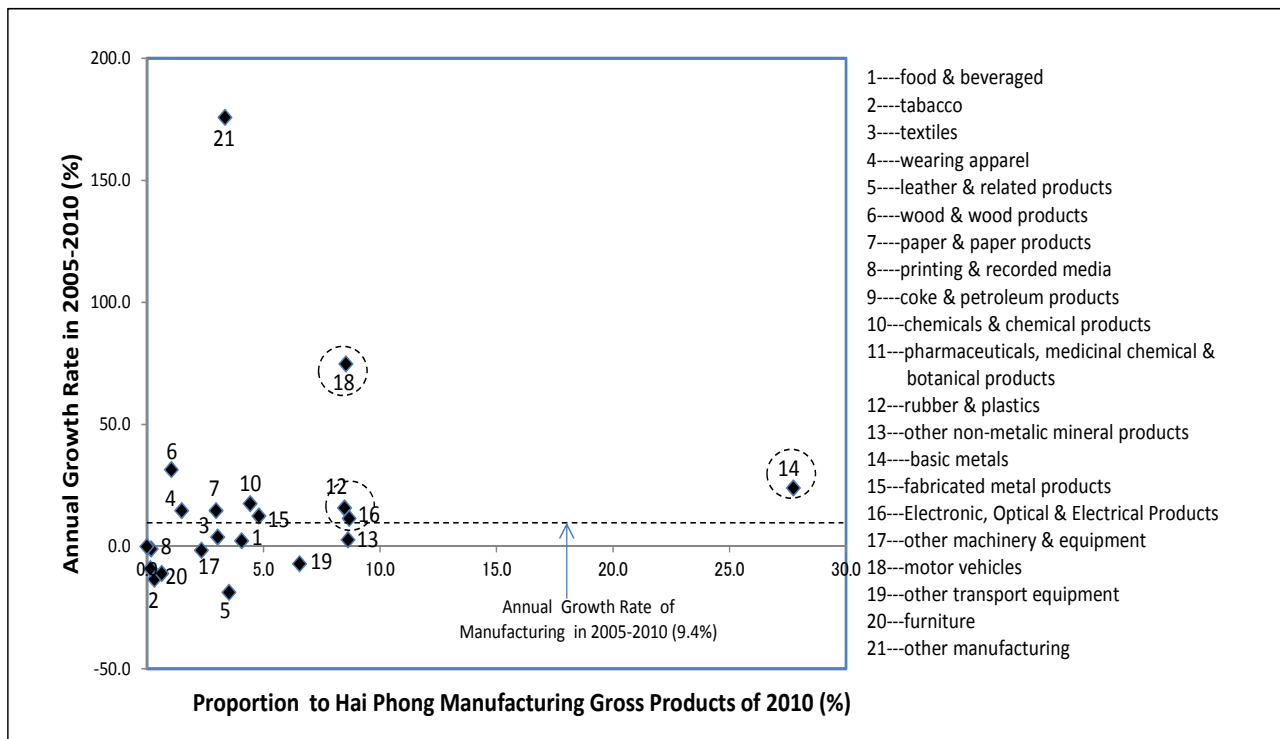
On the other hand, when looking at the proportion of respective subsectors to the gross output of Hai Phong's manufacturing in 2010, basic metals occupies the top spot with 27.7%, while the other subsectors with higher proportion are, from top to bottom, electronic, optical & electrical products (8.7%), other non-metallic mineral products (8.6%), motor vehicles (8.5%), rubber & plastic products (8.5%), and other transport equipment (6.5%), etc.

Table 5.1-6 Trend of Gross Output of Subsectors under Manufacturing of Hai Phong (Unit: VND billion)

Subsectors under Manufacturing	2005	2010	Share (2010) (%)	Annual Growth (2005-2010) (%)
Total of Manufacturing	21,317	33,367	100.0	9.4
food & beverage	1,210	1,359	4.1	2.3
tobacco	221	108	0.3	-13.3
textiles	838	1,013	3.0	3.9
wearing apparel	252	500	1.5	14.7
leather & related products	3,324	1,174	3.5	-18.8
wood & wooden products	89	350	1.0	31.5
paper & paper products	500	991	3.0	14.7
Printing & f recorded media	64	61	0.2	-1.0
coke & petroleum products	0	0	0.0	-
chemicals & chemical products	658	1,477	4.4	17.6
pharmaceuticals, medicinal, chemical & botanical products	79	49	0.1	-9.1
rubber & plastics products	1,361	2,830	8.5	15.8
other non-metallic mineral products	2,516	2,880	8.6	2.7
basic metals	3,159	9,257	27.7	24.0
fabricated metal products	890	1,602	4.8	12.5
electronic, optical & electrical products	1,681	2,897	8.7	11.5
other machinery & equipment	844	781	2.3	-1.5
motor vehicles	175	2,851	8.5	74.7
other transport equipment	3,150	2,185	6.5	-7.1
furniture	378	211	0.6	-11.0
Other manufacturing	7	1,117	3.3	175.8

Source: Hai Phong Statistical Yearbooks of 2011 edition

By putting the above-mentioned values of proportion to manufacturing together with that of growth rate, it is easily recognized that the 4 subsectors of basic metals, motor vehicles, rubber & plastic products and electronic, optical & electrical products are comparatively higher in both the values.



Source: Hai Phong Statistical Yearbooks of 2011 edition

Figure 5.1-7 Scatterin Diagram of Weights and Growth Rates by Subsectors under Manufacturing of Hai Phong

4) Basic direction of industrial policy(present~2015~2020)

a. basic direction

For industries such as priority support in the future, in Hai Phong City's People's Committee has made an overview as follows: (according to the discussion with Hai Phong DPI as of April, 2012)

- Prioritized industries are 1)Key Industry, 2)Supporting industry, 3)High-tech industries, 4)High value-added industry, 5)Energy saving related industry, 6)Industry with low environmental impact 7) Marine industry. In addition, such industries as labor-intensive industry, industry with outdated technology and industry with environmental pollution, are directed toward reduction.
- Above-mentioned “Key Industry” contains 1)Significantly growing industry including electronics and information technology, 2)Traditional industry which is to be promoted its development, including automobile industry, metal processing, construction material, chemical and machine.
- Shoe manufacturing sector and the textile industry are put in the direction of the reduction.
- As supporting industrial sector, emphasis will be put on machinery parts manufacturing sector, automobile parts manufacturing sector and ship-building sector and high-tech industry.
- Emphasis will be put on production of processed goods for export agriculture, forestry and fish industry.

Source: Hai Phong DPII

b. Promotion of development of specialized industrial zone

City of Hai Phong now appointed two industrial zones as specialized industrial zone such as 1)Trang Cat and 2)Nam Dinh Vu. These two industrial zones are still under construction or planning. Prioritized industry for these specialized industrial zones is supporting industry. To develop supporting industry, it is important that large-sized industry and assembling industry should be invited and develop supply chain between supporting industry and large-scale assemblers.

5.2 Natural Condition and Population in Northern Region

5.2.1 Natural Condition in Northern Region

(1) General climate

Hanoi is located in the northern region inland, in a typical monsoon climate, hot and humid summer, winter is the dry weather, it is relatively cool and little rain. Annual rainfall is about 1,700 mm. Most of the rain is concentrated during the summer months from May to September. Winter from November to March is a dry season compared to the dry summer. Temperature drops below 10 degree and enters in chilly in January of winter. July is the hottest summer months, there are days when the temperature rose to 38 ~ 40 degree. Hai Phong is located in the northern coastal region. It is a typical monsoon climate as well as Hanoi. There is the dry season (November to April) and rainy season (May to October), the annual average rainfall is about 1,800 mm. Maximum temperature will be in the 38 degree in October, the lowest temperature is 3.7 degree in December. Humidity is quite high at 75-90%. According to the TEDI report, "Haiphong Urban Transport Development Project, Feasibility study and basic design Component A – Urban road development", Daily maximum rainfall is (14, 1922 July) 320.5mm/day observed in the district Hon Dau. Number of rainy days in the district is about 45 days a year, accompanied by thunder, according to "The North-East Meteorological Station", 1975-2006. The frequency of fog is the extent (up to 60 days) 20 days per year according to "Report on Port Capacity Reinforcement Plan in Northern Vietnam, NK", September 2009.

(2) Flood

Document on the status of the district as the floods, there is a (3rd October & 10th November, 2008) the major flood in recent years by the Satellite Data (ENVISAT-ASAR WSM).

(3) Soil condition

The region is located downstream of the Red River, (Hai Phong Urban Transport Development Project Annex 2.1) by sediment from the Lach Huyen River and Nam Triew River, a thick layer of clayey sand soft is formed. (Hydrology and Drainage Calculation - Roads, May 2012).

(4) Tide level

Tide has been observed in Hon Dau Island, highest sea level is 4.21m (22/10/1985). (Hai Phong Urban Transport Development Project Annex 2.1: Hydrology and Drainage Calculation – Roads, May 2012, p9-10).

(5) Earthquake

According to the statistics of "US Geological Survey Earthquake Hazards Program (1975-2006)", earthquake with magnitude of 5.7 occurred on December 31st in 1994 at a distance of 151km from the earthquake area of Hai Phong. However, it is a situation in which the seismic activity around the country in Vietnam is almost negligible and not significant. (The Preparatory Survey on Lach Huyen Port Infrastructure Construction in Viet Nam, JICA, July 2010,p7-4)

5.2.2 Population Distribution Condition in Northern Region

In the northern region of Vietnam, the population is concentrated in the delta along the Hong River, 1,962 people / km² in Ha Noi, and 1,221 people / km² in Hai Phong.

Table5.2-1 Population in northern region

市·省名	人口(千人)	(Km ²)	人口密度(人/km ²)
Hà Nội	6561,9	3344,6	1962
Vĩnh Phúc	1008,3	1231,8	819
Bắc Ninh	1034,2	822,7	1257
Quảng Ninh	1159,5	6099,0	190
Hải Dương	1712,8	1650,2	1038
Hải Phòng	1857,8	1522,1	1221
Hưng Yên	1132,3	923,5	1226
Thái Bình	1786,3	1567,4	1140
Hà Nam	786,3	860,2	914
Nam Định	1830,0	1652,5	1107
Ninh Bình	900,6	1389,1	648
Thanh Hóa	3406,8	11133,4	306
Nghệ An	2917,4	16490,7	177
Hà Tĩnh	1228,0	6025,6	204

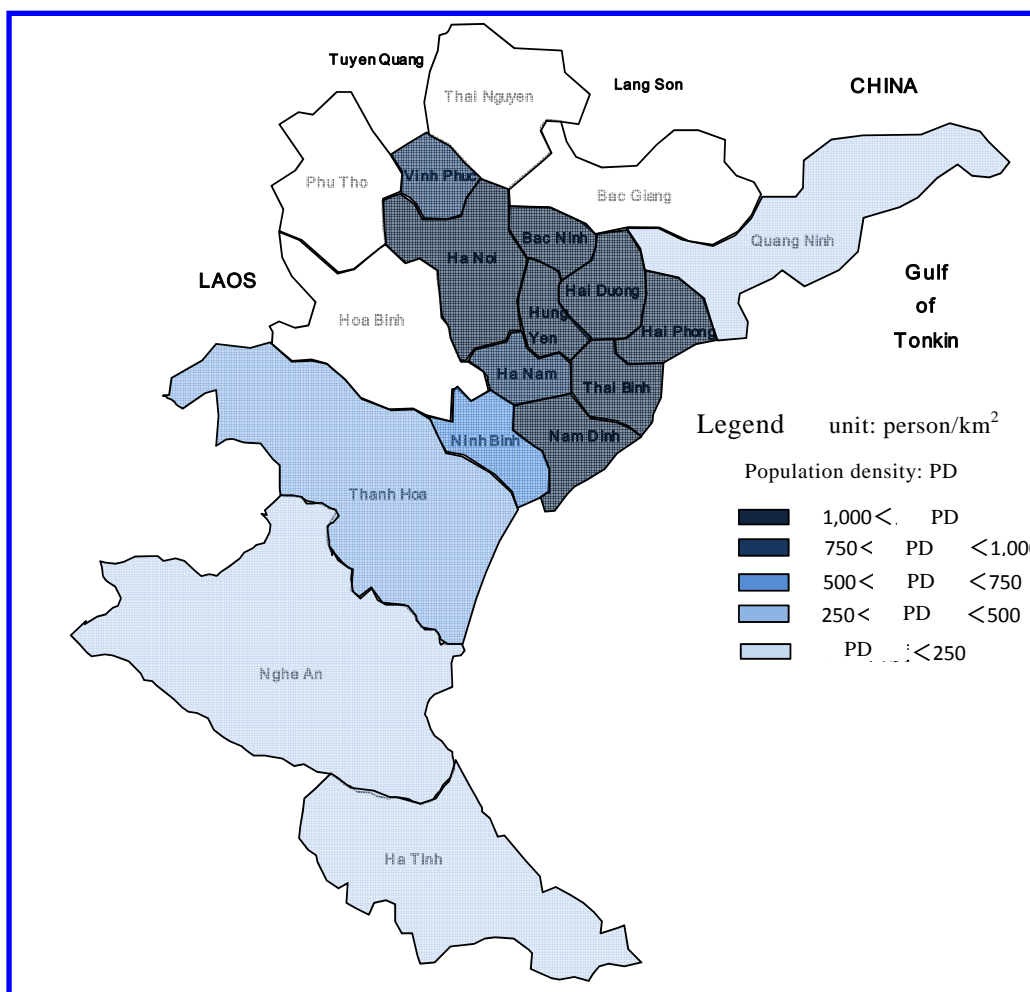


Figure 5.2-3 Population density in northern region

5.3 Present Situation of Transport Infrastructure Development and Planning in Northern Region

(1) Road infrastructure

Northern part of the region, looking at Hai Phong, Hai Phong highways and major industrial estates are located along the National Highway No.5, No.329, and No.356. Traffic congestion on those highways has been becoming increasingly serious. Therefore the development of highway expansion and commercial artery has become a pressing issue. Where is Hanoi-Hai Phong highway construction maintenance (scheduled start of operation in 2015) is urgently needed, in the future organs is expected to fulfill the same function that road.

(2) Seaport infrastructure

Currently, Hai Phong port (6m water depth), and Cai Lan port (13m water depth) is working. The future organs are expecting to further improvement of maritime logistics functions of Lach Huyen port (14m water depth, expected to be completed in 2015). Here is current state of Hai Phong port, Cai Lan port, and Lach Huyen port.

1) Current status of Hai Phong port

Consists of the following four terminals, it has become the largest container port in the north.

- Hoang Dieu terminal, Ship which can be docked : 10,000DWT
- Chua Ve terminal, Ship which can be docked : 10,000DWT
- Tan Cang terminal, Ship which can be docked : 20,000DWT
- Dinh Vu terminal, Ship which can be docked : 20,000DWT

The amount of cargo throughout Vietnam in 2011 is 286 million tons, and the combined amount of handling in Cai Lan port, it has covered about 30% of the whole of Vietnam. For Japan, with the transshipped en route, to the port of Cai Lan, there is a service in barge freight. In the past, refurbishment yen loans with 17.3 billion JPY have been performed. It takes 8-11 days, 7-9 days, 4-5 days, 1-3 days to Hong Kong, sailing days, 2-4 days to HCMC to Singapore to Thailand to Japan. According to the truck transport, it will takes five days to HCMC.

2) Current status of Cai Lan port

Water depth is 12m. Ship which can be docked is 50,000DWT. In direct to Japan, it takes minimum six days. ODA loans extended 10.3 billion JPY in the past.

3) Current status of Lach Huyen port

Planned water depth is 14m. ship which can be docked is 100,000DWT×2bessels. The amount of available cargo handling is estimated 855,000 TEU/year. The total project cost is estimated at approximately 160 billion JPY. Basic infrastructure development will be done by ODA. Development and management of

terminals will be done by joint stock company consisting of VINALINES, Shosen-Mitsui, Nihon-Yusen, Itoyu.

(3) Airport infrastructure

Airports are Cat Bi international airport and Noi Bai international airport are in operation. Distance to these airports is 2~10km and 100km by each. Of these, the People's Committee of Hai Phong has announced its plans to introduce 5 trillion VND, which is equivalent to 18.7 billion JPY, toward development of International Airport airport Cat Bi. The fund will come from state budget. The commencement of the construction of this airport has been scheduled to be in early 2013, construction was completed in 2015. Currently, the airport has only one runway for small aircraft, accommodating 6 flights / day, which include 5 flight / day between Ho Chi Minh and Hai Phong anding flights six / day 1 flight / day between Hai Phong and Danang. With a runway of 3,000 meters in length that can take-off and landing of large aircraft, passengers and increase in service after the enhancement of new routes is expected.

Above-mentioned infrastructure development projects are shown as follows:



Figure 5.3-1 Transport infrastructure in Northern region

Source : Jetro

5.4 Overview of Economic Zones and Industrial Zones in Northern Region

5.4.1 Overview of Economic Zones in Northern Region

As it was mentioned in Chapter 3, development of two economic zones of the 15 in the nation are permitted in the northern Region, Hai Phong city which includes Dinh Vu-Cat Hai Van Don Economic Zones and in Qung Ninh province, as it is described below.

(1) Qung Ninh Province

1) Van Don Economic Zone

a. Background

Van Dong Economic Zone was established by government decision No.786/QD-TTg on June 25, 2006. It has 217,133 ha and occupies the entire area of Van Dong Islands which includes 600 islands in the entire area of Bai Tu Long Bay. The west side of Economic Zone is neighboring to Halong City.

According to the decision of the Prime Minister, the purposes of the development of Van Don Economic Zone are:

- a. Development of luxury eco-tourism centre using the island and marine resources
- b. Development of international aviation center
- c. Development of service logistic center
- d. Development of International Trade Center

The development objectives are clearly designated as " It aimed at growth and sustainable development of the Quang Ninh Province. And consolidate the civil defense, security and stability, social order, national sovereignty and territory. With respect to the economic effects, economic growth was achieved 16.8% after 5 years.

In August 2009 development plan to 2020 with a vision to 2030 was approved, in which the to develop Van Dong to be a base for main economic activity of the province and the Northern Coastal region and development plan and attract tourists from Southeast Asia for a ocean luxury resort to Van Don.

b. Current Status and Development Plans

Currently, the Quan Ninh Province has submitted the details of the major part of a development master plan based on the vision to 2030 to the Prime Minister. The Economic Zone, which includes 22 infrastructure development projects such as road construction and resettlement of inhabitants, construction of Van Don international airport, urban redevelopment of Halong City, highway No.334 and power transmission line to the islands, of which the budget is estimated 4,587 billion VND including administrative reform to attract investment such as development of Ministerial Ordinance and attracted 5 foreign direct investments and 72 investment projects by domestic enterprises by the end of 2011. At present 161 non-state-owned companies are in operation.

In April 2011 construction plans to build an international airport with a runway of 3,000 m was officially announced of which the budget is more than US \$ 242 million, and two million passenger arrival and

handling of 10,000 tons of cargo per year are estimated by 2020.

The Quang Ninh province expects to develop an economic hub not only the province, but the northern region with the development of economic zone which has natural world heritage of Ha Long Bay and many natural resources. Currently, investments by Shinwa-Group, Singapore Tourism Board for development of coal and mineral resources and development of marina are proposed.

(2) Hai Phong City

1) Dinh Vu-Cat Hai Economic Zone

a. Background

Dinh Vu-Cat Hai Economic Zone has area of 21,600 ha combined area of the island of Cat Hai district and Dinbu Hai Phong. February 3, 2009, Dinh Vu aimed at 2025 was approval by the Prime Minister and prepared the development master plan for Dinh Vu- Cat Hai the Economic Zone.

March 28, 2011, the Prime Minister accepted the expansion of the Economic Zone and promulgate N0.1869 / VPCP-KTTH law and ordered to make modification of the master plan on the extension of Economic Zone and submit to the Prime Minister immediately for approval. At the same time the prime Minister ordered to Peoples Committee of Hai Phong City to make modification of whole master plan to include extended area into land-use plan of Hai Phong City in 2010-2020 to meet the current regulation. For this purpose, the Deputy Prime Minister Hoang Trung Hai gave authority and responsibility to the Minister of Construction in accordance with No.1869/VPCP-KTTH dated March 28, 2011 to adjust overall master plan of Dinh Vu-Cat Hai Economic Zone in compliance with the current regulation. At the same time he ordered to Peoples Committee of Hai Phong to perform the facilitator for completion of the adjustment of the master plan.

b. Current Status and Existing Development Plan

Hai Phong has been the largest trading port in northern Vietnam and developed as the fisheries and marine economy as main industry. Therefore, the objectives of development of Economic Zone have been international trading port with the industrial city. In the master plan of Economic Zones, three new industrial zones are proposed in addition to the current six industrial zones (among them, 3 of them are located within the Economic Zone and one of them is exclusively developed for Japanese industries), improvement of Hai Phong port (ODA, Yen Loant), future construction of Lack Phen Ports, (ODA, Yen Loan) , construction of Cat Bi Airport (BOT), construction of Thermal Power Station (ODA, Yen Loan), other industrial infrastructure such as construction of Hanoi-Hai Phong highway (BOT) are included.

May 13, 2010, construction of industrial zone, non-tariff zone and port have been commenced by the investors in the Nam Dinh Vu-Hai Catt district in the Nam Dinh Vu Economic Zone where also the transportation hub adjacent to the Hanoi-Haiphong highway. The Economic Zone is composed of two zones, tariff zone and non-tariff zone in the Development Plans. Major facilities in each zone are as follows.

-
- a. Major facilities in the non-Tariff zone are ::
- supermarket
 - Financial and banking services
 - Exhibition, promotion and operation center
 - Custom Offices
 - Industrial facilities for export processing and re-processing zone
 - Bonded warehouse at the port.
- b. Major facilities in the district taxation:
- Ports and logistics facilities
 - Urban and residential district
 - Clean and eco-friendly high-tech industry
 - Planning of warehouse
 - Aimed to attract eco-friendly industries,
 - Allocate 100ha site to companies that develop chemicals and gasoline
 - The ten piers in the port area with five container terminals, three oil terminals and general cargo terminal which can accommodate vessels with more than 20,000 DWT. Upon completion of the terminal, it is possible to increase handling capacity to 20 million tons per year.

Construction plans to reclamation of the island off coast of Cat Hai, Lac Pheng deep water is completed, function of the port is upgraded and become country's largest logistics base.

5.4.2 Overview of Industrial Zones Located in Northern Region

In the Northern Region 63 industrial zone have been developed, however, most of them are situated within a range of 200Km radius of Hanoi and Haiphong, and their procurement and focused on sales market are factories and industries in the industrial zones in Hanoi and around areas. For the export of products and imports of raw materials and parts are transported from Noi Bai airport by air cargo and ocean cargo from Hai Phong Port.

For the convenience of domestic transport, many industrial zones are located by the National Highway No.5 connecting to Hanoi and Haiphong. So the route No.5 is considered to play important role as major transport infrastructure for the industrial zones, however, it is at the same time an the important infrastructure for neighborhood local inhabitants and clouded mixed transportation with motorbikes and bicycles, and pedestrians will obstruct transport of passengers and cargos of public and private transport such as buses and trucks. Therefore, effective traffic safety measures should be taken due to an increase of industrial zones and vehicles.

Location of the industrial zone is shown in the Table 5.4-1 as follows:

Table 5.4-1 Location of Industrial zones

Province / Cities	Number of Industrial zones	Japanese Companies	Access		
			Base City	Airport	Port
Bac Gian	1	0	Ha Long	Noi Bai	Cai Lang
Quang Ninh	4	1	Ha Long	Noi Bai	Cai Lang
Hai Phong City	7	79	Hai Phong	Noi Bai	Hai Phong
Ha Noi City	15	118	Ha Noi	Noi Bai	Hai Phong
Ha Nam	3	8	Ha Noi	Noi Bai	Hai Phong
Hai Duong	5	36	Ha Noi	Noi Bai	Hai Phong
Hun Yeng	5	21	Ha Noi	Noi Bai	Hai Phong
Binh Phuoc	6	22	Ha Noi	Noi Bai	Hai Phong
Hoa Binh	1	1	Ha Noi	Noi Bai	Hai Phong
Bac Ninh	14	33	Ha Noi	Noi Bai	Hai Phong
Thai Ngyen	1	3	Ha Noi	Noi Bai	Hai Phong
Tanh Hoa	1	1	Hai Phong	Noi Bai	Hai Phong
TOTAL	63	322			

Source : The Study Team

Noi Bai Airport and Hai Phong Port are the gateway for international trade of import and export for industrial zones and increase of traffic volume and amount of cargo will be also increased due to expansion of business and investment opportunities which wilol be continued until 2020. It is also contemplated in Haiphong port is assumed that it is necessary to expand the port functions to deal with an increase in the amount of cargo handled.

It is considered the future construction of new roads, improvement of road bypass, and extension of the port are essential. Current industrial zone development in Vietnam has been performed by each province based on the self-contained development concepts and that have been carried out from the perspective of real estate development. Therefore, it is required to consider the marketing strategy for development of industrial zone in focusing on the concepts that the synergy of complementary relations and cooperation among the industries and industrial zones to integrate required functions and production.

5.4.3 Overview of Types and Size of Industrial Zones in Northern Region

(1) Japanese Tenants of the Industrial Zones in Northern Region

There are 319 Japanese companies operating in 63 industrial zones in the northern region. as of the end of April 2012. the area of the industrial zones, number of Japanese companies and type of industries are shown in Table .4-2 below. Type of industry is classified in accordance with MPI's classification to be the first group and the second group of strategic industries and other industries, and selected and listed in order with the number.

According to the Table 4-2 below, the following industries are accumulated in the industrial zones in the northern region.

- 76 companies in the electric and electronic industry
- 76 companies in the manufacturing machinery
- 29 companies in the manufacturing rubber and plastic
- 20 companies in the automobile related industries
- 16 companies in the motorcycle related industries
- 15 companies in the transport industry

They are the types of industries which are consistent with the industrial promotion policy of MPI such as electronics, machinery manufacturing industries, and their products are being supplied to domestic assemblers or exported to overseas markets. There is product, such as rubber, that technical standard for production of rubber from the resin does not meet the demand of the industries raw material is exported to China and import rubber as the products in spite of rubber producing country,. However, it can be possible to supply high-value-added rubber products to markets by upgrade of production techniques of rubber stuff.

Currently, many car parts are being exported to Japan and China and completed cars are supplied in the domestic market. However, it is expected to expand the car markets in neighboring countries and Middle East. At the same time, competition with the advanced countries of automobile industry such as Thailand, Malaysia, Indonesia and other competitors are the issues in near future.

(2) Outline of industrial zones in city of Hai Phong

1) Outline of present situation of industrial zones in city of Hai Phong

Then, out of the northern region, see an overview of Hai Phong. As shown in the following table, industrial zones which currently are in operation in city of Hai phong are 6, 2 are under construction and 11 ones are under planning, then totally 19 industrial zones are existing in city of Hai Pjong. The total area of these industrial zones amounts to about 12,080 ha.

Table 5.4-2 list of present industrial zones in city of Hai phong

	Name	Location	Area (ha)	Status
1	Dinh Vu Industrial Zone	Hai An county	944.49	operating
2	Nam Dinh Vu Industrial Zone	Hai An county	1,200.00	constructing
3	Nam Cau Kien Industrial Zone	Thuy Nguyen district	457.00	operating
4	Nomura Industrial Zone	Hong Bang county	153.00	operating
5	Trang Due Industrial Zone	An Duong district	400.00	operating
6	Do Son Industrial Zone	Do Son county	150.00	operating
7	An Hung- Dai Ban Industrial Zone	An Duong district	450.00	constructing
8	An Hoa Industrial Zone	Vinh Bao district	200.00	planning
9	Vinh Quang Industrial zone	Vinh Bao district	350.00	planning
10	Giang Bien II Industrial Zone	Vinh Bao district	400.00	planning
11	Tien Thanh Industrial Zone	Tien Lang district	450.00	planning
12	Ngu Phuc Industrial Zone	Kien Thuy district	639.70	planning
13	Vinh Quang Shipbuilding Industrial zone	Tien Lang district	1,000.00	planning
14	Viet Nam Singaporean Industrial Park-VSIP	Thuy Nguyen district	1,566.33	operating
15	An Duong Industrial Zone	An Duong district	800.00	planning
16	Trang Cat Industrial Zone	Hai An district,	1,000.00	planning
17	Can Cuu Industrial Zone	An Lao county	105.80	planning
18	KCN Thủy Nguyên	Thuy Nguyen county	1,000.00	planning
19	KCN Nam Tràng Cát	Hai An district	1,000.00	planning
Total area			12,076.62	

Source: Hai Phong DPI

The GIS map of industrial zones and some relevant facilities in city of Hai Phong is shown in the following page.

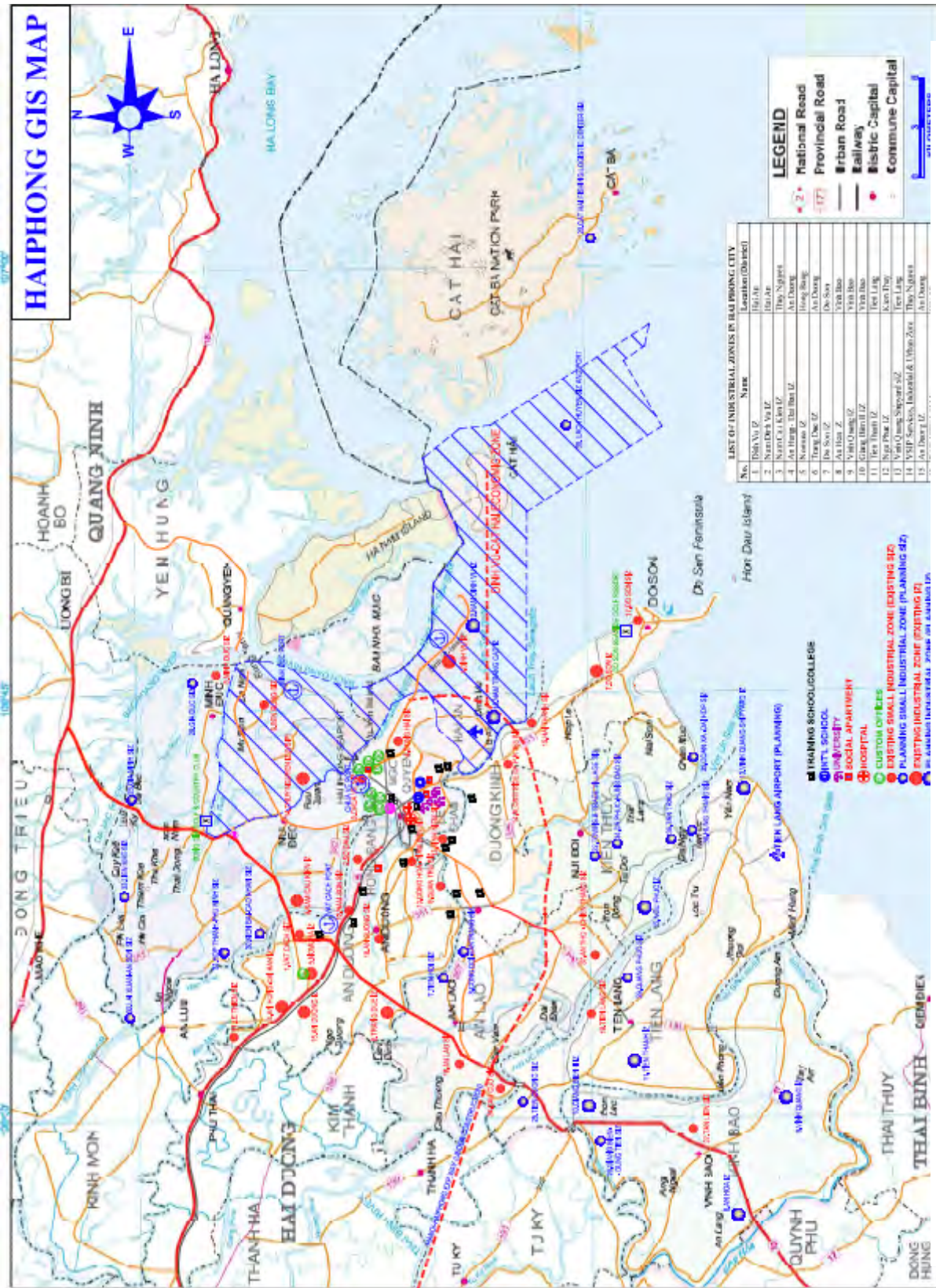


Figure 5.4-1 GIS map of industrial zones and some relevant facilities in city of Hai Phong

As for the industrial zones which have Japanese tenants, which are Nomura-Hai Phong, VSIP and Dinh Vu, the outline of these 3 industrial zones are as follows:

2) Outline of Nomura-Hai Phong industrial zone

Nomura-Hai Phong is facing the National Highway 5, and it is in place and close to the National Highway No. 10 and No. 18. it is located in the area with 13 km from center of city of Hai Phong and 15 km from Hai Phong port. This is the first industrial zone for Japanese companies were involved in the development. The developer is a joint stock company together with Japanese company and Vietnamese company. The total area of 153ha has been fully occupied and no plan of future expansion. Rental floor has 18 lots and still 4 floors are vacant as of June, 2012. Rental factories with 1,200 m²/floor are 4 buildings. These buildings are suitable for light work or warehouse.

Most of tenants are labor intensive industrial firms. Number of employees within the industrial zone is 21,400 people. In the industrial zone, medical clinic and branch office of customs of Hai Phong are in place. Outline of Nomura-Hai Phong industrial zone is shown as follows:

Table 5.4-3 Outline of Nomura-Hai Phong industrial zone

Developer	Nomura Hai Phong IZ Development Corporation Nomura Investment Asia (Vietnam): 70%, People's Committee of Hai Phong: 30%
Location	An Duong District
Investment permission	(Lease term until December 2044) No.1091/GP December 23, 1994
Development area	: 100% occupancy rate 30ha: (sold out year 2010 123ha sales area), common space 153ha: the first phase
Ground condition	Stakeout required (about 3 value N, 5 ~ 10t/m ² bearing capacity)
Location condition	85km (min 120), 13km from the center of Hai Phong city along National Highway 5, from Hanoi, 110km, 15km 20km, from the airport, from the port of Hai Phong Cat Bee from Noi Bai Airport
Tenants (Japanese)	54 (47)
Major Japanese tenants	Tohoku Pioneer, Yazaki Haiphong, Japan Cable system, NICHIAS, Paloma, Nishishiba Electric Co., Ltd., Fujikura Rubber, Toyota spinning, Kokuyo Vietnam, JOHOKU, Fujiseiko, Sanwa electronics, Nippon Kodo
Major foreign investors	(Taiwan), Fong Tai Paoer GE Vietnam Co.,
Relevant facility	Japanese school Dondo, Clinic
Labor cost	Zone 2 month Minimum wage laws by VND / 135 万
Public transport	Public bus: this runs daily from Hai Phong city 58 (5am-1930pm)
Worker's dormitory	No worker dormitory
Rental factory	18 units is 1,500 m ²

Source : [http://www.jetro.go.jp/jfile/report/07000252/data_201106.pdf#search='jetro 野村ハイフォン'](http://www.jetro.go.jp/jfile/report/07000252/data_201106.pdf#search='jetro%20野村ハイフォン')

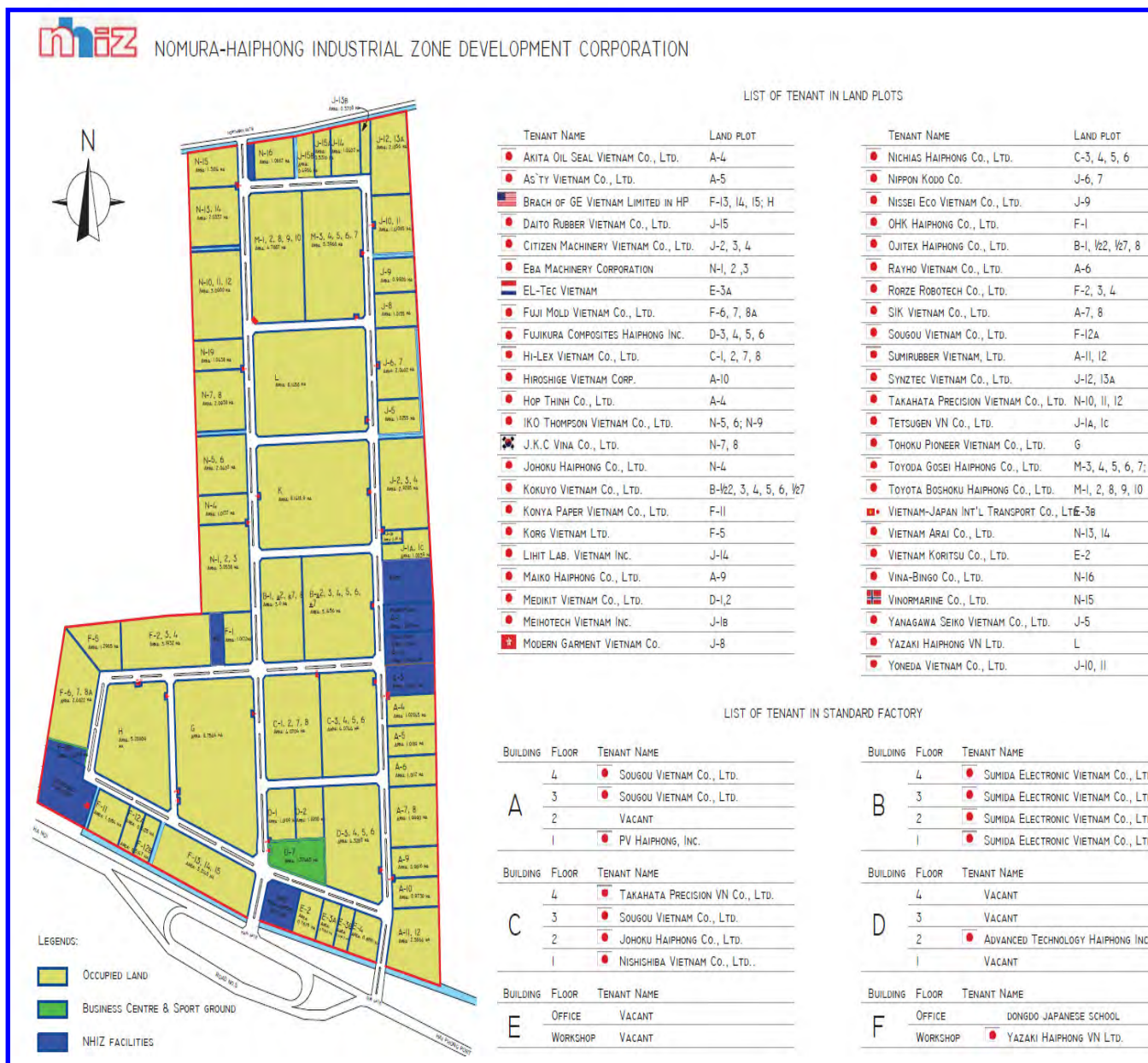


Figure 5.4-2 Facility layout of Nomura-Hai Phong Industrial zone

3) Outline of VSIP (Vietnam Singaporean Industrial Park)

VSIP is operated by joint stock company together with Singapore capital and Vietnamese capital. Main industry is a manufacturing and target tenants are especially environmentally friendly companies. Some of the infrastructures are under construction and rental factories with 1,800m² as total area are in operation as shown in the following picture. The area of one unit is about 1,000-2,000m² and preparation of much smaller lot with 500m² is now under consideration especially for Japanese SMEs.

Nishina is planning to commence the operation in September, 2012, Kyo-cella Mita and Nippon Zeon have already established their factories and planning to commence their operation in spring, 2013.



Photo : Rental factory in VSIP area

The outline of VSIP industrial zone is as follows:

Table 5.4-4 The outline of CKCN VSIP Hai Phong industrial zone

Developer	VSIP Hai Phong JSC Becamex (Binh Duong province), Sembcorp (Singapore), Mitsubishi corporation is partly involved
Location	175, Duong 359, Pho Moi Duong, Thuy Nguyen District
Investment permission	Until 2058
Development area	1,600ha, (urban area: 1,100ha, production area: 500ha), the first phase: 611ha
Ground condition	It used to be a paddy field. 100ha will be expanded in 2013.
Location condition	2km from National highway No.5, 6 km from center Haiphong, 15km from Cat Bi airport, 6km from Hai Phong port
Tenants (Japanese)	
Major Japanese firms	Kyocella Mita, Nippon Zeon, Nishina
Major foreign firms	
Relevant facility	Customs and clinics are planning to be established
Public transport	N/A
Worker's dormitory	Worker's dormitory is planning to be constructed
Incentive	Dinh Vu Cat Hai Economic Zone's incentive can be applied.



Figur 5.4-3 Facility layout in VSIP industrial park

4) The outline of Dinh Vu industrial zone

Dinh Vu industrial zone is operated by joint stock company together with Belgium firm and Vietnamese firm. Such Japanese tenants are in operation as Shinetsu Chemical and other 5 companies. Other 4 Japanese companies such as Bridgestone (are is 100ha) are planning to be in operation in 2012.

Dinh Vu industrial zone is located in Dinh Vu – Cat Hai economic zone and it is facing seaports. It is especially suitable for heavy and chemical industry. Unit area is 1 ha, wich may be too big for SMEs. It has no rental factories. It is divided into 5 areas, which are the area for Light industry, Heavy industry, Chemical industry, Port and General.

Currently, development of Phase 1 has been completed and it is at the 2nd stage, however still 200ha is vacant. Dinh Vu port has 6m water depth, which is not deep enough for large vesels. Access road to city of Hai Phong is only one, which has now .heavy traffic and traffic congestion. Therefore expansion or additional construction of roads is necessary.



Photo: Dinh Vu industrial zone

The outline of Dinh Vu industrial zone is shown in the following page.

Table 5.4-5 the outline of Dinh Vu industrial zone

Developer	Dinh Vu Industrial Zone Joint Stock Ccompany Infra Asia (Hong Kong), IPEM(Belgium), Rent-A-Port, Hai Phong People’s Committee
Location	Dong Hai 2 Ward, Hai An District
Investment permission	Until 2047 (first phase), until 2058 (second phase)
Development area	164ha(first phase: 98% occupied), 377.46ha (second phase)
Ground condition	Piling is necessary (N value=5)
Location condition	near from National highway No.5, 7km from center Haiphong, 3km from Cat Bi airport, 3km from Hai Phong port, Dinh Vu port is within industrial zone
Tenants (Japanese)	33(02)
Major Japanese firms	Nakashima-Vietnam, Shinetsu-chemical, Toyota trade company, Bridgestone
Customes	A custom office is located in the palce wherre 3km from the industrial zone
Public facility	Commercial facility is located near the industrial zone, International Clinic of Hai Phong City is located in the place wherre 8km from the industrial zone
Land characteristics	Nvalue=3, supporting power=5-10t/m ² , piling is necessary
Public transport	Public buses are available between indusrial park and city of Hai Phong
Worker’s dormitory	Construction plan at the place where 7km from the industrial zone

Source : www.dinvu.com



Figure 5.4-4 facility layout in Dinh Vu industrial zone

(3) The outline of specialized industrial zone in city of Hai Phong

Hai Phong has selected Trang Cat and Nam Dinh Vu Industrial zone by the instructions of the Ministry of Commerce and Industry (MOIT), "machinery and electronic" as the candidate of the industrial zone for Japanese SMEs has priority. (19th June, 2012, confirmed with Hai Phong people's committee)

Trang Cat is scheduled to begin reclamation in 2013, while Nam Dinh Vu Industrial zone is land preparation is underway. It is considered by Japanese companies to be able to move to these 2 specialized industrial zones, and the corresponding time is required. Therefore a candidate industrial zone, which can accommodate tenants' needs at anytime soon in short term, is required to meet the needs of the current situation. Such short-term industrial zones can be listed as Trang Due industrial zone and VSIP Hai Phong industrial zone. The following 4 industrial parks include 2 specialized industrial zones and other 2 for short-term industrial zones.

- 1 . Trang Cat
- 2 . Nam Dinh Vu
- 3 . Trang Due
- 4 . VSIP Hai Phong

The outline of the above 4 industrial zones are shown in the following pages.

1) Trang Cat industrial zone

Trang Cat Industrial zone is a part of the parcel where landfill is currently under development as a city marine economy. It is aiming at electronic industry, IT, medicine, logistics, high-tech features as an assembling park.

Trang cat industrial zone is located in western part of Ha Noi – Hai Phong Highway (National Highway 5B) and Trang Cat urban area is located in eastern area.

Tan Vu Intersection is the starting point of the Tan Vu - Luch Huyen Highway which is 15.63km in length and bridge is 5.44km in length and leads to Lach Huyen port. These 2 expressway construction projects are implemented by Japanese ODA.

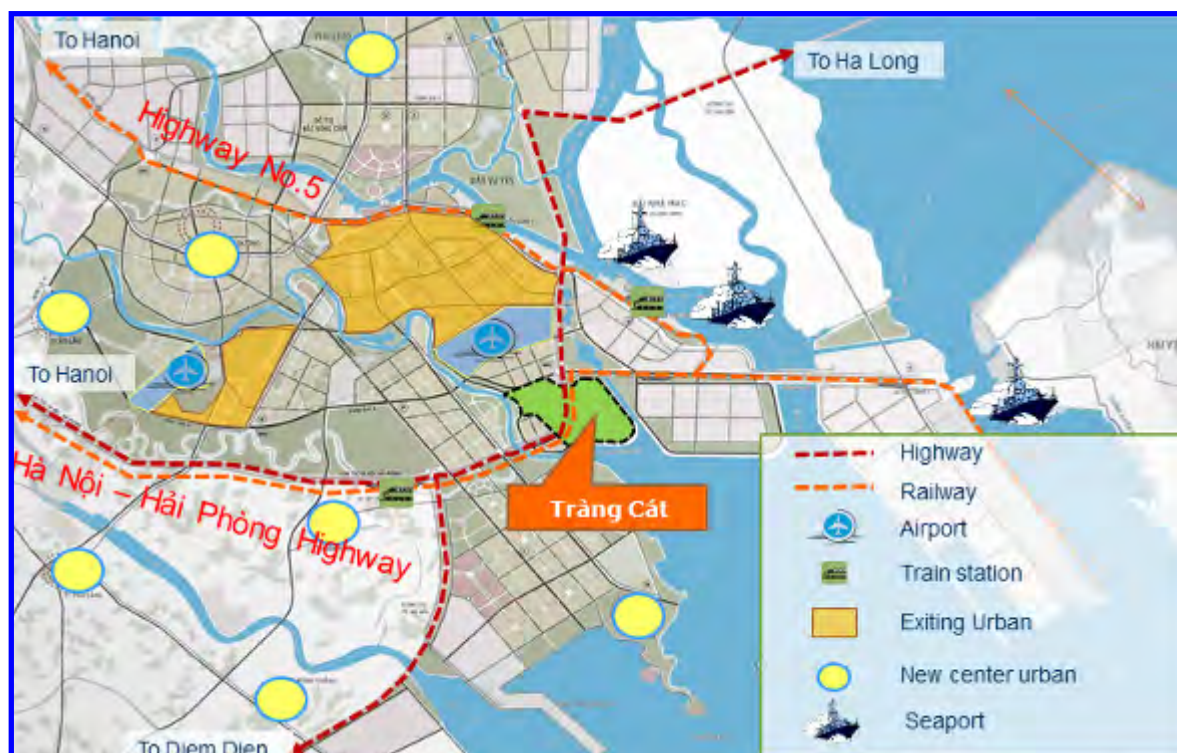


Figure 5.4-5 Location of Trang Cat industrial zone

Table 5.4-6 The outline of Trang Cat industrial zone

Name of industrial zone	TRANG CAT URBAN AND INDUSTRIAL ZONE
Location	City of Hai Phong, Hai An county, Trang Cat district Western part of Hanoi-HaiPhong, eastern part of Cat Bi airport
Area	Total area is 790.79ha, Urban Zone(437.73ha), Industrial zone(205.88ha), Service and Residential Zone(116.56ha), Green Zone(32.62ha)
Developer	KBC (Kinh Bac City development share holding corporation)
Investment permission	Master plan was approved in September, 2010, commencement of construction will be in 2013, and completion of construction will be 2015
Ground condition	Ground is soft.

Footnote) Residential Zone includes public housing area

Lot layout is shown as follows:

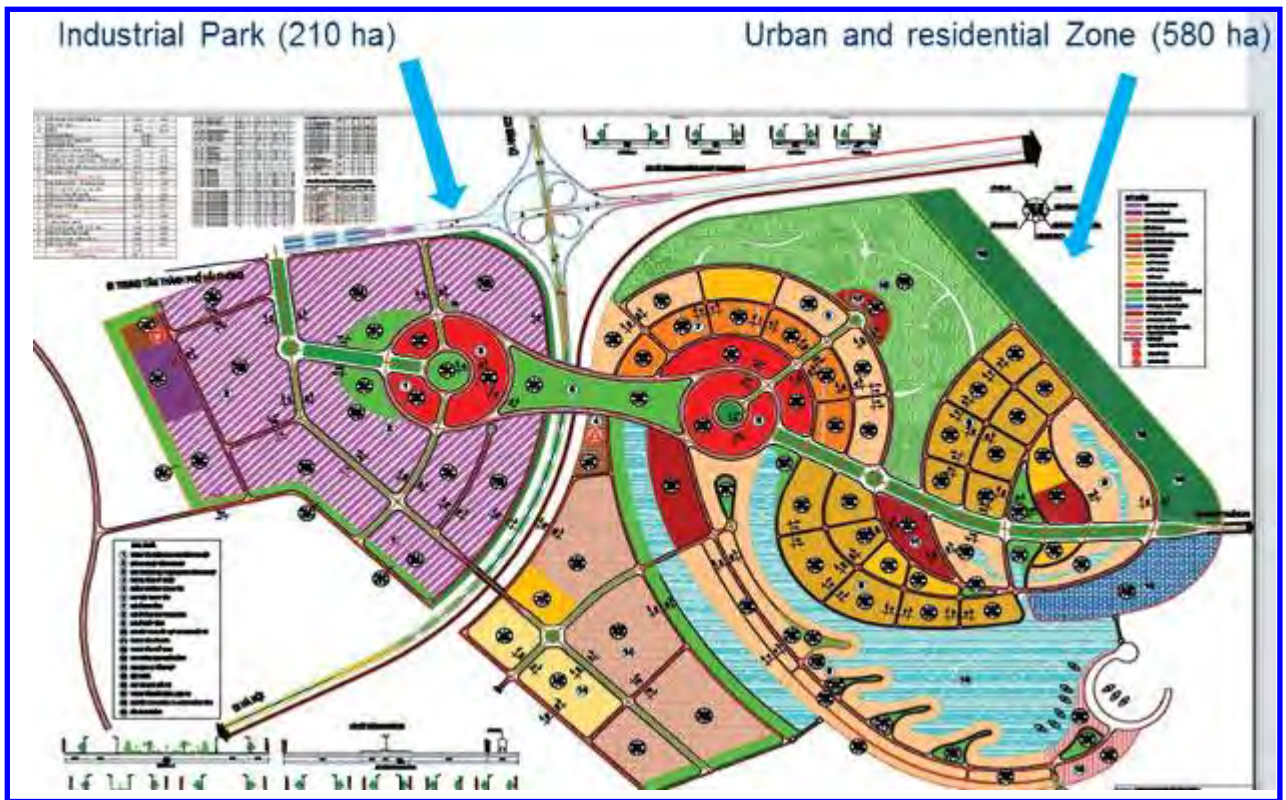


Figure 5.4-6 Planned Map of Tran Cat Industrial zone

Photo: Ha Noi –Hai Phong Highway construction site



2) Nam Dinh Vu industrial zone

Nam Dinh Vu industrial zone is located in the area where eastern part of provincial highway no. 356. The outline is shown as follows:

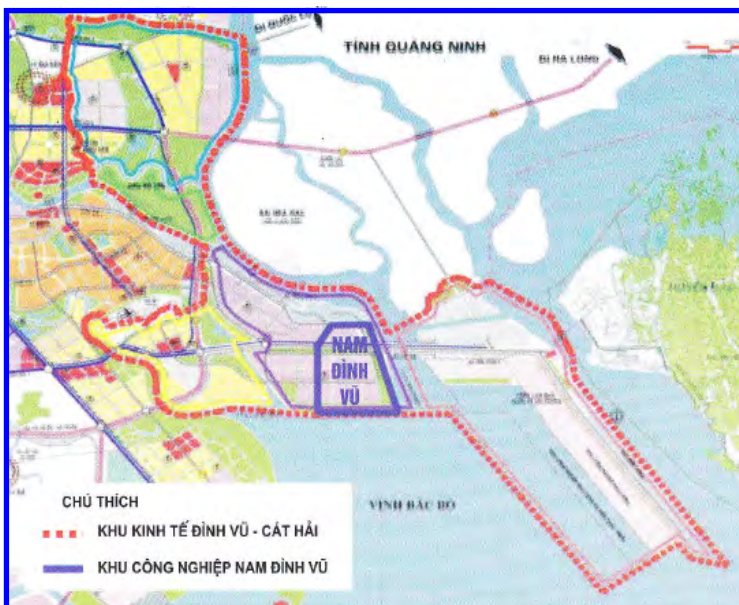


Figure 5.4-7 Location map of Nam Dinh Vu (red line shows the border of the economic zone)

Table 5.4-7 The outline of Nam Dinh Vu industrial zone

Name of the industrial zone	Nam Dinh Vu IZ (Area-1)
Location	Dong Hai & Trang Cat Ward, Hai An District, Hai Phong City Place in southern part of Din Vu industrial zone
Area	1,984ha (phase I), 2,135ha (phase II)
Developer	South Dinh Vu JSC (DVCHEZ)
Investment permission	Procedure was completed. Now land reclamation is being implemented
Ground condition	Foundation ground is located -35~-40m. Necessary height of land filling is 5 m.



Figure 5.4-8 Planned map of Nam Dinh Vu industrial zone

3) Trang Due industrial zone

Tang Due industrial zone is a regular park. It is located along National Highway No.10, and it is adjacent to eastern part of river Lach Tray. At present, 29ha out of 104ha was sold out. Current occupancy rate is about 30%. The outline is as follows:

Table 5.4-8 The outline of Trang Due industrial zone

Name of the industrial zone	TRANG DUE INDUSTRIAL ZONE
Location	Km29 NO.10 Highway, An Duong District, Hai Phong
Area	Total area: 600ha, phase I: 200ha, phase II: 200ha, residential area: 200ha
Developer	Kinh Bac City Holding (100% Vietnamese capital)
Investment permission	It was established on November 13, in 2007. license is valid until 2057
Ground condition	Infrastructure is under development

Some of infrastrure are now under construction. Now 10 tenants, which include 2 Japanese tenants,are now in operation. Major facilities are rental factories, which include 15 buildings with 7,000-8,000m². 6 buildings are occupied. Japanese tenants are two companies such as Vina-mode and Aichi Tokei. Number of Japanese staffs is 5, who are living in Sun Flower.



Figure 5.4-9 Lots layout in Trang Due industrial zone

4) VSIP Hai Phong industrial zone

VSIP is operated by joint stock company together with Singapore capital and Vietnamese capital. Main industry is a manufacturing and target tenants are especially environmentally friendly companies. Some of the infrastructures are under construction and rental factories with 1,800m² as total area are in operation as shown in the following picture. The area of one unit is about 1,000-2,000m² and preparation of much smaller lot with 500m² is now under consideration especially for Japanese SMEs. Nishina is planning to commence the operation in September, 2012, Kyo-cella Mita and Nippon Zeon have already established their factories and planning to commence their operation in spring, 2013.

(4) The outline of transport infrastructure in city of Hai Phong

Hanoi-Hai Phong highway No. 5B (lane 6, 105.5km extension, 120km / h design speed) is scheduled to start in service in 2015, connected in less than an hour to Hanoi. The distance (Thumboo Interchange) is a 2km nearest interchange.

The railway is in business between Ha Noi and Hai Phong with 102km length, 2 hours travel time and 6 to 8 round trip per day. There are several plans for container transport between Lao Cai-Hanoi-Hai Phong in the future in the current. In addition, Cat Bi airport as a spare airport Noi Bai International Airport, are located in the southeast of the city center 5km Hai Phong. The planning flights to Asian countries are under consideration. Since currently there is no international airport, it is lacking in superiority as a production base of plastic and electronics. If Cat Bi airport is internationalized, the status will be changed.

Present status of transport infrastructure in city of Hai Phong is as follows:

Table 5.4-9 Present status of transport infrastructure in city of Hai Phong

Major infrastructure		Trang Cat	Nam Dinh Vu	Trang Due	VSIP Hai Phong
Main roads (now in operation)	Center Hai Phong	7 km	10 km		5 km
	Ha Noi (via NH5)	125 km	130 km		120 km
Main roads (will open in 2015)	Ha Noi – Hai Phong expresway	2 km	3 km	7km	30 km
Sea ports (now in operation)	Hai Phong port (water depth: 6 m)	10 km	12 km	15km	5 km
	Ca Lan port (water depth: 13 m)	90 km	90 km		70 km
	Dinh Vu port (water depth: 9m)		3 km		
Sea ports (will open in 2015)	Lach Huyen port (water depth: 14 m)	8 km、	5 km		30 km
Airports (in operation)	Cat Bi	2 km	5 km	14km	10 km
	Noi Bai	125 km	130 km	115km	120 km

(4) Ground condition in city of Hai Phong

The place where N-value shows more than 50 is -35 to 40m in depth.

According to the interview with Dinh Vu Industrial Zone JSC (April 25th in 2012) , ground condition of Nam Dinh Vu industrial zone which is adjacent to Dinh vu industrial zone has soft ground.

References

The N-values obtained by standard penetration test indicator of the hardness of the ground. It can be said tighter and harder ground the higher the number. It is popular index. In general, it is said that in case of N-value is below 3, the caly ground is soft, while in case of N-value is below 4, the sand ground is soft.

表-5-4-10 Bearing capacity of soil and N-value

Ground condition		Bearing capacity of soil (t/m ²)	N-value	remarks
Sand	Dens	30	30-50	
	Medium	20	20-30	
		10	10-20	
	Soft	5	5-10	Require consideration of liquefaction.
	Extremely soft	Below 3	Below 5	
Clay	Extremely hard	20	15-30	
	Hard	10	8-15	
	Medium	5	4-8	
	Soft	3	2-4	Notes excessive subsidence
	Extremely soft	Below 2	Below 2	

(5) Present status of school in city of Hai Phong

There are four universities and eight colleges in city of Hai Phong. There are 45,000 students graduate every year. 27,000 skilled workers, 22 vocational schools, 25 vocational training centers have received the training program, such as accounting, business administration and English, IT · sewing, construction, shipbuilding, medical and navigation.

(6) Present status of medical service in city of Hai phong

There are 23 hospitals in city of Hai Phong, and the total number of beds is 3,480, 1,180 doctors are working. In addition, there were 2,694 health care workers. International Hospital is working as well.

(7) Residential environment in city of Hai Phong

It is said that Hai Phong and pleasant climate is milder than in Ha Nnoi. 46% of about 1.9 million people are living in urban areas, 54% are living in rural areas, and 90% of the workers come from neighboring regions. In women, 20% provides a fairly high-quality labor force. Working population of the city is approximately 1.3 million people. The ratio of the number of skilled workers is 65%.

As with other areas, the housing situation of the worker relies on private apartment. However, the housing has not met the criteria, they high rents. Therefore, the need for public housing is high.

Currently, Hai Phong is in the process of planning the construction of a worker's dormitory. However, there is no free public housing, there is no privacy popularity. Therefore, there will be necessary to consider them.

For a residence for the family, serviced apartments are available. However, there is no Japanese school in

Hai Phong. Therefore, the family living in Hanoi, Hai Phong is also seen to commute (it takes 2 hours), and returned to Hanoi from Hai Phong work away from home only on weekends.

Table 5.4-11 The outline of service apartments in city of Hai Phong

Name	Number of rooms	Monthly room rate	Japanese residents	Remarks
Sunflower	180 rooms Average occupancy rate is 85%	84m ² - \$1,850 (128rooms) 102m ² - \$2,300 (32rooms) 114m ² - \$2,500 (16rooms) 200m ² - \$4,000 (4rooms)	100-120rooms are occupied by Japanese	Breakfast buffet, tennis court, convenience store, pool, fitness club
H Tower	9floors and 81 rooms	65m ² - \$1,040 95m ² - \$1,300 125m ² - \$1,650	Most are Japanese	Japanese restaurant, breakfast service, fitness center, convenience store

(8) Others

There are large supermarkets like BIG-C (a French) and Metro (German descent), and 5 Japanese restaurants and golf courses. According to the interviews, Hai Phong inhabitable requirements are fully met. However, there are few recreational facilities. Therefore, it is often to go to Hanoi at the weekend.

In addition, according to interviews with new woman worker of SYNETEC of Nomura Hai Phong industrial zone, 75 million VND is paid as well as commuting allowance salary, which is additional payment of monthly salary, and they pay 220 thousand VND for room rent (room with 45o thousand VND per month is shared with her friend). Actually, it is not enough able to send money to her parents well.

Table 5.4-12 Minimum wage (as of October, 2011)

Area	Minimum wage (10,000 VND)
City of Hai Phong (central area, Thuy Nguyen, An Duong, An Lac, Ninh Buc)	200
Ba Ria town in Ba Ria –Vung Tau province	178
Other areas in Ba Ria -Vung Tau province	155