



MARKET STUDY REPORT
PROSPECTS OF PAKISTAN'S EXPORTS TO VIETNAM

COMMERCIAL SECTION, EMBASSY OF PAKISTAN
Hanoi, Vietnam
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1. Brief on overall economic situation of Vietnam

a. Introduction

Table 1: General Information	
Area:	331,212 sq. km
Population:	97 Million (2019)
Labor force:	est. 52.93 million (2019)
Life expectancy:	75 (2019)
Adult literacy:	95% (2018)
Official language:	Vietnamese
Capital:	Hanoi
Deltas	Red River Delta in the North and Mekong River Delta in the South
Railway	3,260 km
Roadway	206,633 km (2019)
Waterway	47,130 km (2019)
Ports and terminals	
Major seaport(s)	Cam Pha, Da Nang, Hai Phong, Phu My, Quy Nhon River port(s): Ho Chi Minh (Me Kong)
Container port(s) (TEUs):	Hai Phong (1,018,794), Saigon New Port (3,071,777)
Airports	11 international airports & 12 domestic airports (2019)
Currency	Vietnamese Dong (VND) Exchange Rate: 1\$=VND23,200 (2019)
Economic system	Economy is in transition from Communist System to Open Market System of economy. GDP growth: 7.02% (2019)
GDP per capita	\$2,740 (2019)
Economic structure/composition	Services 42.74%, Industry 34.49%, Agro, Forestry and Fisheries 13.96% (2019)
Merchandise export	\$263.45 billion (2019)
Major exports	Telephones, mobile phones and parts thereof; Computers, electrical products, spare parts and components thereof; Textiles and garments; Footwear; Machine, Equipment, tools and instruments; Wood and wooden products; Fishery Products etc.
Merchandise imports	\$253.51 billion (2019)
Major import	Machine, Equipment, tools and instruments; Telephones, mobile phones and parts thereof; Fabrics; Iron and steel; Plastics; Plastic products; Petroleum products; Textile, leather and footwear materials and auxiliaries etc.
Inflation	2.79% in 2019
Budget revenue	VND 1,512.3 trillion (2019), expenditures VND 1,747.1 trillion (2019)
Budget deficit	-3.44% of GDP (2019)
Banks	44 foreign bank's branches in Vietnam Gatehouse Bank of United Kingdom; Standard Chartered Bank; ANZ Citibank; Siam Commercial Bank; Bangkok Bank; Deutsche Bank; Mizuho Bank; HFC Bank; The Bank of Tokyo-Mitsubishi UFJ; Commonwealth Bank

	of Australia; HSBC; Public Bank Vietnam; Shinhan Bank; KEB Hana Bank; Industrial Bank of Korea; Scotiabank JP Morgan Chase Bank; Bank of China; Maybank; Woori Bank; Bank of India; United Overseas Bank; Agricultural Bank of China; Taipei Fubon Bank; SinoPac Bank (Far East National Bank); Nonghyup Bank; MUFG Bank; Mega ICBC; JP Morgan; Kookmin Bank; Hua Nan Bank; China Construction Bank; Cathay Bank
Industrial and Exporting-Processing Zones (EPZs) in operation	173
Industrial and Exporting-Processing Zones (EPZs) under construction	187
Source: General Statistics Office of Vietnam; Ministry of Finance and State Bank of Vietnam	

Vietnam is the 45th largest export economy in the world. In 2019, Viet Nam exported goods worth \$263.45 Billion and imported \$253.55 Billion, resulting in a positive trade balance of \$9.9 Billion. In 2019, the GDP of Vietnam was \$241.272 Billion and its GDP per capita was \$2,740. The nation’s GDP expanded 7.02% in 2019. Viet Nam borders China, Cambodia and Laos by land and Indonesia, Malaysia, the Philippines and Thailand by sea, having three large important sea ports, namely Saigon Port, Hai Phong Port and Da Nang Port.



Major Export and Import Commodities of Vietnam

Vietnam is one of the leading exporters of the world however its imports are also high. The major imports and exports of Vietnam in the year 2019 are listed in Table 1 and Table 2 as follows:

Table 2: Export Commodities of Vietnam in 2019	Value (USD Million)
Telephones, mobile phones and parts thereof	51,379
Computers, electrical products, spare parts and components thereof	35,926
Textiles and garments	32,850
Footwear	18,321
Machine, Equipment, tools and instruments	18,304

Other products	11,730
Wood and wooden products	10,648
Fishery Products	8,544
Other means of transportation, parts and accessories thereof	8,505
Iron and steel	4,211
Yarn	4,177
Fruits and vegetables	3,747
Handbags, purses, suitcases, headgear and umbrellas	3,745
Still image, video cameras and part thereof	3,684
Plastic products	3,436
Iron and steel products	3,319
Cashew nut	3,289
Coffee	2,855
Rice	2,805
Other base metals and other base metal products	2,573
Rubber	2,302
Precious stones, precious metal and articles thereof	2,078
Crude oil	2,031
Textile, leather and footwear materials and auxiliaries	2,015
Insulated wires and cables	1,985
Toys and sports requisites; parts and accessories thereof	1,944
Petroleum products	1,905
Chemicals	1,853
Furniture of other materials, other than of wood	1,691
Clinker and cement	1,393
Chemicals products	1,355
Plastics	1,265
Paper and paper products	1,133
Manioc and manioc products	0,967
Glass and glassware	0,842
Rubber products	0,760
Pastry cooks, sweets and cereal products	0,723
Pepper	0,714
Animal fodders and animal fodder materials	0,684
Tyre cord fabrics and other fabrics for technical use	0,589
Ceramic products	0,539
Bamboo and rattan products	0,484
Fertilizers	0,268
Tea	0,236
Ores and other minerals product	0,218
Coal	0,169

Data source: General Department of Vietnam Customs

Table 3: Import Commodities of Vietnam in 2019	Value (USD Million)
Computers, electrical products, spare parts and components thereof	51,353
Machine, Equipment, tools and instruments	36,749
Telephones, mobile phones and parts thereof	14,616

Fabrics	13,277
Other products	12,509
Iron and steel	9,508
Plastics	8,992
Plastic products	6,539
Other base metals	6,386
Petroleum products	5,955
Textile, leather and footwear materials and auxiliaries	5,872
Chemicals products	5,420
Chemicals	5,129
Parts and accessories of motor vehicles	4,161
Iron and steel products	4,074
Coal	3,790
Animal fodders and animal fodder materials	3,712
Crude oil	3,596
Motor vehicles	3,161
Pharmaceutical products	3,070
Still image, video cameras and part thereof	2,642
Wood and wooden products	2,543
Yarn	2,410
Maize (corn)	2,326
Cashew nut	2,166
Electric consumer products and parts thereof	1,993
Fishery Products	1,788
Paper	1,786
Fruits and vegetables	1,778
Insulated wires and cables	1,669
Other base metal products	1,608
Ores and other minerals product	1,537
Glass and glassware	1,240
Rubber	1,221
Other means of transportation, parts and accessories thereof	1,114
Milk and milk products	1,048
Fertilizers	1,036
Other edible food preparations	0,961
Other petroleum products	0,929
Rubber products	0,904
Liquefied petroleum gases (LPG)	0,895
Insecticides, rodenticides and materials	0,865
Essential oils and resinoids; perfumery, cosmetic or toilet preparations	0,864
Motorcycles and parts, accessories thereof	0,848
Paper products	0,780
Precious stones, precious metal and articles thereof	0,763
Animal, vegetable fats and oils	0,734
Wheat	0,727
Soya beans	0,681
Pastry cooks, sweets and cereal products	0,428
Pharmaceutical materials	0,390

Tobacco materials	0.301
Data source: General Department of Vietnam Customs	

2. Pakistan exports prospects particularly in specific sectors

a. Bilateral trade statistics between Pakistan and Vietnam

Bilateral trade between Pakistan and Vietnam has continuously been increasing for the last five years as shown in the table 3 below. As per figures received from Pakistan, bilateral trade in the Fiscal Year 2017-18 grew to reach the level of \$743 million (Data source from Pakistan Customs/PRAL), highest ever trade volume with Pakistan's exports increasing to \$313 million, with a year on year increase of \$46 million (17.2%). However, the trade between the two sides decreased in FY 2018-2019 due to a big loss in exports of Fish & Fish Preparation as Pakistan's fish and fish products imported through Hai Phong Sea port of Vietnam for onward shipment to China have been stopped by Chinese buyers.

Year	Total Trade (million USD)	Import (million USD)	Export (million USD)
2013-2014	300	94	206
2014-2015	345	122	223
2015-2016	579	329	250
2016-2017	602	335	267
2017-2018	743	430	313
2018-2019	603	353	250

Source: Pakistan Customs (PRAL)

The most popular Vietnamese export goods to Pakistan are tea, pepper, fabrics, rubber, cashew nuts, ceramics, steel, etc. Vietnam mainly imports from Pakistan garment and textile materials, fabrics, medicines, wheat flour, cattle foodstuff, cotton, etc. However, there is still great potential for Vietnam and Pakistan to further enhance the multifaceted cooperation, such as in the areas of fisheries, IT and software industry, agriculture, tourism, education and culture.

b. Major export/import commodities

Pakistan's Exports to Vietnam

The comparison of Pakistan's Exports to Vietnam during the FY 2018/19 as compared to the previous FY 2017/18 is as follows:

	2018/19	2017/18

		USD Million	USD Million
1.	Fish, frozen	64	102
2.	Paper, paperboard	22	16.6
3.	5209 Woven fabrics of cotton	20.3	26.4
4.	4113 Leather further prepared after tanning	13.7	13.4
5.	Edible offal of bovine animals	12.5	11.8
6.	Other oil seeds and oleaginous	10.6	4.4
7.	4107 Leather further prepared after tanning	10.5	11.1
8.	Oil-cake and other solid residues	10	10
9.	Pharmaceutical Products	9.8	7.9
10.	Cotton yarn	8.6	5.9
11.	Meat of bovine animals, frozen	8	14.5
12.	Raw cotton	7	13
13.	5208 Woven fabrics of cotton	6	5.1
14.	Meat and edible offal	4.5	4.5
15.	Guts, bladders and stomachs	4.2	3.5
Data source: Pakistan Customs (PRAL)			

Leather, Pharmaceutical and Surgical Instruments are traditional sectors with higher export potential. In order to further boost export in these sectors, initiatives need to be undertaken including improvement of product design, fulfillment of drug registration process and innovations in productions.

Based on export surplus, potential of growth and increasing demand of Viet Nam, the Mission is of the view that, for short to medium term export enhancement, the non-traditional products need to be focused: food products (especially beef), fruits and vegetables (citrus fruit especially citrus, potato, onion and fresh vegetables) etc.

Pakistan's Imports from Vietnam

The comparison of Pakistan's Imports from Vietnam during the FY 2018/19 as compared to the previous FY 2017/18 is as follows:

		2018/19	2017/18
		USD Million	USD Million
1.	Telephone sets, including telephone etc.	156	135
2.	Synthetic filament yarn	28.8	42.7
3.	Flat-rolled products of iron	22.8	1.9
4.	Pepper	18.5	34.6
5.	Tea	15.3	10.7
6.	Fish fillets and other fish meat	9.9	14.6
7.	Rubber	8.3	10.1
8.	Steam or other vapour generating	6	0.2
9.	Transmission shafts	5.5	6

10.	Cigarette paper	4.9	4.2
11.	Other articles of plastics	2.7	1.8
12.	Electrical transformers	2.5	0.96
13.	Footwear	1.6	1.8
14.	Insecticides, rodenticides, fungi	1.5	1.2
15.	Babies' garments and clothing	1.45	3
Data source: Pakistan Customs (PRAL)			

Pakistan Customs showed huge imports of telephones for cellular networks from Vietnam to Pakistan in the FY 2018/19 as compared to the FY 2017/18. Pakistan should increase the import duty on these products to balance the trade. Moreover, there was a declining trend in Pakistan's import of synthetic filament yarn and pepper. Pakistan has increased the import of tea in the FY 2018/19 as compared to the previous year and Pakistan remains Vietnam's largest tea importer in the last few years.

c. Reasons for increase/decrease of exports

Commodity	FY July 19- May 20	FY July 18- May 19	Difference	%age Change
Total	130.7	238.3	(107.6)	-45.2%
Woven fabrics (5209 & 5208)	20.5	25.2	(4.7)	-18.7%
Leather (4113 & 4107)	19.8	22.6	(2.8)	-12.4%
Seafood	8.6	61.1	(52.5)	-85.9%
Cotton	7.7	7.3	0.4	+5.5%
Edible offal of bovine animals	6.9	11.2	(4.3)	-38.4%
Cotton yarn	5.8	8.6	(2.8)	-32.6%
Medicaments	5.2	8.4	(3.2)	-38.1%
Meat of bovine animals	4.7	7.4	(2.7)	-36.5%
Other oil seeds and oleaginous	4.1	10.6	(6.5)	-61.3%
Paper, paperboard	2.7	22.3	(19.6)	-87.9%
Data source: TDAS Pakistan				

Reasons for declining exports of Textiles (Cotton Fabrics and Cotton Yarn)

- Lower quality of cotton yarn and cotton fabrics was exported to Vietnam, thus, affecting the importers' confidence level.
- Importers preferred cotton fabric and cotton yarn from the countries like India, Taiwan, South Korea, Hong Kong, Indonesia, Malaysia, Thailand and Japan etc. where Vietnam has various trade arrangements and thus a favorable lower import duty.

Reasons for declining exports of Leather

- Import pattern of Vietnam from Pakistan in Leather group has been very erratic during last 5 years implying that the import contracts are not long term and made only in exigencies. In the year 2019, the production patterns in Vietnam were such that it produced lesser quantities and thus imported lesser quantities of raw and processed leather.
- Strong competition from leather exporters to Viet Nam (Taiwan, South Korea, Japan, India and China etc. with varying degree of tariff advantage) is becoming a challenge as Pakistan leather is already facing higher tariffs.

Reasons for declining exports of Seafood

- Pakistan's seafood imported through Hai Phong Sea port of Vietnam for onward shipment to China have been stopped by Chinese buyers, thus resulting in the decline in exports of fish and fish products to Vietnam.
- Limited supply from Pakistan of the required products in Vietnam such as squid, cuttlefish, octopus etc. as informed by the importing companies in Vietnam.
- Mismatch in the orders and delivery in case of exported frozen fish and fish products to Vietnam led to various complaints received in the Embassy in Hanoi which culminated into shattered confidence of the importers.

Reasons for declining exports of Meat

- Vietnamese buyers prefer pork and poultry than the red meat. This year Tet (Lunar New Year) fell in the month of January, thus, affecting the consumption patterns in Vietnam, as pork is much preferred during Tet.
- Technical barriers in import of animal origin products to Vietnam as regulated by the Circular No. 25/2016/TT-BNNPTNT dated 30 June 2016 by the Ministry of Agriculture and Rural Development and the Decree No. 15/2018/ND-CP dated February 02, 2018 of the Vietnamese Government on elaboration of some articles of the Law of Food Safety, pose a consistent NTB to Pakistan's export of meat thus disrupting long term orders.

Reasons for declining exports of Medicaments

- Viet Nam follows the ASEAN region drug and company registration procedures. The registration takes up to three years and following certifications may be obtained by the pharmaceutical companies:

- PICS certification
- Euro GMP certification
- WHO certification
- FDA certification
- The complex procedure of Registration of Company and Pharmaceutical Goods/Drugs needs to be studied and complied with by Pakistani companies to diversify its product basket in Pharmaceuticals sector.

Reasons for declining exports of Other Oil Seeds and Oleaginous Fruits

This group of commodities is not encouraged for import in Vietnam when the domestic production meets the demand via Decision No: 1380/QD-BCT of the Ministry of Industry and Trade on promulgating list of goods discouraged for import dated 25th March 2011, i.e Sunflower seeds, whether or not broken etc.

Reasons for declining exports of Paper and paperboard

- Domestic production has met the demand for packaging industry of Vietnam in 2019
- China is a key market for export of test liner & medium paper of Vietnamese industrial packaging paper manufacturers. The rise of packaging paper prices in China had an impact on Vietnam's packaging paper market exports and thus reduced imported raw material.

3. Potential areas where Pakistan can target for its exports

Pakistan and Vietnam has huge trade potential in both traditional items and non-traditional items. The potential sectors for Pakistan's exports to Vietnam include:

- **Traditional Items**
 - Seafood
 - Cotton
 - Yarn
 - Fabrics
 - Pharmaceutical Products
 - Surgical Goods
 - Textile, Leather and Footwear Materials and Auxiliaries
- **Non-traditional Items**

- Fruits/Vegetables (Citrus)
- Cutlery
- Sports Goods
- Meat

The following table 8 shows the imports of Vietnam and main competitors of Pakistan in these sectors.

Table 8: Imports of Vietnam from following markets in the year 2019								
Value: USD Million								
Commodity	Pakistan	China	Thailand	South Korea	Japan	Taiwan	USA	India
Fishery products	0	144	30.1	76	139	100	91	202
Cotton	10.5	5.3	0	7	0	0.8	1,569	162
Yarn	7.1	1,323	113	175	68	350	0	101
Fabrics	32.5	7,735	279	2,024	820	1,606	33	70
Textile, Leather and Footwear Materials and Auxiliaries	25	2,460	318	720	299	409	473	102
Fruits and Vegetables	0	455	487	38	0	0	303	32
Pharmaceutical Products	14.8	36	100	178	56	16	162	255
Data source: General Department of Vietnam Customs								

❖ Provision of Market Reviews/Market Information

Vietnam is one of the fastest growing economies of the world. Since 1990, Viet Nam's GDP growth has been increased, averaging 6.63 per cent a year in last three decades. Viet Nam's economy continued to strengthen in 2018, with a GDP growth rate of 7.08%, highest since 2008. The gross domestic products (GDP) in 2019 witnessed an impressive result with a growth rate of 7.02%, exceeding the National Assembly's target of 6.6% - 6.8%.

In 2019, Vietnam exported goods worth \$263.45 Billion and imported \$253.55 Billion, resulting in a positive trade balance of \$9.9 Billion. Expanding production, a stable macro-economic condition and controlled inflation are likely to help Vietnamese economy to grow further in the coming years.

Vietnam has signed numerous trade agreements with different partners, promoting the country as one of the main manufacturing hubs in the world. It has signed or started work on a large number

of bilateral and multilateral trade agreements. These trade agreements have shaped the present and future of Vietnamese economic development. Especially, the two Free Trade Agreements (FTAs) that Vietnam has recently signed, particularly the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the European Union Vietnam Free Trade Agreement (EVFTA) will have a significant impact on the Vietnam's economy in the coming years.

Vietnam is a high profile manufacturing country that needs raw materials to cater to demands of its growing manufacturing sector. Pakistan and Vietnam are performing far below the potential of both countries. Therefore, the two countries should make joint efforts to identify impediments in two-way trade and take measures to increase bilateral trade to \$1 billion, by the year 2021.

❖ Valuations

Vietnam has a young population of 97 million people. Vietnam's consumer market is constantly evolving, driven by changing consumer lifestyles, income, and behavior. The country has experienced a steady progression of disposable income in recent years, which can be seen in its rapid growth of total consumer expenditure from US\$80 billion to US\$171 billion between 2010 and 2018. In 2019, Vietnam's total consumer spending amounted to about 185.01 billion U.S. dollars, indicating a steady increase over the past few years. This shows that Vietnamese consumers have more money to spend. This growth in consumer activity has undoubtedly created openings for businesses to provide new services and products that are available for consumers.

❖ Competitor Analysis

The total import of seafood of Vietnam in 2019 was US\$ 1,788 Million from main competitors such as India, Taiwan, Japan, South Korea, Thai Land, USA and China. According to the data by TDAS Pakistan, Pakistan seafood export to Vietnam declined remarkably in FY 2019-20 as compared to FY 2018-19. One of the main reasons is tariff barrier on Pakistan's seafood imports to Vietnam and strong competition from main competitors like India, Taiwan, Japan, South Korea, Thai Land, USA and China where are favored with 0% or lower import duty. Another reason is that fish and fish products imported through Hai Phong Sea port of Vietnam for onward shipment to China have been stopped by Chinese buyers.

The total import of Textile, Leather and Footwear Materials and Auxiliaries of Vietnam in 2019 was 5,872 million (an increase of 2.8% compared to the year 2018) from main competitors

such as China, Korea, Taiwan, USA, Japan and India etc. where are favored with 0% or lower import duty than Pakistan.

Vietnam has seen a rise in demand for imported fruits and vegetables from its younger population as their income levels increases. Horticultural products account for a large portion of total food imports in Vietnam with US\$ 1778 million on imported fruit and vegetable in 2019. Thailand is the largest export market for Vietnam with value of US\$ 487 million, accounting for 27.4 per cent of the country's total imports, followed by China at US\$ 455 million (25.6 per cent), the US at US\$ 303 million (17 per cent) and India at US\$ 32 million (1.8 per cent).

The total import of Pharmaceutical products of Vietnam in 2019 was 3,070 million USD from main competitors India, Korea, and USA. According to data released by Vietnam Customs, Pakistan's pharmaceutical products exported to Vietnam slightly increased from US\$ 14 million in 2018 to US\$ 14.8 in 2019. However, Pakistan needs to fulfill the complex procedure of Registration of Company and Pharmaceutical Goods/Drugs/Materials to increase the exports of Pharmaceutical Products to Vietnam.

4. Incentives offered to businessmen of different sectors and industries (tax holidays and concession in utilities charges)

a. Forms of investment incentives

Investment incentives are provided in the following forms:

- Lower tax rates for whole duration of investment term or part thereof; exemption from and reduction of tax rates;
- Import duty exemption for fixed assets; and
- Reduction/exemption of land rental.

b. Projects are eligible for investment incentives

- ✓ Projects of investment shall be eligible for investment incentives if the projects invest in the following business lines:
- ✓ High-tech activities, high-tech ancillary products; research and development;
- ✓ Production of new materials, new energy, clean energy, renewable energy; productions of products with at least 30% value added; energy-saving products;

- ✓ Production of key electronic, mechanical products, agricultural machinery, cars, car parts; shipbuilding;
- ✓ Production of ancillary products serving textile and garment industry, leather and footwear industry;
- ✓ Production of IT products, software products, digital contents;
- ✓ Cultivation, processing of agriculture products, forestry products, aquaculture products; a forestation and forest protection; salt production; fishing and ancillary fishing services; production of plant varieties, animal breads, and biotechnology products;
- ✓ Collection, treatment, recycling of waste;
- ✓ Investment in development, operation, management of infrastructural works; development of public passenger transportation in urban areas;
- ✓ Preschool education, compulsory education, vocational education;
- ✓ Medical examination and treatment; production of medicines, medicine ingredients, essential medicines, medicines for prevention and treatment of sexually transmitted diseases, vaccines, biological, herbal medicines, orient medicines; scientific research into preparation technology and/or biotechnology serving creation of new medicines;
- ✓ Investment in sport facilities for the disabled or professional athletes; protection and development of cultural heritage;
- ✓ Investment in geriatric centers, mental health centers, treatment for agent orange patients; care centers for the elderly, the disabled, orphans, street children; and
- ✓ People's credit funds, microfinance institutions.

c. Projects of investment shall be eligible for investment incentives if the projects invest in the following locations:

- ❖ Administrative divisions in disadvantaged area or extremely disadvantaged areas; and
- ❖ Industrial parks, export-processing zones, hi-tech zones, economic zones.

d. CIT incentives

Tax incentives and criteria for eligibility to tax holidays and reduction are set out in the CIT regulations, i.e. the tax incentives are granted to new investment projects based on regulated encouraged sectors, encouraged locations and the size of the project.

- The sectors which are encouraged by the Vietnamese Government include education, health care, sport/culture, high technology, environmental protection, scientific research, infrastructure, software production and renewable energy.
- Locations which are encouraged include qualifying economic and high-tech zones, certain industrial zones and difficult socio-economic areas.

Business expansion projects which meet certain conditions are also entitled to CIT incentives. New investment projects and business expansion projects do not include projects established as a result of certain acquisitions or reorganizations.

Preferential CIT Rates

- 10% CIT rate shall be applied: within 15 years for new investment projects in an area with especially difficult socio-economic conditions, in economic zones and in high-tech zones; and to new investment projects in the sectors of high technology, scientific research and technological development, investment in development of especially important infrastructure facilities of the State, and production of software products; the products support the high technology sector; the products support the garment, textile and footwear, IT, automobiles assembly, mechanics sector and are not produced domestically as at 1 January 2015, or if produced domestically, they meet the quality standards of the EU or equivalent for the entire operational period is applicable to enterprises operating in the sectors of education and training, occupational training, health care, culture, sport and the environment.
- 15% CIT rate shall be applied: within 10 years applied to: income of the company from farming, breeding, processing of agriculture and aquaculture products in an area other than disadvantaged areas or particularly disadvantaged area.
- 17% CIT rate shall be applied: for the first 10 years applies to new investment projects in areas with difficult socio-economic conditions; for the entire operational period is applicable to agricultural service co-operatives and to people's credit funds.

e. Incentives on import tax

Import duty exemptions as regulated in Decree 87/2010/ND-CP dated 13th August 2010 of the Government detailing a number of articles of the Law on import and export duties.

f. Incentives on land rental

The table below summarizes the incentives on Land Rental (as regulated in Decree 46/2014/ND-CP dated 15 May 2014 of the Government on Regulations on collection of land and water surface rental fees):

Project	Exemption
In the list of investment encouragement sectors; new business development bases	3 yrs
Invest in areas of difficult socio-economic conditions	7 yrs
Invest in areas of specially difficult socio-economic conditions; in specially investment encouragement sectors; projects in the list of investment encouragement sectors investing in difficult socio-economic areas	11 yrs
Projects in the list of specially investment encouragement sectors investing in areas of difficult socio-economic conditions or projects in the list of investment encouragement sectors investing in the areas of specially difficult socio-economic conditions	15 yrs
Projects in the list of specially investment encouragement sectors investing in areas of specially difficult socio-economic conditions	Whole project life

5. Any special package for SME sector

Vietnam considers SME sector as an important driving force for its economy. The government introduced the Law on Support for Small and Medium Enterprises No 04/2017/QH14 which took effect in January 2018 which seeks to support SMEs. Later in May 2019, the government issued Circular No 06/2019/TT/BKHDT on network consultants for SMEs and Circular No 05/2019/TT/BKHDT on subsidies for training courses for women-owned SMEs. There is also several funded programs and organizations lending support to SMEs.

Despite this, SMEs continue to face challenges due to unclear guidelines, vague supporting policies, and implementation of the laws by local authorities. To address these issues the government has proposed a draft to the new Law on Investment, but this is likely in early 2021. On 30th March, 2020, the Government promulgated Decree No.37/2020/NĐ-CP to amend the list of business lines to the list of business lines eligible for investment incentives:

- Business investment in the distribution chain of products of small and medium-sized enterprises (SMEs)
- Investment in business of incubating SMEs
- Business investment in technical facilities to support SMEs
- Business investment in a common working area for SME startups

The Decree will make it easier to access incentives such as access to land and credit support initiatives. In addition, the regulation will help SMEs aid in recovering the economy as Vietnam looks to restart its economy after COVID-19.

Accordingly, foreign investors taking business investment in Vietnam in 04 business lines as mentioned above will be eligible for investment incentives from 15th May, 2020, namely:

- Under the Law on Support for Small and Medium Enterprises, support measures for SMEs in general may include of assistance in the credit assessment; assistance in the tax and accounting regimes; assistance in production areas; assistance in terms of technologies; assistance in access to information, counseling and legal fields; and assistance in human resource development.
- Regarding incubators, technical facilities, co-working areas, and business investment enterprises and organizations joining the distribution chain of products manufactured in Vietnam having at least 80% of members that are SMEs are entitled to more investment incentives, in which:
 - Remission of land rental, land use fees and the non-agricultural land use tax in accordance with regulations of law
 - Remission of corporate income tax for a limited period of time in accordance with regulations of law on corporate income tax, and
 - Micro-enterprises and small enterprises will be given priority during contractor selection in accordance with regulations of laws on bidding.

6. Incentives for exporters and importers by government, shipping companies and port authorities

On April 8, 2020, the Vietnamese government issued Decree 41/2020/ND-CP (Decree 41) which provides a variety of incentives to dampen the economic impact of the COVID-19 outbreak. The incentives include providing tax breaks, delaying tax payments, and delaying land-use fees for businesses, costing the government US\$1.16 billion (VND 27 trillion).

Delaying tax payments

The decree applies to several businesses including agroforestry fishery, food processing, mechanical processing, furniture, construction, transportation, education and training, real estate,

labor and employment services, travel agents, tour operators, entertainment activities, movies, supporting industries, small and medium enterprises, and banking among others.

- For the aforementioned sectors, the Value-Added Tax (VAT) and Corporate Income Tax (CIT) will be extended by five months.
- For individuals and business households, the VAT and Personal Income Tax (PIT) deadlines are extended to December 31, 2020.

Delaying land rent

Land rent fees have also been delayed for five months for those that lease directly from the government.

Tax breaks

This incentive program would be worth US\$974 million (VND 23 trillion) in taxes from businesses in agriculture, textiles, footwear, automotive, aviation, electronics, food processing, and tourism sectors, among many others. Additionally, another US\$129 million (VND 3 trillion) in income taxes and value-added taxes is owed during this period. More than 700,000 enterprises or approximately 98 percent would be given the extension.

Earlier, the General Department of Taxation issued Dispatch No. 897/TCT-QLN on March 3, 2020 requesting tax departments of provinces and cities to extend deadlines for paying taxes and exempt penalties for paying late taxes for businesses affected by COVID-19.

To avail of these exemptions, businesses must refer to Clause 3, Article 31 in Circular 156/2013/TT-TBC which lists cases in which tax deadlines can be extended as well as the procedures and the documents necessary.

Vietnam's Ministry of Finance (MoF) has also cut license and administrative fees for several industries to help them recover from the COVID-19 pandemic. The cut in fees ranges from 20 percent to 50 percent. The reduction will remain in effect until December 31, 2020, following which normal prices will be applicable. Industries such as construction, banks, financial services, travel, and water resources will benefit.

Five industry types eligible for cut rates:

Banks and credit organizations

The Ministry of Finance (MoF) issued Circular No 33/2020/TT-BTC, which sets the rates of collection and payments of fees and operational licenses for new banks and credit institutions. From May 5 until the end of the year new banks and credit institutions will have to pay just 50 percent of licensing fees equivalent to approximately US\$3,000 (VND 70 million).

Construction

As per Circular 34/2020/TT-BTC, there will be a 50 percent reduction in construction fees. In addition, the fees for the construction capacity certificate have been reduced to US\$21 (500,000 VND) as compared to the current US\$43 (1,000,000 VND). For individual applicants, this certificate will cost US\$6 (VND 150,000) as compared to the current US\$13 (VND 300,000).

Tourism

For tourism companies license fees for international and domestic firms have been reduced by half from May 6 until the end of the year as per Circular 35/2020/TT-BTC. In addition, the fee for a tour guide card has been reduced US\$4 (VND 100,000) from the current US\$14 (VND 325,000).

Securities

As per Circular 37/2-2-/TT-BTC, the securities fees and charges will be reduced to 50 percent for rates as per Article 2 in Circular 272/2016/TT-BV with some exceptions.

Water resources

As per Circular No 36/2020/TT-BTC, fees for evaluation and issuing new permits for water resources exploration and exploitation will be reduced by 20 percent. The fee for using hydrological data will be cut by 30 percent.

7. Incentives announced by central bank for entrepreneurs

Vietnam's central bank – the State Bank of Vietnam (SBV) has already cut interest rates from February 2020. Further, the SVB has asked the commercial banks to lower interest rates. The refinancing rate was reduced to 4.5 percent from the current 5 percent, while the discount rate was cut to 3 percent from the current 3.5 percent.

8. Any other information of important nature

a. Tariff Barriers

i. Import Tariffs

Most goods imported to Vietnam are subject to duty. Imported products are subject to import tax and value-added tax (0%, 5%, or 10%). Tax rates vary depending on the type of product. For example, consumer goods, especially luxury goods are usually subject to higher tax rates than machinery, raw materials or equipment used in production.

However, Vietnam is a member of the ASEAN Free Trade Area and intraregional import taxes for certain products range from 0-5%, including products such as: livestock; meat and fish; fruit and vegetables; medicaments and pharmaceutical goods; agricultural machinery etc.

Tax rates applicable to imported goods include preferential tax rates, special preferential tax rates, and ordinary tax rates:

- Preferential tax rates apply to goods originating from countries, groups of countries, or territories, which apply the most favoured nation treatment in their trade relations with Vietnam
- Special preferential tax rates apply to goods originating from countries, groups of countries, or territories, which apply special preferences on import tax to Vietnam
- Ordinary tax rates apply to goods originating from countries, groups of countries, or territories, which do not apply the most favoured nation treatment of special preferences on import tax to Vietnam. Ordinary tax rates will be no more than 70 per cent higher than the preferential tax rates specified by the government
- VAT rates range from zero to ten per cent, with ten per cent being the most common rate.

Pakistan and Vietnam has not signed FTA/PTA yet. The import duty of Vietnam on Pakistani exported products in comparison with other countries is stated in the following table 7:

Sr. No.	Items	Pakistan	Japan	ASEAN	India	China
1	Citrus	20	9	5	0	0
2	Yarn	5	0	0	2	0
3	Fabrics	12	0-12	0	7.5-8	0-5

4	Leather materials	3-10	9	0	3	0
5	Textile materials	12-20	0	0	5	0
6	Seafood	15-20	9	0	10-22	0
7	Meat (Beef)	15	6	0	10	0
8	Wheat	5-10	0	0	1	0
9	Maize	5-15	0	0	3-5	0
10	Chillies	13-30	0	0	5-15	0
11	Cutlery	5-25	0	0	2-22	0
12	Sports Goods	5	0	0	2	0
13	Rubber Manufacturers	3-5	0	0	1-3	0
14	Paper and paper board	3-20	1-12.5	0	3-25.5	0
15	Tobacco Materials	15-135	11	0	15-135	50
16	Ethanol	20	20	0		20
17	Fertilizers	0-6	1-2	0	2-3	0-20
18	Marbles and Stones	12-20	0-8	0	5	0
19	Rock salt (Unprocessed)	30	0	0		50
20	Machinery and Transport Equipment	0-5	0	0	2-5	0
21	Pharmaceutical Products	0-10	0	0	0-7	0
22	Glass and Glassware	3-20	0-16	0	6-10	0
23	Iron and Steel	0-10	0	0	0-5	0

Source: General Department of Viet Nam Customs

ii. Import Requirement and Documentation

- Pakistani companies that need to perform customs clearance, produce tasks related to goods classification, quality control implementation, or imported/exported food safety inspections are subject to Circular No. 14/2015/TT-BTC dated 30th January 2015 by the Ministry of Finance of provides guidance on classification of goods and analysis for classification of goods
- Decree 122/2016/ND-CP dated 1st September 2016 by the Prime Minister provides the schedules of preferential import tariffs list goods flat tax compound tariff
- Decree 134/2016/ND-CP dated 1st September 2016 by the Prime Minister provides guidelines for the law of export and import duties

- Article 16 of the Law No. 107/2016/QH13 on export and import duty regulates tax exemptions

b. Non- Tariff Barriers

i. SPS/TBT measures

❖ Registration of Pakistani Pharmaceutical Products with the Ministry of Health of Viet Nam (MOH)

Vietnam follows the ASEAN region drug and company registration procedures. A new drug takes almost five years to enter the Vietnamese market. The registration alone could take up to three years. There is a declining trend of exports from Pakistan as most of the Pakistani pharmaceutical companies are not registered in Vietnam in the recent years.

Viet Nam uses a grading system to divide companies into different groups that decide how much they can be involved in bidding; a grade of 1 provides the most freedom and 5 the least.

Grade 1:

- Countries that are part of the International Conference on Harmonization (ICH); or
- Pharmaceutical companies that are based in Australia; or
- Manufacturers certified by PIC/S GMP or EU GMP; or
- Manufacturers that have won the World Health Organization's (WHO) GMP certification given by the Vietnamese government and sell their products to members of ICH.

Grade 2: Companies must be part of the European Union CMP or certified with GMP by PIC/S.

Grade 3: Pharmaceutical producers who have achieved WHO's FMP awarded by the Vietnamese government.

Grade 4: The products must have gone through the bioequivalence

Grade 5: All other drugs.

Most of the Pakistani companies exporting to Viet Nam market fall in the Grade 5 criterion and are therefore competing with a host of local and foreign companies who haven't got any grading. The Mission recommends that the pharmaceutical sector of Pakistan may kindly be urged to get itself certified with PIC/S GMP (Pharmaceutical Inspection Co-operation Scheme Good Manufacturing Practice) or EU GMP. The companies that have these certifications may be asked to register their products in Viet Nam for their export.

❖ Registration of plant origin products to import to Vietnam

Vietnam Plant Protection Department maintains a list of countries which are eligible to export plant origin products to Vietnam. Pakistan, unfortunately is still not in the said list. Realizing the potential and prospects of export of Pakistan's plant origin products to Vietnam, this section has actively been engaging with the Plant Protection Department (PPD), Ministry of Agriculture and Rural Development (MARD), Vietnam. The PPD, Vietnam has recently shared the detailed step-by-step procedure to register Pakistan as an exporting country of plant origin products to Vietnam as regulated under Article 22 of the Decree No.15/2018/NĐ-CP dated 02 February 2018 of the Government, on elaboration of some articles of the Law of Food Safety (copy attached). The requisite steps are reproduced below for ease of reference;

Step 1: The competent authorities of Pakistan on food safety of plant origin products shall send the required documents to the Plant Protection Department.

The content of documents is stated in Form No. 8, Appendix 1 of the above Decree No.15/2018/NĐ-CP dated 02 February 2018 including:

- a) Food safety management system and control capacity of competent authorities of Pakistan
- b) List of plant protection drugs for growth regulators permitted for use in goods production and trading with the permitted maximum residue level (MRL)
- c) Food safety inspection and surveillance program for plant origin food in the last 3 years: subjects of surveillance, scope of surveillance, location and time of surveillance, criteria for surveillance, number of samples for inspection and surveillance, inspection result of sample analysis and annually updated surveillance results.

Step 2: The Plant Protection Department, Vietnam reviews the documents and verifies the contents stated in the documents.

If needed, the Department will conduct an on-site inspection in Pakistan.

Step 3: If the contents of the documents and the actual inspection results (if applicable) are satisfactory, the Plant Protection Department will report to the Minister of Agriculture and Rural Development and accordingly, will include Pakistan to the list of registered countries eligible to export plant origin products to Vietnam, and place the same on the website of Plant Protection Department.

The time required for review and appraisal of the documents shall be within 30 working days. If an on-site inspection is necessary, it will take place within another 30 working days.

The Mission has already approached and requested the Plant Protection Department to submit the requisite documents to the Vietnamese Government, at top priority to increase the exports of Pakistan to Vietnam.

ii. Labeling and marketing requirements

This Decree 43/2017/ND-CP dated April 14, 2017 of the Government of Vietnam on goods labeling, including all categories of food, beverages, and agricultural inputs circulated in Vietnam, both domestically produced and imported. The organizational structure of the Decree is as follows:

Chapter I: General provisions

Chapter II: Label contents and presentation thereof

Chapter III: Implementation provisions

Appendix I: Mandatory contents to be presented by the nature of the goods

Appendix II: Presentation of quantities on goods' labels

Appendix III: Presentation of date of manufacture, expiration date, and other points of time for goods

Appendix IV: Presentation of ingredients and ingredient quantities of goods

Appendix V: Other presentation of specifications, warnings on hygiene and safety of goods

Mandatory contents on goods labels: Mandatory contents on the labels of goods include:

- i) Name of goods,
- ii) Name and address of the enterprise responsible for the goods;
- iii) Origin of goods, and
- iv) Other details in conformity with the nature of the goods prescribed in Appendix I of this Decree and other relevant legal documents.

Language: Mandatory information on the label must be written in Vietnamese. For goods imported into Vietnam with labeling that has not represented or insufficiently represents mandatory information in Vietnamese, a secondary label containing mandatory information in

Vietnamese is required. Secondary labels for imported goods: must contain Vietnamese contents consistent with the original label contents and supplement other mandatory contents that are required by the nature of the goods as prescribed in this Decree.

Date of manufacture and expiration date: must be written in the "date-month-year" format (according to the solar calendar) and must also be noted in this order if those dates are presented in another order on the product. However, this Decree provides flexible choices for the presentation of expiration dating that may be represented either as a "use by" date or "best before" date.

Ingredients and ingredient quantities: Presentation of ingredients means listing the name of materials, including any additives which are used in the manufacture or that are present in the final product although possibly in a modified form. For foodstuffs, their ingredients must be listed in descending order of predominance by weight.

*** End of report ***