

CHAPTER 5

Survey on Business Costs in Major CLMV Cities: Case of Vietnam's Hanoi, Ho Chi Minh and Da Nang Cities

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CHAPTER 5
SURVEY ON BUSINESS COSTS IN MAJOR CLMV
CITIES:THE CASE OF VIETNAM’S HANOI,
HO CHI MINH, AND DA NANG CITIES

Dinh Hien Minh¹

INTRODUCTION

Vietnam has experienced an impressive growth over the last decade. However, reforms so far are insufficient to move Vietnam into a middle-income economy. The domestic policy debate was mostly focused on microeconomic issues nowadays especially in the context of the global financial crisis. Nations compete to offer the most productive environment for business. Therefore, investment climate is very important, of which business costs are of utmost concern to investors, both foreign and domestic. In this paper the survey on business costs focuses on Vietnam’s major cities, namely, Hanoi, Ho Chi Minh City, and Da Nang City.

Section 1 of this paper presents the investment climate survey at the national level, including the macro economy and size of market, finance, taxation, government policy on one-stop services for establishments, and incentives for investment. Section 2 presents

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the investment climate at the city level. The section examines the price of infrastructure, finance (banking system), taxation, transportation costs, facilities for foreign staff, incentives for investment, and the local government policy on one-stop services for establishments. Section 3 provides information on industrial zones in the three cities. Finally, concluding remarks present some policy recommendations to improve the investment climate in the major cities.

1. INVESTMENT CLIMATE SURVEY AT NATIONAL LEVEL

1.1. Macro economy and size of market

A country's macroeconomic situation is very important to its local companies as well as to investors. Thanks to reforms since 1986, Viet Nam has achieved remarkable results. The growth rate of its gross domestic product (GDP) has been relatively high, averaging 7.25 percent for the last decade. Although the global financial crisis in 2009 slowed down Viet Nam's economic growth, the GDP growth rate still reached 5.32 percent. Viet Nam's GDP per capita has increased from US\$402 in 2000 to more than US\$1,000 in 2009. The economic structure has shifted toward an increase in industrial's share while agriculture's share in GDP fell. Inflation has been relatively stable, except in 2008, where it was over 19.89 percent due to the high prices of global raw materials and crude oil. In 2009, inflation was 6.9 percent. The State Bank of Viet Nam (SBV) tried to conduct a flexible exchange rate policy. The average exchange rate between the Vietnamese dong and the US dollar was VND 17,741 per US dollar in 2009. Side by side the domestic reforms,

Viet Nam began to integrate with the world's economy through trade and investment. In 2008, export turnover reached US\$62.69 billion (FOB price), up by 29 percent against 2007, while import turnover reached US\$80.71 billion (CIF price), an increase of 28.8 percent. In 2009, the export turnover was at an estimated US\$56.6 billion, showing a drop of 9.7 percent as against 2008. Meanwhile, the import turnover stood at an estimated US\$68.8 billion, down by 14.7 percent as against in 2008 due to the global economic recession. Budget deficit has been less than 5 percent of GDP for the last decade except in 2009, where it was 6.9 percent of GDP due to the implementation of the government's sizeable stimulus package.

The size of the market is measured by the population and the purchasing power (income and poverty rate) of the nation. According to the Population and Housing Census, the population of Viet Nam is 85.8 million as of the period April 1, 2009. The proportion of the 15-59 age group (the main labor force group) increased from 58 percent in 1999 to 66 percent in 2009. The size of poor households in 2009 all over the country was at an estimated 12.3 percent, which was lower than the 14.8 percent in 2007 and 13.4 percent in 2008. The share of the middle-income class to the total population increased, while domestic consumer spending and private consumption continued to increase and retail trade turnover growth reached 18.6 percent in 2009 (Table 1).

Hanoi, Ho Chi Minh City, and Da Nang City can be considered as Viet Nam's centers of centers---that is, as the northern, central, and southern socio-economic centers. The population in these cities is young and growing, with over 60 percent under the

Table 1: Some indicators on the Vietnamese economy, 2000-2009

	2000	2005	2006	2007	2008	2009
Growth Rate (%)						
GDP	6.79	8.44	8.23	8.48	6.23	5.32
Agriculture, forestry and fishing	4.63	4.02	3.69	3.76	4.07	1.83
Industry and construction	10.07	10.69	10.38	10.22	6.11	5.52
Service	5.32	8.48	8.29	8.85	7.18	6.63
Structure (%)						
GDP (%; current price)	100.00	100.00	100,00	100.00	100,00	100,00
Agriculture, forestry and fishing	24.53	20.97	20.40	20.34	22.10	20.66
Industry and construction	36.73	41.02	41.54	41.48	39.73	40.24
Service	38.74	38.01	38.06	38.18	38.17	39.10
Inflation (%)	-0.6	8.7	6.6	12.3	19.9	6.9
Exchange rate /US\$ (Average)	14,155	15,817	15,942	16,125	16,292	17,741
Population (Mill. Pers.)	77.6	83.1	84.1	85.1	NA	85.8
Retail Growth rate (%)	9.7	20.5	24.1	25.1	31.8	18.6
GDP per capital (US\$)	402	638	726	833	NA	1,080

Source: Author's calculation from data from the General Statistics Office (GSO) in Viet Nam.

working age. Their economic structure consists of service, industry and agriculture; in contrast, that of the whole country consists of industry, service, and agriculture. Their industrial/services growth rates are in the double digits. Hanoi, Ho Chi Minh City, and Da Nang City have the highest GDP per capita in the country, with the income per person in these three cities still growing (Table 2).

1.2. Financial aspects (access to finance)

Viet Nam is committed to abide by the foreign exchange norms of the International

Table 2: Some economic indicators for Hanoi, Ho Chi Minh, Da Nang, and the Vietnamese economy in 2008

Indicators	Hanoi	Ho Chi Minh	Da Nang	Viet Nam
Natural area (km2)	3,348.5	2,095.0	1,283.4	331,150.4
<i>As compared to The country (%)</i>	1.01	0.63	0.39	100.00
Population (Thous. pers.)	6,350	6,811	822	86,210.8
<i>As compared to Viet Nam (%)</i>	7.4	7.9	1.0	100.0
Urban (thous.pers.)	2,583	5,790	714	24,233
Rural (Thous. Pers.)	3,767	1,021	108	61,978
<i>Structure (%)</i>				
Urban	40.7	85.0	86.8	28.1
Rural	59.3	15.0	13.2	71.9
Working age in total population (%)	64.7	62.1	66.0	
Employment (Thous. pers)				44,915.8
<i>Structure (%)</i>				
Total	100.0	100.0	100.0	100.0
Agriculture, forestry and fishing				52.62
Industry and construction				20.83
Service				26.55
GDP at current price, Bill. VND	178,535	290,390	20,819	1,477,717
<i>As compared to the country (%)</i>	12.08	19.65	1.41	100.00
<i>GDP per capita</i>				
<i>Structure (%)</i>				
GDP	100.0	100.0	100.0	100.0
Agriculture, forestry and fishing	6.5	1.3	4.15	22.10
Industry and construction	41.4	46.0	45.76	39.73
Service	52.1	52.7	50.09	38.17
GDP at 1994 price	61,619	124,220	8,302	489,833
<i>As compared to the country (%)</i>	12.58	25.36	1.69	100.00
<i>Growth rate (%)</i>				
GDP	10.8	11.0	10.0	6.18
Agriculture, forestry and fishing	1.6	2.0	-7.3	4.07
Industry and construction	12.0	8.9	2.8	6.11
Service	10.1	12.4	18.7	7.18

Source: Author's calculation from data of GSO, Provincial Statistics Office (PSO) in Hanoi, PSO in Ho Chi Minh City and PSO in Da Nang.

Monetary Fund (IMF) and the World Trade Organization (WTO). According to the guidelines on foreign exchange (No. 28/2005/PL-UBTVQH11), foreign currency capital for indirect foreign investment must be exchanged into Vietnamese dong while any profit derived from doing business locally must be exchanged into foreign currency when remitting abroad.

Residents and nonresidents may purchase, transfer, and take foreign currency out of Viet Nam for payment and money transfer with respect to current transactions. The cap on foreign currency that individuals may bring out of Viet Nam is US\$7,000 (or its equivalent in another currency) and VND15 million in local currency. Individuals are required to provide supporting documents to the credit organizations when purchasing currencies. It is unnecessary, however, to present documents proving that tax obligations had been fulfilled.

Although there are prohibitions on the use of foreign exchange for transactions, payments, listing and advertisements, except for specified transactions, foreigners working in Viet Nam may receive salaries, bonuses, and allowances in a foreign currency and can deposit these foreign currency earnings in interest-bearing foreign currency accounts in Viet Nam.

Trading on the foreign currency interbank market is permitted. Foreign investors may purchase foreign currency at prescribed banks in Viet Nam without a permit from the State Bank. Ordinary foreign currency accounts may be used to service current account transactions, and regulatory approval is not required. However, a special, separate foreign currency bank account is needed to conduct certain capital transactions, including

offshore transfers of legal capital, profits, and revenue; offshore medium- and long-term loan repayments; and foreign currency withdrawals and deposits. Another special account, known as a foreign currency deposit account, may be opened to receive foreign loan capital, repay loans. An offshore bank account can be used for this purpose, but permission needs to be requested from the State Bank.

Foreign-invested enterprises based in Viet Nam with offshore branches or offices may also open an offshore bank account and engage in build-operate-transfer (BOT) projects. Permission may be granted in other circumstances on a case-by-case basis. Nonresident indirect (portfolio) investors must open indirect capital accounts in dong at authorized banks for all transactions related to their investment in the country. Resident organizations and individuals may take offshore indirect investments, although this is subject to compliance requirements of the State Bank.

1.3. Taxation Types

The principal forms of taxation in Viet Nam are:

- Corporate income tax (%) / Business income tax: 25 percent
- Withholding taxes
- Import and export duties
- Value added tax (VAT)
- Royalties
- Special sale tax (SST)

Each of these forms of taxation is administered by the General Department of Taxation

(GDT) under the Ministry of Finance (MOF) except for import and export duties, which are payable to the General Department of Custom. They are administered at the national level; there are no local taxes. However, provincial tax departments are responsible for tax collection and tax audits.

Viet Nam has signed over 40 double taxation avoidance agreements so as to facilitate the promotion and enhancement of economic and investment relations with other countries, and to ensure tax incentives are covered by Viet Nam's foreign investment policies.

1.3.1. Corporate income tax (%)/ Business income tax

To create a favorable business and investment climate and help companies improve financial capacity and competitiveness, the National Assembly of Viet Nam passed on 3 June 2008 the Law on Corporate Income Tax (No. 14/2008/QH12 or the "CIT Law"), which would take effect from January 1, 2009.

Those subjected to the corporate income tax (CIT) Law are organizations and businesses from different economic sectors. Individuals and households involved in business activities and services will be subjected to the personal income tax as of January 1, 2009.

According to the CIT Law, taxable income shall consist of income earned from production and trading in goods and other incomes, including those from capital transfer, real estate transfer; incomes from ownership rights with respect to and rights to use assets; income from assignments, leases and liquidation of assets, etc. The law reduced

the standard rate of corporate income tax from 28 percent to 25 percent. The rates for companies operating in the oil, gas, and natural resources exploration sectors range from 32 percent to 50 percent.

1.3.2. Withholding Taxes²

Viet Nam does not impose any withholding tax on dividends paid to residents or nonresidents. However, a 10-percent withholding tax is slapped on interest payments on offshore loans unless the rate is reduced under applicable tax treaty.

A foreign company transferring industrial property right as part of a licensing agreement must pay a 10 percent tax on royalties. However, if the transfer of patents, technical know-how, technology processes, or technical services is used as a part of the capital contribution of a foreign direct enterprise, there is no tax related to the technology transfer.

1.3.3. Import and Export Duties

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

The import duty rates are classified into three categories: ordinary rates, preferential rates, and special preferential rates. Preferential rates are applicable to imported goods from countries that have Most Favored Nation (MFN, also known as Normal Trade Relations) status with Viet Nam.

² Information in Section 1.3.2 is taken from Deloitte (2009)

With the accession to the WTO, the MFN rates are in accordance with the WTO commitments and are applicable to goods imported from other member-countries of the WTO.

Special preferential rates are applicable to imported goods from countries that have a special preferential trade agreement with Viet Nam. These countries are the following:

- ASEAN member states (i.e., Singapore, Thailand, Malaysia, Indonesia, Philippines, Cambodia, Laos, Myanmar, and Brunei);
- Japan (signed but not yet enforced).

Also, as part of ASEAN, Viet Nam has special preferential trade agreements with:

- China;
- Korea;
- Japan;
- Australia and New Zealand (signed but not yet enforced).

To be eligible for preferential rates or special preferential rates, the imported goods must be accompanied by an appropriate Certificate of Origin (C/O). Without such a C/O, or when goods are sourced from non-preferential treatment countries, the ordinary rate (ie., the MFN rate with a 50% surcharge) is imposed.

Export is encouraged. Thus, almost all goods and services for export are exempt from tax. Export duties are charged only on a few items, basically natural resources such as sand, chalk, marble, granite, forest products, and scrap metal. Rates range from 0 percent to 37 percent. The price for the computation of export duties is Free on Board

/Delivered at frontier price (i.e., selling price of goods at the port of departure as stated in the contract, excluding freight and insurance costs).

1.3.4. Value-Added Tax

On June 3, 2008, the National Assembly passed a new law on Value-Added Tax (VAT) (Law No 13/2008/QH12). It became effective on January 1, 2010 and replaces a law passed in 2003. The VAT is imposed on the supply of goods and services at any of the three rates: A standard rate of 10 percent, reduced rate of 0 percent, and 5 percent.

The rate of 0 percent applies to exported goods, including goods sold to enterprises without permanent establishments in Viet Nam (including companies in non-tariff zones), goods processed for export, goods sold to duty-free shops, exported services and construction and installation carried out abroad or for export processing enterprises.

The rate of 5 percent applies generally to areas of the economy concerned with the provision of essential goods and services. This includes clean water; fertilizer production; teaching aids; books; foodstuffs; medicine and medical equipment; husbandry feed; various agricultural products and services; technical/scientific services; rubber latex; and sugar and its by-products.

The standard rate of 10 percent applies to activities not specified as exempt or subject to the 0 percent or 5 percent.

1.3.5. Royalties Tariff

The royalties tariff was issued via the government's Decree 68-1998-ND-CP on 3

September 1998. According to this decree, royalties tariff may be from 1 percent to 40 percent. Non-metallic minerals as common construction materials enjoy the lowest royalty rate of 1 percent, while products of natural forests are assigned the highest rate of 40 percent (Table 3).

1.3.6. Special Sale Tax / Special Consumption Tax

The special sales tax (SST) is a form of excise tax that applies to the production or import of certain goods and the provision of certain services. Goods and services that are subject to SST are also subject to VAT.

A special consumption tax is levied on goods such as cigarettes, alcohol, spirits and beer, vehicles with fewer than 24 seats, petrol, playing cards, joss paper, and some air conditioners.

An excise tax is levied on certain services such as discotheque, massage, karaoke, casino, gambling, golf clubs, and betting and lotteries stations, at the rate of 15 percent to 70 percent.

New special consumption tax rates effective from April 1, 2009 (special consumption tax law No. 27-2008-QH12) are shown in Table 4.

1.4. Government Policy on One Stop Service for Establishment³

Administrative reforms continued to be one of the government's top priorities from 2007. On September 7, 2006, the prime minister's Directive No. 32/2006/CT-TTg, which

³ In this section information is taken from CIEM (2009)

**Table 3: Royalties Tariff Based on Decree 68-1998-ND-CP of the Government
(Continues)**

No	Groups and kind of resources	Royalty rate (%)
I	Metallic minerals	
1	Ferrous metallic mineral (iron, manganese, titanium and so forth)	2
2	Non-ferrous metallic minerals	
	-Alluvial gold	2
	-Dust gold	3
	- Rare earth	4
	-Platinum, tin, wolfram, silver, antimony	5
	-Lead, zinc, aluminum, bauxite, copper, nickel, cobalt, molybdenum, mercury, magnesium, vanadium, platinum	3
	-Other non-ferrous metallic minerals	2
II	Non-metallic minerals (except for mineral water and natural thermal water as provided for in group VII)	
1	Non-metallic minerals used as common construction materials:	
	-Soil exploited for leveling or construction of works	1
	-Non-metallic minerals used as other common construction materials (such as stone, sand, gravel, soil used for production of brick, and so forth)	2
2	Non-metallic mineral used as high quality construction materials (granite, dolomite, refractory clay, quartzite and so forth)	3
3	Non-metallic mineral used for industrial production (such as pyrite, apatite, phosphorite, kaolin, mica, technical quartz, limestone used for production of lime and cement, sand used for production of glass and so forth)	4
4	Coal	
	- Anthracite coal exploited from coal mines	1
	- Anthracite coal exploited from open coal mines	2
	- Brown coal and fat coal	3
	- Other coals	2

**Table 3: Royalties Tariff Based on Decree 68-1998-ND-CP of the Government
(Continued)**

No	Groups and kind of resources	Royalty rate (%)
5	Gemstones	
	(a) Diamond, ruby, sapphire, emerald, alexandrite, black precious opal	8
	(b) Adrift, rhodolite, pyrope, beryl, spinel, topaz, crystal amethyst (purple blue, greenish yellow, orange) quartz, crizolit, valuable opal (white or flame red), fenpat, birusa, nephrite	5
	c) Gemstones of other types	3
6	Other non-metallic minerals	2
III	Oil (1)	
IV	Gas (2)	
V	Products of natural forests	
1	Assorted round timber	
	-Category I	40
	- Category II	35
	- Category III, IV,	25
	- Category V,VI,VII,VIII	15
2	Posts used in mines	15
3	Timber used as raw materials for production of paper (storax, pines, mo and so forth)	20
4	Mast timber, timber used as poles in day (that is river net-fishing)	20
5	Treated timber and mangrove timber	25
6	Branch timber, tree-top timber, firewood	5
7	Assorted bamboo	10
8	Pharmaceutical materials	
	-Sandal wood, codonopsis and aloe	25
	-Anis, cinnamon, aquilegia and cardamom	10
	-Pharmaceutical materials of other types	5
9	Other products of natural forests	
	-Wild birds and animals (hunting of which is authorized)	20
	-Other products of natural forests	5
VI	Natural marine products	
	-Pearls, abalone and holothurian	10
	-Shrimp, fish, cuttlefish and other aquatic products	2

**Table 3: Royalties Tariff Based on Decree 68-1998-ND-CP of the Government
(Continued)**

No	Groups and kind of resources	Royalty rate (%)
VII	Natural water	
1	Bottled or canned purified natural mineral water and natural water	4
2	Natural water used in hydro-electricity production	2
3	Natural water exploited for industries (other than those provided for in clause (1) and (2))	
	(a) Used as main raw materials or sub-materials which constitute material elements in production	3
	(b) Generally used for production purposes (such as industrial hygiene, cooling, generation of steam and so forth)	1
	(c) Natural water used for production of safe water, for agriculture, forestry, fishing and production of salt and natural water exploited from duff or drilled wells to meet daily requirement	0
4	Natural water exploited to be used for purposes other than those provided for in sub clause 1,2 and 3	0
VIII	Other resources	
	Salangane's nets	20
	Other resources	10

Note: (1) and (2) Royalties rate applicable to oil and gas shall be provided for in the Law on Petroleum and Decree 84-CP dated 17 Feb 1996 or the government making detailed provision for the implementation of the Law on Petroleum.

relates to a number of urgent measures that state agencies and their units and organizations ought to carry out so as to correct the order and discipline in the bureaucracy, was released.

Under Directive No. 32/2006/CT-TTg, the measures taken in settling people's and enterprises' affairs of state agencies include:

- Immediate review and amendment of administrative procedures that were no

Table 4: Special Consumption Tax Rates Applicable from April 1, 2009

Products /services	Tax rates (%)
Cigar/Cigarette	65
Beer	20-65
Spirit/Wine	40-75
Automobiles	15-60
Motorcycle of cylinder capacity above 125cm ³	20
Airplane	30
Boat	30
Petrol	10
Air-conditioners (not more than 90,000BTU)	10
Playing cards	40
Votive paper	70
Discotheques	40
Massage, karaoke	30
Casinos, jackpot games	30
Entertainment with betting	30
Golf	20
Lottery	15

longer appropriate and thus were more of a burden in the settlement of individuals and enterprises' affairs; and elimination of duplicated and cumbersome procedures, and unnecessary paperwork.

- Establishment of a regular, independent and objective monitoring and oversight mechanism within state bodies/organizations, so as to resolve the lack of transparency and thereby reduce corruption in the bureaucracy.

- Publicizing public offices' telephone hotlines and e-mail addresses so as to help improve the receipt and management of complaints and suggestions on administrative transactions, including wrongdoings, extortions and negative actions of public servants.

- Prior to 1 November 2006, all state agencies and organizations' engaged in receiving documents from individuals and enterprises would require the following

details to be publicized: All procedures and turnaround time for resolving transactions of the public; full names and positions of competent and in-charge cadres and public servants; rights and obligations of citizens, organizations and enterprises with regard settlement of transactions with state bodies; full disclosure of names and positions of public servants who committed a violation or corrupt action in the course of their public duties.

Later, Decision No. 30/2007/QĐ-TTg was issued by the prime minister to simplify administrative procedures in state management domains in the 2007-2010 period.

The specific objectives of the Decision are to ensure the unity, comprehensiveness, simplicity, openness, and transparency of administrative procedures; to help individuals, organizations and enterprises gain access to and comply with administrative procedures; to improve the effectiveness and efficiency of public administration and to foster socio-economic development; to help prevent and fight corruptions and wastages. The scope of the scheme focuses on procedures relating to public administration, relations between state agencies with individuals, organizations, and enterprises; and relations among state agencies. Its basic contents cover (1) simplifying administrative procedures in public administration; (2) simplifying business requirements; (3) simplifying formats of administrative procedures; and (4) establishing a viable mechanism for the receipt and settlement of complaints and suggestions from individuals and enterprises.

So, it can be noted that the administrative reform from 2007 was quite comprehensive and focused on some prioritized areas, particularly administrative

procedures between enterprises and state agencies. Ministries and people's committees at all levels have made considerable efforts to simplify and rationalize administrative procedures and obtained some encouraging results.

Majority of the competent state agencies in charge of handling administrative procedures have posted for the public's information the sequence of administrative steps the public ought to follow. Some printed leaflets and/or online sites publish the information on procedures, sequence of steps, and persons in charge of handling those procedures. The one-stop shop mechanism has been expanded and applied in majority of the state agencies dealing with administrative procedures.

The review and evaluation of more than 400 legal documents relating to 300 kinds of business registration certificates, however, have revealed critical findings about the current situation of "9 No's" embedded in business regulations in Viet Nam. Those nine issues are (1) No adequacy; (2) No comprehensiveness; (3) No consistency; (4) No stability; (5) No transparency; (6) No feasibility; (7) No predictability; (8) No effectiveness; and (9) No efficiency. Moreover, some currently required licenses have been found to possibly have no legal basis. Because of the findings of the review, regulations on business licenses as stipulated in laws, ordinances, decrees or decisions of the prime minister since 1 September 2008 exclude the following (implying that these contents shall, of course, become null and void): (1) licenses for specific sectors, industries or business operations; and (2) licenses for doing business that are based on specific conditions or criteria. Hence, it is highly expected that a large number of licenses would have been abolished or become null and void since September 2008, thereby

improving the business environment in Viet Nam considerably.

The most notable effect of the administrative reform since 2007 is the “three-in-one” scenario, a result of the one-stop shop integration of three procedures: business registration, stamp acquisition, and tax code registration. This led to simplified procedures and reduced time and monetary costs related to a firm’s entry into the market. Consequently, the turnaround time for completing those three procedures has currently dropped to less than 10 working days---even to three to five days in most localities.

Nonetheless, there remains a gamut of unclear, inconsistent and even contradictory regulations and procedures for investment: There are the guidelines in the Investment Law, Construction Law, Land Law, and Environmental Protection Law as well as regulations created by people’s committees in provinces and cities, particularly on the construction of civil works. These locally-developed regulations, in reality, have provided both enterprises and state agencies with an easier way to implement related administrative procedures while affording to continue to meet the public administration’s procedural requirements. Nevertheless, that approach is only considered as “provisional” and acceptable for the short term. A far-reaching and long-term solution is perhaps to revise investment-related regulations in a range of related legal documents. By doing so, such would be aligned with the administrative reform’s aim to provide simple, clear, consistent, transparent and convenient guidelines that can be applied fully and consistently nationwide.

1.5. Incentives for investment

1.5.1. Tax exemption, Reduction and Deduction

The new CIT Law that came into effect on January 1, 2009 provides tax incentives to newly established enterprises:

- The revised incentive regime provides two preferential CIT tax rates, the 20-percent tax rate that will apply for 10 years and the 10-percent tax rate that will apply for 15 years. It dropped the 15-percent tax rate.
- The 20 percent tax package will include additional incentives such as a CIT exemption of up to two years and a CIT reduction of 50 percent for up to four subsequent years. Its beneficiaries are new business establishments from investment projects and found in a region recognized as a geographical area with difficult socio-economic conditions.
- The 10 percent tax package includes a CIT exemption of up to four years and a CIT reduction of 50 percent for up to nine subsequent years. Its beneficiaries are newly established businesses from investment projects operating in economic zones, high-tech zones, and in a region belonging to the list of geographical areas with difficult socio-economic conditions. In addition, the benefits are also extended to those operating in sectors such as education training, vocational training, healthcare, culture, sports and environment, software producing industry, and science research and technology for infrastructure vital to the state.
- Before 2008, tax exemption or reduction was applicable from the first profitable year. With the implementation of the new tax regime, the above tax incentives will

be applicable from the year in which revenue is generated. The changes will also be relevant to existing taxpayers who have yet to start using tax incentives, i.e., those who have not generated a profit.

- There will also be no tax exemption and reduction for “business expansion”, with the exception of accelerated depreciation. Relocated enterprises are no longer entitled to enjoy tax exemption and reduction.
- Expenses will be deductible if they are not specifically identified as non-deductible, and are properly substantiated and related to the production or trading of an enterprise. This general deductibility clause in the new draft law will, unfortunately, also retain a 10-percent cap on advertising and promotion expenses.
- With the implementation of the new law, the taxpaying firm with branches in different provinces will be required to allocate the tax payment to the respective provincial tax authorities in the locations where it operates.
- The companies are also allowed to allocate a maximum 10 percent of their annual taxable incomes for R&D activities in Viet Nam (only). However, if the R&D funds are only partially utilized (i.e., less than 70 percent) or are utilized for a different purpose other than R&D within five years, the company will pay the corresponding CIT and interest rate charges.
- A new regulation will also prevent businesses from enjoying tax deductions on workers’ perks if they paid employees beyond the regulated cap on certain benefits such as healthcare, insurance, and food allowances.

1.5.2. System of Draw-back Import Tax and Value-added Tax

The VAT-reduced businesses engaged in manufacturing, construction, transportation, trading, services, tourism, or food and beverage services can apply for a reduction of VAT if they suffer from losses during the first three years of the VAT period. A reduction will only be considered where the amount of VAT paid is larger than the amount of turnover tax, which would have been payable under the previous tax system. The maximum amount of VAT reduction shall not exceed the VAT amount payable for the year of the reduction.

These VAT reductions can reduce monthly VAT payments throughout the year, subject to the annual adjustment at year-end.

The CIT shall not be imposed on incomes earned from products of cultivation, husbandry and aquaculture by cooperatives; incomes derived from technical service contracts directly serving agricultural production; incomes earned from contracts related to scientific research and development; incomes earned from production and trading of goods and services wherein the business establishment is especially geared toward disabled employees.

Furthermore, the CIT Law offers other incentives to enterprises, including a tax exemption of up to 10 percent of pre-tax incomes spent on research and development.

Tax rates of 10 percent shall be applied to those enterprises with business activities in education, training, medicine, culture, sports, and environment. The tax rate of 20 percent shall be applicable to agricultural services of cooperatives and peoples' credit funds.

The CIT Law would also exempt new enterprises and those in disadvantaged sectors from the CIT in the first four years of operation and reduce their tax by half during the subsequent nine years.

2. INVESTMENT CLIMATE AT CITY LEVEL

2.1. Price of infrastructure (electricity, water and gas)

2.1.1. Electricity price for industrial use (local currency/kWh & monthly basic charge)

This price applies the the whole country. To illustrate, assume 110 KVA as an example: (1) normal hours: VND 835 per kWh⁴; (2) low demand hours: VND455 per kWh; and (3) peak demand hours: VND1,690 per kWh. The Viet Nam Electricity Group's (EVN) prevailing rate in Viet Nam has been applied in full since March 1, 2009.

Table 5: Electricity price for industrial use

	110 kV	22kV to < 110 KV
Peak demand hours	VND 1,690/kWh	VND 1,755/kWh
Normal hours	VND 835/kWh	VND 870/kWh
Low demand hours	VND 455/kWh	VND 475/kWh

Source: Circular No. 05/2009KI'-BCT of February 26,2009.

⁴ Exchange rate: 18,457 VND/US\$ in 2009.

2.1.2. Electricity price for general use (local currency / kWh & monthly basic charge)

According to Circular No. 05/2009KI'-BCT dated February 26, 2009, the electricity price for household use is applied from March 1, 2009.

Grade 1: up to 50kWh	-	VND 600/kWh
Grade 2: >50 and <=100	-	VND 865/kWh
Grade 3: >100 and <=150	-	VND 1,135/kWh
Grade 4: >150 and <=200	-	VND 1,495/kWh
Grade 5: >200 and <=300	-	VND 1,620/kWh
Grade 6: >300 and <=400	-	VND 1,740/kWh
Grade 7: >500	-	VND 1,790/kWh

2.1.3. Price of water for industrial use (local currency / m³ & monthly basic charge)

The price of water is controlled by the government and varies depending on the location and industrial zones. The price for industrial use in Hanoi has been VND 4,500/m³ starting from April 2009.

2.1.4. Price of water for household use (local currency / m³ & monthly basic charge)

In Hanoi, below is the price of water for household use effective April 2009:

Grade 1: up to 16 m ³ :	VND 2,800/m ³
Grade 2: >16m ³ and <= 20m ³	VND 3,500/m ³
Grade 3: >20m ³ and <=35m ³	VND 5,000/m ³

Grade 4: >35m³

VND 7,500/m³

2.1.5. Price of fuel gas for industrial use (local currency / m³ & monthly basic charge)

In Ho Chi Minh, the price of a 45kg LPG fuel gas is US\$ 0.79/kg. That price in Ha Noi and Da Nang is similar

2.1.6. Price of fuel gas for general use (local currency / m³ & monthly basic charge)

In Hanoi, as well as in Ho Chi Minh city and Da Nang city the price of a 15kg LPG fuel gas is VND 280,000.

2.2. Financial aspects

2.2.1. Foreign or joint venture banks

Representative offices of foreign banks as well as foreign or joint venture banks are located only in Hanoi and Ho Chi Minh City, not in Da Nang. These representative offices of foreign banks number around 33 and come from Japan, Korea, Singapore, Thailand, Taiwan, Australia, France, England, The Netherlands, Germany, and the United States. When each representative office of foreign banks is established in Hanoi, each opened a sub-branch in Ho Chi Minh City and vice-versa (Table 6).

Meanwhile, as of December 2009, five joint-venture banks operate in Viet Nam (Table 7). These are Indovina Bank, Shinhanvina Bank, Vid Public Bank, Vinasiam (Viet Nam-Thailand), and Viet Nam-Russia. In 2008, Vietnam started to open a financial sector

Table 6: Representative offices of foreign banks

No	Name of Banks	Address
1	NATEXIS (France)	HCMC
2	ANZ (Australia & New Zealand Banking Group) (Australia)	Hanoi
3	CALYON (France)	HCMC, Hanoi (sub branch)
4	STANDARD CHARTERED BANK (England)	Hanoi
5	CITY BANK (America)	Hanoi , HCMC (sub branch)
6	CHINFON COM. BANK (Taiwan)	Hanoi , HCMC (sub branch)
7	MAY BANK (Malaysia)	Hanoi HCMC
8	ABN Amro Bank (The Netherlands)	Hanoi
9	BANKOK BANK (Thailand)	HCMC, Hanoi (sub branch)
10	Mizuho Corporate BANK (Japan)	Hanoi HCMC
11	BNP (Banque Nationale de Paris) (France)	HCMC
12	SHINHAN BANK (Korea)	HCMC
13	HONGKONG SHANGHAI BANKING CORPORATION	HCMC , Hanoi
14	UNITED OVERSEAS BANK (UOB) (Singapore)	HCMC
15	DEUSTCHE BANK (German)	HCMC
16	BANK OF CHINA (China)	HCMC
17	BANK OF TOKYO MISUBISHI UFJ (Japan)	HCMC, Hanoi
18	Mega International Commercial Co. (Taiwan)	HCMC
19	OCBC (Singapore)(Keppel)	HCMC
20	WOORI BANK (Korea)	Hanoi
	WOORI BANK (Korea)- HCMC branch	HCMC
21	JP Morgan CHASE bank (America)	HCMC
22	KOREA EXCHANGE BANK (KEB) Korea)	Hanoi
23	LAO-VIET BANK (Laos)	Hanoi, HCMC
24	Chinatrust Com.Bank (Taiwan)	HCMC
25	First Commercial Bank (Taiwan)	HCMC
26	Far East National Bank (America)	HCMC
27	Cathay United Bank (Taiwan)	Quang Nam Province
28	Sumitomo-Mitsui Banking Corporation (Japan) (SMBC)	HCMC
29	Hua Nan Commercial Bank Ltd (Korea)	HCMC
30	Taipei Fubon Commercial Bank	HCMC
31	Commonwealth Bank	HCMC
32	Industrial Bank of Korea	HCMC
33	Sumitomo-Mitsui Banking Corporation (Japan) (SMBC)	Hanoi

Source: <http://www.sbv.gov.vn/en/home/htNHngoai.jsp>.

Table 7: Joint – Venture banks in Viet Nam

No.	Name of bank	Number of license	Date of license	Address	Tel & Fax	Chartered Capital (million USD)	Number of branches and operation centers
1	INDOVINA BANK	135/GP- SCCI	Nov 21, 1990	39 Ham Nghi, District 1, HCMC	08.8224995 08.8230111	70	7
2	SHINHANVINA BANK	10/NH- GP	Jan 04, 1993	3-5 Ho Tung Mau, District 1, HCMC	08.8291581 08.8291583	30	3
3	VID PUBLIC BANK	01/NH- GP	Mar 25, 1992	53 Quang Trung, Hanoi	04.9438999 04.9439005	41	6
4	VINASIAM (Viet Nam-Thailand)	19/NH- GP	Apr 20, 1995	2 Pho Duc Chinh, District 1, HCMC	08.8410630 08.8210585	20	5
5	Viet Nam-Russia	11/GP- NHNN	Oct 30, 2006	85 Ly Thuong Kiet, Hoan Kiem District, Hanoi	04.9426668 04.9426669	62.5	3

Source: <http://www.sbv.gov.vn/en/home/htNHldoanh.jsp>

to comply with its WTO commitment. Thereafter, the state bank approved five fully-foreign-owned banks (Table 8).

2.2.2. Domestic banks

There are five major state-owned commercial banks---namely, Bank for Foreign Trade of Vietnam (Vietcombank), Bank for Industry and Commerce of Viet Nam (VietIncombank), The Investment and Development bank of Viet Nam (BIDV), The Viet Nam Bank for Agriculture and Rural Development (Agribank), and Mekong Delta Housing Development Bank. Their headquarters are located in Hanoi or Ho Chi Minh City only while branches and operation centers are maintained in other cities of Vietnam (Table 9).

Table 8: 100% Foreign banks

No	Name of Banks	No & Date of license	Charter capital (billion VND)	Head quarter
1	ANZ (Viet Nam)	268/GP-NHNN Oct.9,2008	1,000	Building Suncity, 13 Hai Ba Trung Str., Ha Noi
2	Hong leong Viet Nam	342/GP-NHNN Dec.29,2008	1,000	Room 1203 Sai Gon Trade Centre, 37 Ton Duc Thang, District 1 HCM City
3	Standard Chartered (Viet Nam)	236/GP-NHNN Sept. 8,2008	1,000	Ha Noi Towers, 49 Hai Ba Trung Ha Noi
4	HSBC (Viet Nam)	235/GP-NHNN Sept. 8,2008	3,000	235 Dong Khoi, Ben Nghe, District 1, HCM City
5	Shinhan (Viet Nam)	341/GP-NHNN Dec. 29, 2008	1,670	Floor 7, No 41 Nguyen Thi Minh Khai, District 1, HCM City

Source: <http://www.sbv.gov.vn/vn/home/htNH100ngoai.jsp>

Table 9: The state-owned commercial banks

No	Name of Banks	No & Date of license	Charter capital (billion VND)	Head quarter	Number of branches and operation centers
1	Vietnam Bank for Social Policies	230/QĐ-NH5 Sep 1, 1995	5,988	68 Truong Chinh St., Dong Da Dis., Hanoi	65
2	Vietnam Bank for Industry and Trade	285/QĐ-NH5 Sep 21, 1996	7,554	108 Tran Hung Dao St., Hanoi	138
3	Vietnam Bank for Agricultural & Rural Development	280/QĐ-NH5 Oct 15, 1996	10,400	2 Lang Ha, Ba Dinh, Hanoi	115
4	Mekong Delta Housing Development Bank	769/TTg Sep 18, 1997	744	9 Vo Van Tan - District 3 – Ho Chi Minh City	32
5	Bank for Investment & Development of Vietnam	287 /QĐ-NH5 Sep 21, 1996	7,490	191 Ba Trieu, Hoan Kiem, Hanoi	103

Source: <http://www.sbv.gov.vn/en/home/htTCTDnhanuoc.jsp>

There are also 38 joint-stock commercial banks, most of which are located in Hanoi, Ho Chi Minh City and Danang City (Table 10).

Table 10: Urban commercial joint-stock banks

1. An Binh Commercial Joint Stock Bank- ABB, HCMC
2. Bac A Commercial Joint Stock Bank, Nghe An
3. Global Petro Commercial Joint Stock Bank, Hanoi
4. Gia Dinh Commercial Joint Stock Bank, HCMC
5. Maritime Commercial Joint Stock Bank, Hanoi
6. Kien Long Commercial Joint Stock Bank, Kien Giang Province
7. Vietnam Technological and Commercial Joint Stock Bank- Techcombank, Hanoi
8. LienViet Commercial Joint Stock Bank , Hau Giang Province
9. Western Rural Commercial Joint Stock Bank, Can Tho Province
10. My Xuyen, An Giang Province
11. Nam Viet Commercial Joint Stock Bank, HCMC
12. Nam A Commercial Joint Stock Bank- NAMA Bank, HCMC
13. VietNam Commercial Joint Stock Bank for private Enterprise, Hanoi
14. Bank for Foreign Trade of Vietnam, Hanoi
15. Hanoi Building Commercial Joint Stock Bank –Habubank (HBB), Hanoi
16. Housing Development Commercial Joint Stock Bank-HDBank, HCMC
17. Southern Commercial Joint Stock Bank, HCMC
18. Orient Commercial Joint Stock Bank-OCB, HCMC
19. Military Commercial Joint Stock Bank, Hanoi
20. Vietnam International Commercial Joint Stock Bank- VIB, Hanoi
21. Saigon Commercial Joint Stock Bank-SCB, HCMC
22. Saigon-Hanoi Commercial Joint Stock Bank-SHB, Can Tho Province
23. Saigon bank for Industrial and trade, HCMC
24. Sai Gon Thuong Tin Commercial Joint Stock Bank- Sacombank, HCMC
25. Pacific Commercial Joint Stock Bank, HCMC
26. TienPhong Commercial Joint Stock Bank, Hanoi
27. Viet Nam Thuong Tin Commercial Joint Stock Bank, Soc Trang Province
28. Viet A Commercial Joint Stock Bank, HCMC
29. Vietnam Commercial Joint Stock Export-Import Bank- Eximbank, HCMC
30. Petrolimex Group Commercial Joint Stock Bank, Dong Thap Province
31. Asia Commercial Joint Stock Bank- ACB, HCMC
32. South East Commercial Joint Stock Bank- SeaBank, Hanoi
33. Eastern Asia Commercial Joint Stock Bank-EAB, HCMC
34. Ocean Commercial Joint Stock Bank, Hai Duong
35. Great Trust Commercial Joint Stock Bank, Long An Province
36. Great Asia Commercial Joint Stock Bank, Dong Nai Province
37. First Commercial Joint Stock Bank-FCB, HCMC
38. BaoViet Joint-Stock Commercial Bank, Hanoi

Source: <http://www.sbv.gov.vn/vn/home/htNHTMCPdthi.jsp>.

2.3. Tax-related Issues⁵

As mentioned earlier, the principal forms of taxation in Viet Nam are:

- Corporate income tax (%)/Business income tax (BIT)
- Withholding taxes
- Import and export duties
- Value added tax (VAT)
- Royalties
- Special sale tax (SST)

All these are administered at the national level. There are no local taxes, but the provincial tax department is responsible for tax collection and audits.

2.4. Transportation cost

Prices of regular gasoline, diesel fuel, paraffin (local currency or US\$ per litter) as shown in Table 11.

2.5. Facilities for Foreign Staff

2.5.1. List of chambers of commerce by countries

- 1) Belgian-Luxembourg Chamber of Commerce in Vietnam, Ho Chi Minh City
- 2) American Chamber of Commerce (AMCHAM)

⁵ <http://www.dpi.hochiminhcity.gov.vn/invest/html/bus6.html> accessed at 2 February 2010.

Table 11: Price of Regular Gasoline, Diesel Fuel and Paraffin.

Products	Region 1	Region 2
Gasoline RON 95 KC	VND 17,490 per litter	VND 17,830 per litter
Gasoline RON 92 KC	VND 16,990 per litter	VND 17320 per litter
Diesel 0,05S	VND 14,900 per litter	VND 15,190 per litter
Diesel 0,25S	VND 14,850 per litter	VND 15,140 per litter
Paraffin	VND 15,500 per litter	VND 15,810 per litter

Applied in February 21, 2010 and issued by Viet Nam Petrolimex.⁶

- 3) Australian Business Group
- 4) British Business Group
- 5) Canadian Business Group
- 6) Commercial Section of the General Consulate of the Republic of Korea (KOTRA)
- 7) Dutch Business Group
- 8) European Chamber of Commerce (EUROCHAM)
- 9) French Chamber of Commerce (CCIFV)
- 10) German Business Group
- 11) Hong Kong Business Association (HKBAV)
- 12) Indian Business Group
- 13) Italian Business Group
- 14) Japanese Business Group
- 15) Nordic Chamber of Commerce (NORDCHAM)
- 16) Singaporean Business Group

⁶ <http://www.petrolimex.com.vn/>.

17) Swiss Business Association (SBA)

18) Taiwanese Chamber of Commerce

19) Thai Business Association

2.5.2. Resident for foreign staff (local currency or US\$/month)

An Apartment Grade A in Hanoi goes for US\$28.77/m²/month without VAT and service fees (Somerset, Fraser Suites, Ciputra, Flower Village, Hanoi Lake View)⁷.

The same Apartment Grade A in Ho Chi Minh City with an area of 60-80 /m² can be rented at about US\$49//m²/month⁸ . Meanwhile, Apartment Grade A in Da Nang has a rental price of less than in Hanoi and Ho Chi Minh City: about US\$10/m²/month to US\$15/m²/month⁹.

2.6. Incentive for investment

Following the government's policy

2.7. Local government policy on one stop service for establishment

In three cities including Ha Noi, Da Nang and Ho Chi Minh city there exists one stop service for establishment, therefore it is very helpful for new businesses. As mentioned above section, the local governments of these cities are actively involved in their

⁷ http://www.hanoistay.com/Ba_Dinh_apartment.asp

⁸ <http://www.vinaconex2jsc.vn/NewsCoDetail.aspx?NewsId=365&MenuId=02&TypeId=09>

⁹ <http://ddd.com.vn/2009121008512279cat109/da-nang--van-phong-cho-thue-bat-dong.htm>

administration reforms. According to Provincial competitive index (PCI) 2009 (VCCI 2009), the number of days it takes to process business transactions---from request until release of approval on the new business--- in Hanoi and Ho Chi Minh City is 15 days, while it is seven days in Da Nang.

3. INDUSTRIAL PARKS AND SEZ

3.1. List of industrial parks (IZs) or SEZs

Hanoi and Ho Chi Minh City have 11 and 13 industrial parks, respectively, while Da Nang has five sites. Compared to Hanoi and Ho Chi Minh City, Da Nang has some industrial parks with an occupancy rate of less than 100 percent. In Hanoi and Ho Chi Minh City, the occupation rate is nearly 100 percent (Table 12).

3.2. Survey on industrial estates or SEZ

3.2.1. Rental Price of Industrial Estate

Rental Price (local currency or US\$/m²/year)

Hanoi: US\$0.22/ m²/year – US\$1/m²/year

Da Nang: US\$0.40/ m²/year – US\$1/m²/year

Ho Chi Minh: US\$1/ m²/year – US\$ 3/m²/year

Table 12: List of industrial parks or SEZs in Hanoi, Ho Chi Minh and Da Nang

City	Names of IZs	Address	Date of license (dd/mm/yyyy)	Occupied area (%)
Ha Noi 11	Hanoi – Dai Tu	Long Bien dist.	1995	50.00
	Noi Bai	Soc Son dist.	1994	100.00
	Sai Dong B	Gian Lam dist.	1995	100.00
	Thang Long (Phase 1+2+3)	Dong Anh dist.	1997+2002+2006	100.00
	Nam Thang Long (Phase 1)	Tu Liem dist.	2001	100.00
	Phu Nghia	Chuong My dist.	2007	85.00
	Thach That (Quoc Oai)	Quoc Oai dist.	2007	95.00
	Quang Minh I	Me Linh dist.	2004	85.00
	Bac Thuong Tin	Thuong Tin dist.	2007	
	Phung Hiep	Thuong Tin dist.	2008	
	Quang Minh II	Me Linh dist.	2007	37.89
Ho Chi Minh 13	Binh Chieu	Thu Duc dist.	1996	100.00
	Cat Lai 2	Dist. 2	2003	100.00
	Hiep Phuoc	Nha Be Dist.	1993	83.33
	Le Minh Xuan	Binh Chanh dist.	1997	100.00
	Tan Binh	Tan Binh dist.	1997	100.00
	Tan Tao (and expansion)	Binh Chanh dist.	1996+2000	77.36
	Tan Thoi Hiep (phase 1+2)	dist. 12	1997	
	Tay Bac Cu Chi	Cu Chi dist.	1997	97.24
	Vinh Loc	Binh Chanh dist.	1997	85.50
	Phong Phu		2002	
	Tan Phu Trung		2004	
	Cat Lai		1997	
	Saigon High Tech Park			
Da Nang 5	Da Nang Industrial Zone	Son Tra	1993	100.00
	Hoa Khanh Industrial Zone (Phase 1 + expansion)	Son Tra & Lien Chieu	1996 + 2004	61.54
	Lien Chieu Industrial Zone	Lien Chieu	1998	38.46
	Hoa Cam (Phase 1+2)		2003+?	65.79
	Da Nang Service and Aquiculture Industrial Park (Phase 1+2)	Son Tra	2001+2002	

Source: Author's collection from various websites

3.2.2. Price of electricity, water and gas

**Table 13: Electricity price for industrial use
(local currency/ kWh & monthly basic charge)**

Hanoi's current electricity price for industrial use in IZs	
Peak demand hours	VND 1,900/kWh
Normal hours	VND 955/kWh
Low demand hours	VND 540/kWh

HCM's Currently electricity price for industrial use in IZs	
Peak demand hours	VND 1,645/kWh
Normal hours	VND 815/kWh
Low demand hours	VND 540/kWh

3.2.3. Price of water for industrial use (local currency/m³ & monthly basic charge)

Hanoi: VND 4,500/m³ – VND 6,000/m³

Ho Chi Minh City: VND 4,500/m³ – VND 6,000/m³

In Da nang city the price of water for industrial use is a bite cheaper than in Ha Noi and Ho Chi Minh city.

3.2.4. Distance and time to the nearest port and airport

Hanoi:

The nearest airport is Noi Bai Airport, 10-40km with max time of half an hour by van.

The nearest port is Haphong Port, 160-200km with max time four hours by van.

Ho Chi Minh City:

The nearest airport is Tan San Nhat Airport, 10 km with max time of half an hour by van.

The nearest port is Saigon Port, 20 km with max time of half an hour by van.

Danang City:

The nearest airport is Dang Nang Airport, 5 km with max time of 10 minute by van.

The nearest port is Tien Sa Port, 4 km with max time of 30 minute by van.

3.2.5. One-stop service

One-stop service for investment approvals exists in Hanoi, Ho Chi Minh and Da Nang. A one-stop service for import and export for EPZ exists too in these three cities.

Concluding Remarks

The main objective of this survey on the business costs in Hanoi, Ho Chi Minh and Da Nang cities is to explore the investment climate in Viet Nam in 2009. This paper looks at the investment climate at the national level (including macro economy and size of market, finance, taxation, government policy on one-stop business setup, and incentives for investment) as well as at the city level (including prices of infrastructure, finance (banking system), taxation, transportation costs, facilities for foreign staff, incentives for investment, local government policy on one-stop business setup services. The paper also provides information on the industrial zones in these three cities. Although Hanoi, Ho Chi Minh and Danang are ranked as three of the cities with the highest provincial competitiveness index (PCI), there is still some room to improve the investment and business environment. This pertains to the high business costs in these three cities compared to other locations in countries within the region.

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