

### **Vietnam: Selected Issues and Statistical Appendix**

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VIETNAM

**Selected Issues and Statistical Appendix**

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Approved by Asia and Pacific Department

November 9, 2001

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## I. GOVERNMENT REVENUE REFORM<sup>1</sup>

### A. Introduction

1. **This chapter reviews the factors behind developments in government revenue over the past five years (1996–2000).** This period encompasses Vietnam's continued transition to a market-based economy, the Asian financial crisis in 1997, and, towards the end, high world oil prices, which have led to both temporary and permanent changes in the revenue base. Understanding the nature of these changes is important for several reasons in the context of the current PRGF-supported program. First, it is key for assessing prospects for maintaining fiscal sustainability, as stronger revenue performance will be needed to cover stepped up spending for reducing poverty and for the envisaged structural reforms. Second, it is critical to designing improvements in tax policy and administration to shore up the revenue base. Third, it may help in better targeting technical assistance.

### B. Recent Trends and Developments

2. **Vietnam has maintained a cautious fiscal stance, but with a weakening revenue trend.** During 1996–2000, the overall government budget deficit (on a cash basis and excluding onlending) averaged 1 percent of GDP and the level of public debt (including the state-owned enterprise sector) stayed in the range of 55–65 percent of GDP. This compares with an average budget deficit of 2½ percent in the first half of the 1990s. At the same time, however, government revenue declined as a ratio to GDP. In the three years leading up to the Asian financial crisis, this ratio averaged 22½ percent. Over the period 1997–99, government revenue fell by 3 percentage points to 19½ percent of GDP (Table I.1). It increased slightly in 2000 to around 20¾ percent, but due largely to a temporary run up in oil revenue associated with high world oil prices. Tax revenue, in particular, continued to decline, indicating that despite a start of an economic rebound in the second half of 1999, tax buoyancy remained constrained. It suggests that structural as well as transitory factors explain the recent deterioration in revenue performance.

3. **The most significant changes in Vietnam's revenue performance since 1996 have been a gradual decline in tax revenue, an increased dependence on oil revenue, and a further drop in revenue from the state sector.** Detailed data on government revenue by type and source reveal the following main developments in the second half of the 1990s.

#### By type of revenue

- **Tax revenue declined by 3 percentage points of GDP to around 15 percent in 2000,** mainly on account of trade taxes and the associated tax relief and concessions granted to enterprises. The initial drop in 1997 (the largest as a ratio to GDP) was likely due to the effects of the Asian financial crisis, with the fall in import

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<sup>1</sup> Prepared by David Cowen and Noriaki Kinoshita.

and export duties accounting for nearly two-thirds of the reduction in tax revenue.<sup>2</sup> Significant tariff reductions were also made starting in 1996 as part of Vietnam's ASEAN Free Trade Area (AFTA) commitments, which required the application of low tariffs to goods that did not compete directly with domestic production. However, a further sizeable drop in import duties and charges in 2000, when nominal import growth outpaced nominal GDP growth (in dong) by greater than a factor of four, suggests that the fall off was also due to structural factors, such as poor customs administration.<sup>3</sup> Based on official estimates, the weighted average import tariff rate stayed virtually unchanged in 1999 and 2000 (at around 15½ percent). However, import duty collections declined as a ratio to GDP from 3.6 percent in 1999 to 3.1 percent in 2000.

- **Other taxes remained relatively flat** as a ratio to GDP, including the value-added tax (VAT), which was introduced in 1999.<sup>4</sup>
- **Nontax revenue also stayed fairly constant (4–4½ percent of GDP) until 2000, when it jumped to 6 percent of GDP.** Most of this change was due to the larger natural resource surcharges collected on petroleum production, mainly stemming from higher oil prices. The rest is related to smaller nontax collections resulting from a rollback in minor administrative charges and licensing fees.

#### **By source of revenue**

- **Vietnam has become dependent on oil as a major source of revenue.** Between 1998 and 2000, oil revenue jumped by 2½ percentage points of GDP to an estimated 6¾ percent in 2000, reflecting 28 percent and 26 percent increases in volume of crude oil exports and petroleum product imports, respectively, and higher world prices. As a result, by 2000, more than one-third of government revenue was

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<sup>2</sup> Import growth (in dong terms) averaged 8 percent a year during 1997-99, compared with 38 percent during the previous three-year period.

<sup>3</sup> A 1999 technical assistance mission from the Fund's Fiscal Affairs Department identified the major weaknesses in customs administration as (i) a large element of discretion in import valuation; (ii) an extensive application of suspension regimes, which resulted in customs duties and other taxes on imports being collected after goods cleared customs and thus put revenue at significant risks; and (iii) insufficient resources devoted to post-clearance controls and audit.

<sup>4</sup> The VAT, along with a special sales tax (excises levied on cars, gasoline, cigarettes, beer and other alcoholic beverages, and a few other items), replaced a cascading turnover tax. Prior to 1999, collections of the turnover tax was relatively stable, except in 1998, when domestic demand weakened sharply as a result of the Asian financial crisis.

derived directly from taxes and charges on crude oil exports and petroleum product imports.<sup>5</sup> On the production side, oil revenue increased by 3 percentage points of GDP between 1998 and 2000, aided by a near doubling in the average export price (in U.S. dollars).<sup>6</sup> On the consumption side, while petroleum product imports were also up nearly 250 percent (in U.S. dollars), oil revenue from this source decreased by ½ percentage point of GDP, as the government at times reduced duties to soften the impact of high world oil prices on domestic prices.

- **The revenue contribution of the non-oil state sector is declining.** Data broken down by taxpayer are incomplete, but available data since 1997 suggest a further slow but steady reduction in the contribution of state-owned enterprises (SOEs) outside the oil sector to total government revenue. In particular, revenue derived from the corporate income tax on the non-oil SOE sector fell sharply between 1997 and 2000 (from 46 percent to 33 percent of total collections) (Table I.2). Despite the economic slowdown, the corporate income tax collected from the non-state sector stayed constant as a share of GDP during 1997–2000, suggesting greater resiliency of this sector to the slowdown and its potential as a source of revenue during the recovery. Likewise, the sharp fall in foreign direct investment (FDI) during 1997–99 had little direct impact on government revenue performance. During this period, most existing foreign invested enterprises (FIEs) continued to operate in Vietnam. Also, many were already benefiting from investment incentives and tax exemptions and holidays, which minimized their overall contribution to government revenue (equivalent to 1–1¼ percent of GDP)

4. **The government's revenue base is expected to continue to shift from production- or income- to consumption-based taxation, owing to the relative ease in administration and better structuring of incentives in support of growth.** Moreover, it is consistent with the envisaged direction of structural reforms, which is likely to see growth in the state sector outpaced by that in the nonstate sector over the medium term. Increasing reliance is expected to be placed on indirect taxation. In terms of the efficiency of current VAT and custom duties collections, Vietnam shows signs of both strength and weakness compared with other countries in the region (Table I.3). Domestic VAT efficiency is comparatively good, but import VAT efficiency is poor for the region, which is not surprising given the large number

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<sup>5</sup> On the export side, the government currently collects a corporate income tax, a charge on the use of natural resources, and an after-tax dividend from PetroVietnam—the large, state-owned petroleum conglomerate. In total, the government's take is about one-half of the value to total crude oil exports, the rest of which is retained by PetroVietnam to fund its operations. On the import side, the government levies import duties on all petroleum products, an excise on gasoline (currently 15 percent), and a VAT (10 percent) on all other products.

<sup>6</sup> Oil revenue is highly sensitive to changes in prices; currently, an increase in oil prices by US\$1 per barrel raises government revenue by ¼ percentage point of GDP.

of *ad hoc* exemptions currently granted on the VAT for number of imported goods. As would be expected, import tariff efficiency is similarly poor in Vietnam, suggesting problems with customs administration. Overall, both VAT and customs administration will need to be strengthened, as discussed in Section D below.

### C. Need and Scope for Improvements in Revenue Performance

5. **A substantial improvement in revenue performance is needed, for Vietnam to maintain a sustainable fiscal position** while ensuring adequate funding for the envisaged costs of structural reforms and in sectors critical for poverty reduction. Under the baseline scenario described in Box I.1, public sector debt would be expected to rise from an estimated 63 percent of GDP in 2000 to 72 percent in 2003, then begin to gradually fall through 2006, taking into account the impact of envisaged SOE, banking, and trade reforms. In line with this scenario, revenue would need to increase from the current level to the range of 21–22 percent of GDP. Oil revenue would be expected to pull back to the range of 5–6 percent of GDP based on the recent price forecasts and production trends. Thus, non-oil revenue would need to rise by as much as 2 percent of GDP from its current level in the next three to four years.

6. **The medium- to long-term impact of structural reform on government revenue is expected to be positive**, as the reduction in barriers to trade and to business entry should further foster nonstate activity and improve the prospects for sustained growth (see Chapter III). However, over the near term, government budgets will not only need to take into account the temporary rise in expenditure associated with SOE and banking reforms, but the temporary (and in some cases permanent) fall in revenue associated with SOE and trade reforms.

7. **The net impact of structural reform on government revenue from the non-oil SOE sector is likely to be negative in the near future.** First, as the financial health of many non-oil SOEs remains poor and the restructuring process for most is just starting, government revenue from this source is expected to further decline in the near term (on the positive side, the 1,400 or so newly equitized SOEs envisaged by end 2003 could perform better, and thus serve as a larger potential—albeit limited—source of government revenue in the medium term). Second, the SOE sector is also expected to be affected by banking and trade reforms, which could have some temporary negative revenue consequences. Under the planned restructuring of state-owned commercial banks (SOCBs), SOEs may face harder budget constraints, which could constrain output. Also, trade measures aimed at removing quantitative restrictions (QRs) on imports, reducing import tariffs, and freeing up trading activity (on both the import and export side) are likely to be felt hardest by the SOE sector, which has benefited the most from the relatively high level of protection under past trade regimes.



### Box I.1. Vietnam: Medium-Term Fiscal Framework and Revenue Reform

**Over the medium term, the budget will need to accommodate the costs of structural reform and ensure adequate funding for the sectors critical for poverty reduction, while keeping public sector debt at a manageable level.**

Meeting these goals will require a moderate path of fiscal consolidation, entailing a decline in the overall deficit (excluding onlending, but including the current costs of reform) from between 3–4 percent of GDP in 2002 and 2003 to 2 percent by 2006. With steady implementation of the envisaged reforms, the augmented budget deficit (including onlending and the total costs of reform) is projected to rise from 5 percent of GDP in 2001 to the range of 8–9 percent of GDP in 2002 and 2003, but to drop back to 5 percent of GDP by 2004. Even with a temporary widening of budget deficit, revenue will need to stay in the range of 21–22 percent of GDP over the medium term to ensure that the government has adequate funds for its share of the reform costs, as well as for critical spending on education and health and in operations and maintenance of a growing infrastructure.

**During 2001–04, the costs of SOE and banking reforms and associated social spending** are tentatively projected to total about 12 percent of GDP, comprising:

#### SOE reform

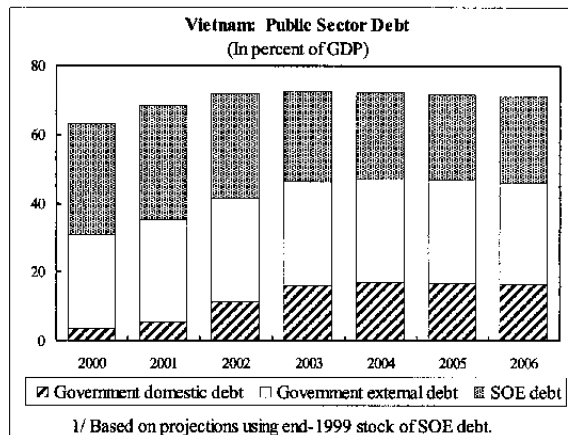
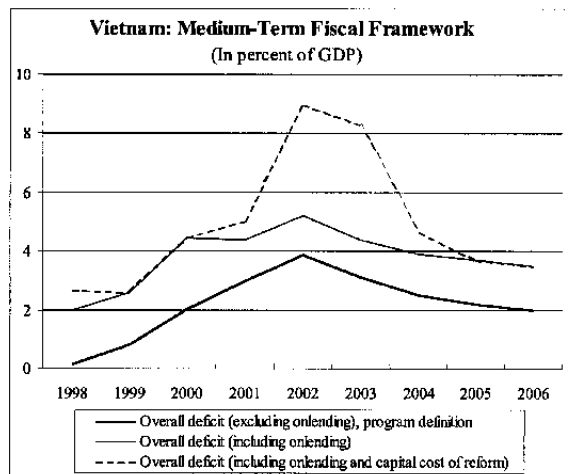
- The capital costs, estimated to total 2 percent of GDP, are mostly in the form of absorbing nonperforming loans (NPLs) owed by SOEs to be equitized or restructured. They also include the cost of resolving losses in market value of physical assets, and dealing with bad debt of SOEs not currently covered under the equitization plan. The NPLs of SOEs that are not slated for reform will be dealt with through the SOCB reform.
- The current costs, 2 percent of GDP, cover mainly severance payments to redundant workers and interest on newly issued government bonds for debt absorption.

#### Banking reform

- The capital costs, 7 percent of GDP, are chiefly for the provisioning for remaining NPLs in the SOCBs owed by SOEs and from raising the capital-asset ratio of SOCBs to international standards, and restructuring the joint stock banks.
- The current cost, 1 percent of GDP, is mostly for interest on newly issued government bonds to finance the capital costs.

**Public sector debt would remain manageable**, provided the growth of new SOE debt is capped at about the nominal growth rate of the economy through strengthened financial discipline and SOCB reform, inter-enterprise debt is resolved with minimal fiscal cost, and the budget position improves overtime. As of end-2000, the level of public debt of Vietnam was about 63 percent of GDP (staff estimate), including bank debt but excluding inter-enterprise debt of SOEs. The government's domestic debt (3 percent of GDP) is very small, and its external debt (27 percent of GDP) is all on concessional terms. Reforming the SOE sector will result in the government taking on some SOE debt, which by itself would not increase the level of debt of the public sector as a whole. Public debt is projected to peak at about 72 percent of GDP by 2003, and stabilize thereafter.

**The sustainability of public debt depends critically on the success of strengthening tax policy and administration, curtailing the growth of SOE debt, and improving the budget position.** If, for example, the budget position were to worsen because of a continued decline in non-oil and/or tax revenue (as a share of GDP), rapid expansion of SOE debt, and further deterioration of banks' asset portfolios (each of which might be associated with a delay in the reform of SOEs and SOCBs and a worsening of their financial plight), the required bank financing of the deficit and interest costs would rise significantly. Assuming the government's oil revenue moderated and non-oil revenue stayed at current levels (i.e., with total revenue staying around 19½ percent of GDP), public sector debt would rise to around 80 percent of GDP by 2006.



8. **However, the net impact of reform on government revenue from the nonstate sector should be positive over the medium term.** The removal of QRs and replacement with tariffs on a number of imports by 2003 could provide a boost in revenue. More generally, bilateral and regional trade initiatives are expected to result in a broad-based reduction in tariff rates, but this could be partly offset by a larger volume of trade. Several other factors may counteract the immediate negative consequences of structural reform on government revenue. First, the expansion in small and medium-sized enterprises (SMEs) and upswing in FDI as a result of the new Enterprise Law and amended Foreign Investment Law should lead to a further broadening of the tax base. However, bringing this activity into the revenue fold could take time if the system of investment tax incentives needs to be revised and if new tax measures need to be introduced, given the current weaknesses in tax policy and administration (in particular, the introduction of the VAT or some form of presumptive taxation on SMEs, as discussed below). Second, structural reform in general should improve overall efficiency and competitiveness and the financial performance of firms.

#### **D. Possible Improvements**

9. **For revenue performance to take full advantage of prospective structural changes, improvements in both tax policy and administration will be needed.** In response to the Vietnamese authorities' request, a technical assistance mission from the Fund's Fiscal Affairs Department (FAD) recently reviewed areas for improvement and the needs for future technical assistance in tax policy and administration. The mission's main findings are summarized below.

10. **With respect to tax policy, the scope for raising tax rates is limited, but the design of several taxes, in particular the VAT, can be improved.** Issues of fairness and equity in the treatment of foreign and domestic investors and high income taxpayers also need to be addressed. In the area of tax administration, recent efforts have concentrated on recruiting additional staff, providing technical training, computerizing some existing procedures, and implementing of a modern taxpayer identification number system. However, the basic organization of tax administration is still cumbersome and in need of further modernization and computerization.<sup>7</sup>

11. **Drawing on the work of the recent FAD mission, the main drawbacks to tax policy and administration are as follows:**

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<sup>7</sup> Vietnam's tax network is overseen by the General Department of Taxation headquarters in Hanoi and comprises 61 provincial tax offices (PTOs) and 620 district tax offices (DTOs). The PTOs have both operational and supervisory functions, in their administration of tax obligations for 70,000 medium- to large-sized enterprises and oversight of the DTOs. The DTOs administer the tax obligations of the other taxpayers, which comprise around 1 million small enterprises (mainly household businesses) and 10 million farmers.

- **VAT:** Among the major deficiencies in the VAT is the treatment of goods subject to the special sales tax (SST), which in most cases are exempted from the VAT. This complicates the VAT rate structure and leads to two regimes for determining VAT tax liability. Other drawbacks to the current VAT policy and administration are the allowance of presumed VAT credit on purchases from business that do not issue invoices and the requirement that each branch of a firm file a separate VAT return. The *ad hoc* reduction in the VAT rate from 10 percent to 5 percent for a few items (see Summary of the Tax System) in 2000 has also resulted in foregone revenue and raised concerns about VAT integrity.
- **Other taxes:** The corporate income tax needs to provide more uniform tax treatment of foreign and domestic enterprises. In some respects, Vietnam treats foreign investors more generously than domestic firms: the standard rate is lower (25 percent versus 32 percent); foreign investors enjoy a tax refund on reinvested profits; and only domestic firms are subject to the 25 percent surtax on excess income. On the other hand, profits remitted abroad by foreign investors are subject to a withholding tax. Also, the individual income tax needs to be brought more in line with international standards by revamping the withholding tax on wages and other types of income and eliminating the supplementary income tax, which effectively raises the top marginal rate despite its recent reduction.

12. **The authorities have already committed to revising the VAT law to reduce the number of rates and exemptions, to be made effective in the 2003 budget.** The recent FAD mission recommended a number of other improvements as follows.

#### **Tax policy**

- With respect to the VAT, broaden its base by taxing goods subject to the SST, and cease the practice of imputing VAT credit on purchases without invoices. Also, streamline exemptions from the VAT, SST, and customs duties.
- Under the corporate income tax, bring about a more uniform treatment of foreign and domestic enterprises and tighten tax incentives for investment, in particular by reducing preferential or discriminatory practices for foreign investors. In addition, streamline the individual income tax, including withholding allowances.

#### **Tax administration**

- Introduce self-assessment procedures gradually, as part of the modernization strategy, beginning with the creation of a pilot office comprising improved programs in tax services and education, new collection (i.e., filing and payment) procedures, stronger collection enforcement systems (including appropriate penalties and appeals), and more effective audit programs, especially for VAT refunds.

- On a broader scale, simplify basic VAT administration, including streamlining the criteria for subjecting enterprises to the VAT under the invoice method by introducing a simple criterion (e.g., annual turnover), developing a new mechanism that allows firms with multiple branches to file a single VAT return, and designing and implementing new audit systems and refund programs supported by computerization.
- Over the medium term, develop a strategy for modernizing tax administration, including the design and implementation of a computerization project (during 2001–05) aimed at achieving this objective. Also, to increase effectiveness of computerization, conduct a comprehensive review of the organization and procedures of tax offices.

Furthermore, customs administration will need strengthening along the lines earlier recommended by the Fund.

13. **Tax incentives for investment also need to be tightened.** Like many other countries in East Asia, Vietnam provides generous investment incentives in the form of tax holidays and preferential corporate income tax rates. While it is recognized that these incentives are difficult to resist given the competition to attract investment, experience shows that tax holidays are a particularly inefficient method of promoting investment in new enterprises. The medium-term goal should therefore be to rationalize various preferences and broaden the tax base.

14. **Vietnam has much room for substantially broadening the revenue base by simplifying its tax system.** Further improvement in tax policy and administration would not only lower the costs of compliance and collection, but also enhance the confidence of both foreign and domestic investors. In light of recent revenue trends, taking the necessary steps to improve the tax system will be critical in the near future if Vietnam is to remain on a path of medium-term fiscal sustainability.

Table I.1. Vietnam: General Government Revenue

	1996	1997	1998	1999	2000
	(In percent of GDP)				
<b>By type of revenue:</b>					
Total revenue and grants	22.9	20.8	20.2	19.8	21.1
Total revenue	22.4	20.0	19.6	19.2	20.7
Tax revenue	18.5	15.8	15.4	15.2	14.9
VAT 1/ 2/	4.1	3.8	3.3	4.3	4.0
Corporate income tax	3.7	3.7	3.6	3.7	4.6
Individual income tax	0.5	0.5	0.5	0.5	0.4
Excises (special sales taxes)	1.7	1.5	1.5	1.1	1.2
Import and export duties	5.6	4.3	4.1	3.6	3.1
Other taxes	3.0	2.1	2.4	2.0	1.5
Non-tax revenue	3.9	4.2	4.2	4.0	5.7
<b>By source of revenue:</b>					
Oil revenue	...	...	4.1	4.7	6.7
Crude oil 3/	...	2.8	2.4	3.1	5.5
Petroleum products 4/	...	...	1.7	1.5	1.2
Non-oil revenue	...	...	15.6	14.5	14.0
Tax	...	...	12.8	12.3	11.8
Corporate income tax	...	2.6	2.6	2.3	2.6
VAT/excises/customs duties 5/	...	...	7.3	7.6	7.2
VAT	...	...	...	...	3.4
Excises	...	...	...	...	1.0
Import and export duties	...	...	...	...	2.8
Non-tax	...	...	2.8	2.2	2.3
Crude oil 3/	...	2.8	2.4	3.1	5.5
Nonoil state-owned enterprises	...	5.4	5.2	4.6	4.5
Foreign-invested enterprises	...	1.2	1.2	1.0	1.1
Non-state enterprises	...	2.1	1.8	1.4	1.3
Lottery	...	0.4	0.4	0.4	0.5
Taxes on international trade 6/	...	4.3	4.5	5.2	4.4
Others	...	3.7	4.1	3.5	3.3
Grants	0.6	0.8	0.6	0.6	0.4
<b>Memorandum items:</b>					
Ratio of import duties to total imports	10.3	8.5	8.3	7.7	5.5
Ratio of import VAT to total imports	...	...	...	2.9	2.2

Sources: Ministry of Finance; and staff estimates.

1/ Prior to 1999, turnover tax.

2/ Starting in 1999, includes import VAT.

3/ Consists of corporate income tax, income from natural resources, and profit after tax.

4/ Consists of import duties, excise on gasoline, and VAT on other products.

5/ Breakdown only available for 2000.

6/ Includes import and export duties, import VAT, and other taxes on trade.

**Table I.2. Vietnam: Government Revenue by Sector**

	Domestic VAT				Corporate income tax			
	1997	1998	1999	2000	1997	1998	1999	2000
(In percent of total)								
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
SOEs	49.9	52.4	52.1	49.0	45.5	45.2	39.3	33.4
Lottery	10.2	9.3	10.3	11.1	1.4	2.8	2.2	3.3
Crude oil	...	...	...	...	28.9	27.5	36.8	43.8
FIEs	15.5	15.8	14.9	17.1	7.0	6.4	4.9	6.3
Non-state	24.4	22.6	22.8	22.8	17.2	18.2	16.7	13.2
(In percent of sectoral GDP)								
Total	...	...	3.0	2.7	3.7	3.6	3.7	4.6
State sector 1/	...	...	5.2	4.5	4.7	4.7	4.2	4.7
Crude oil	...	...	...	...	88.3	66.8	37.0	40.8
FIEs	...	...	3.6	3.5	2.9	2.3	1.5	2.2
Non-state	...	...	1.4	1.3	1.3	1.3	1.2	1.3

Sources: Ministry of Finance; and staff estimates.

1/ Prior to 1999, turnover tax.

2/ Includes SOEs and lottery.

**Table I.3. Selected Asian Countries: Comparison of Value-Added Tax and Import Tariff Efficiency**

Year	Total VAT			Domestic VAT		Import VAT		Tariff			
	Main	In percent of GDP	Efficiency	In percent of domestic demand	Efficiency	In percent of imports	Efficiency	Average rate 1/	In percent of imports	Efficiency	
	(1)	(2)	(3)=(2)/(1)	(4)	(5)=(4)/(1)	(6)	(7)=(6)/(1)	(8)	(9)	(10)=(9)/(8)	
Vietnam	2000	10.0	4.0	0.40	2.7	0.27	2.2	0.22	16.2	5.5	0.34
Bangladesh	1998/99	15.0	2.9	0.19	1.2	0.08	8.8	0.59	22.2	11.6	0.52
China	1999	17.0	4.1	0.24	2.9	0.17	6.8	0.40	14.4	4.7	0.33
India	1999/00	...	...	...	...	...	...	...	32.9	18.4	0.56
Indonesia	1999/00	10.0	2.7	0.27	1.6	0.16	4.5	0.45	8.8	1.4	0.16
Philippines 2/	2000	10.0	2.8	0.28	1.6	0.16	2.7	0.27	8.0	2.8	0.36
Sri Lanka	2000	12.5	3.6	0.29	1.9	0.15	3.0	0.24	16.0	3.8	0.24

Sources: Vietnamese and other country authorities; and staff estimates

1/ Figures for closest available year.

2/ Based on GNP rather than GDP.

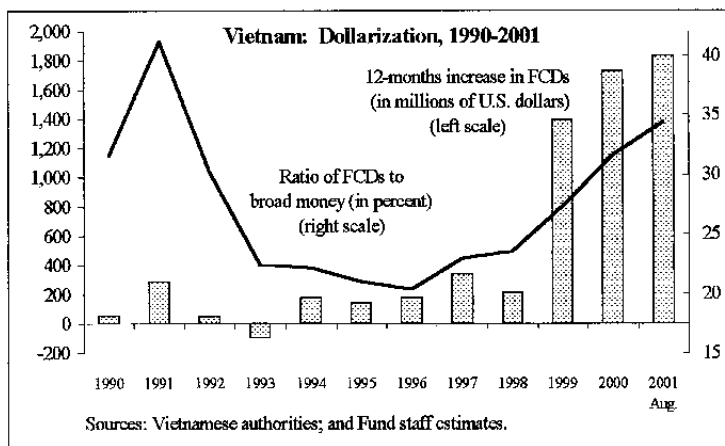
## II. FOREIGN CURRENCY DEPOSITS IN VIETNAM—TRENDS AND POLICY ISSUES<sup>8</sup>

### A. Introduction

15. As in a number of developing and transition economies, foreign currency deposits (FCDs) have become an important feature of monetary developments in Vietnam. Rising FCDs are typically associated with the increasing use by residents of foreign currency as a medium of exchange (for transactions) and/or as a store of value (for investment purposes), and are usually referred to as dollarization. However, there are no reliable data on foreign currency in circulation in Vietnam (although the amount involved is believed to be substantial), so that a comprehensive analysis of dollarization is not feasible. This chapter is focused on developments in FCDs as a proxy for dollarization. It reviews the FCD trends, analyses the causes, and assesses the benefits and policy challenges. The chapter concludes that in terms of policy implications, the gradually increasing (albeit moderate) dollarization in Vietnam appears to be largely in line with the country's growing monetization and closer integration into the global economy. While this trend should not be resisted through administrative means, policy makers need to address the resulting challenges regarding prudential supervision, exchange rate management, and monetary policy.

### B. Dollarization in Vietnam—Stylized Facts

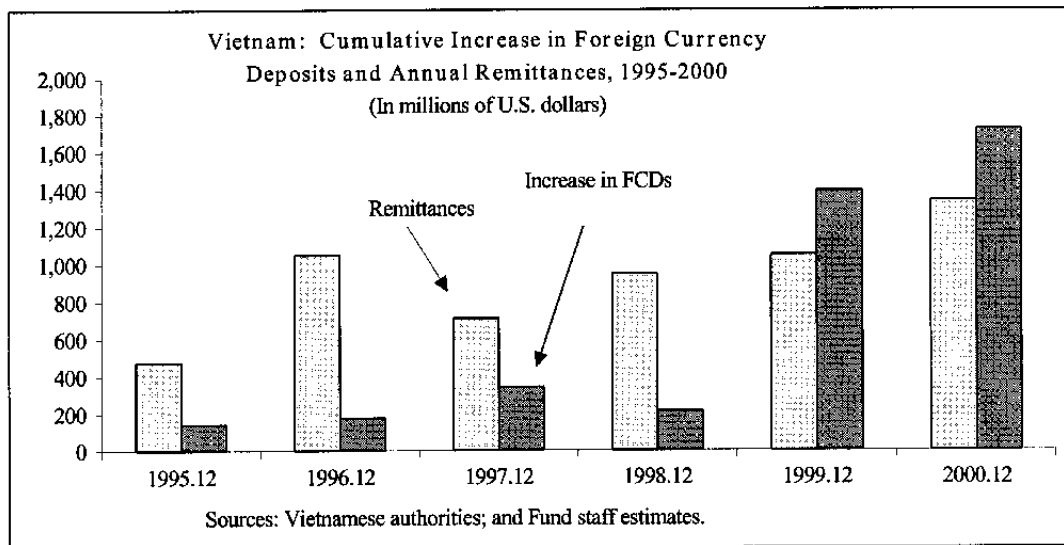
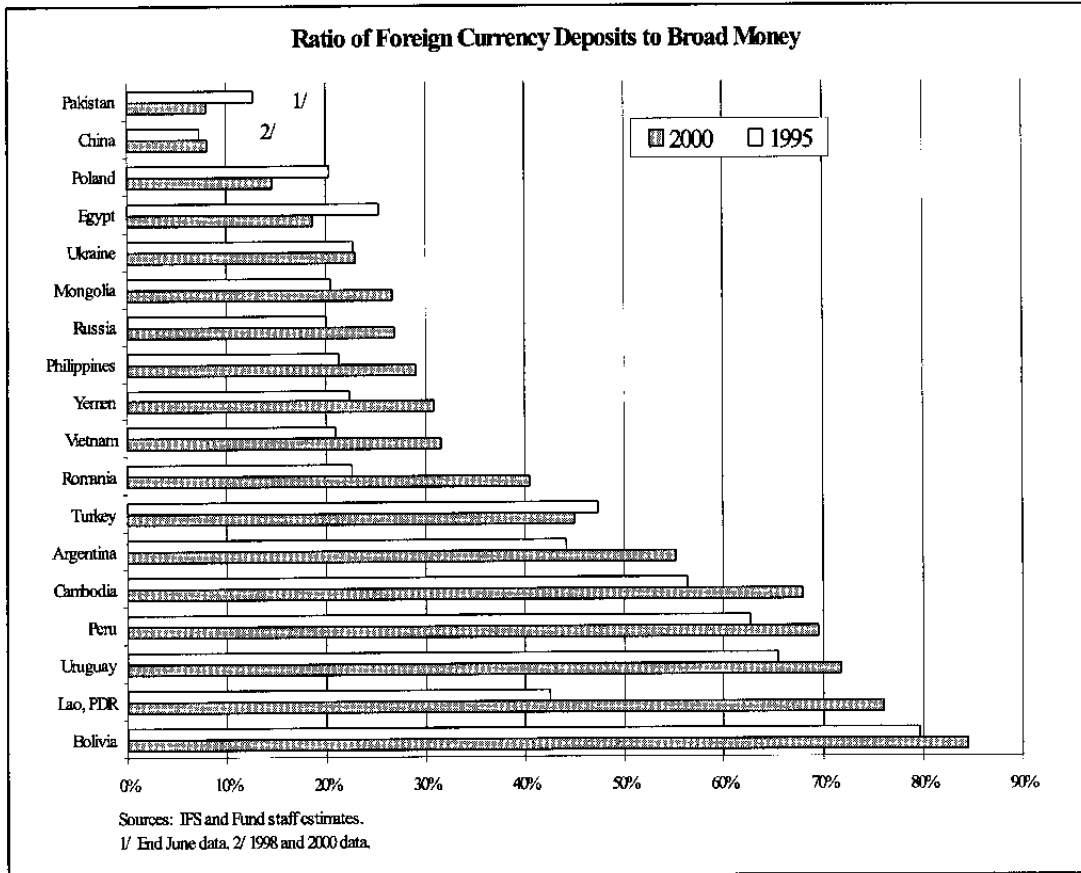
16. Measured as the ratio of foreign currency deposits (FCDs) to broad money, dollarization in Vietnam first fell sharply from its peak in 1991 of 41 percent, following macroeconomic stabilization. Within two years, this ratio fell to 23 percent and stabilized in the range of 20 to 24 percent in the mid 1990s. Starting in 1997, the ratio has risen to more than 34 percent by August 2001. By international comparisons, while remaining in a medium range, dollarization in Vietnam has increased to significant levels (Figure II.1).



<sup>8</sup> Prepared by Olaf Unteroberdoerster.



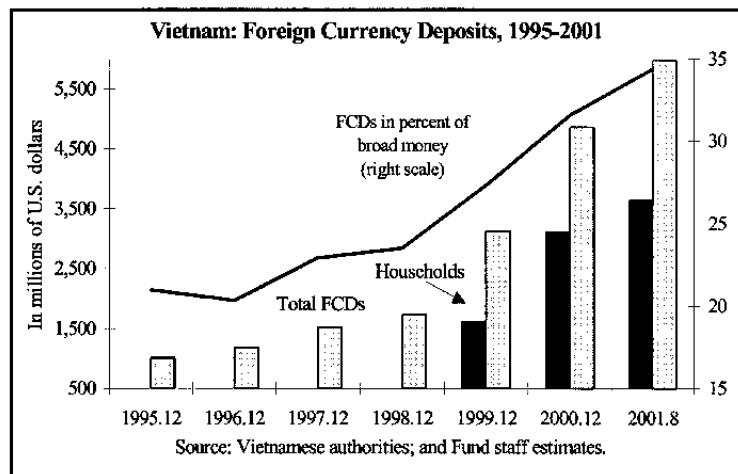
**Figure II.1. Vietnam: Foreign Currency Deposits Indicators**



17. **A variety of factors have influenced FCD developments.** Hyperinflation in the early 1990s caused the sudden steep increase in dollarization ratios in 1991. Spillovers from the Asian financial crisis in 1997 were also associated with an uptick in dollarization. Specifically, spreads in ex-post real returns in favor of foreign currency over dong deposits peaked during 1998, primarily mirroring dong devaluations in the aftermath of the Asian crisis, and thus contributed to an increase in the dollarization ratio from 21 percent in September 1997 to 26 percent one year later. However, the increase in dollarization during 1999–2001, a period of relative macroeconomic stability, appears to be multifaceted, and four factors have played a role.

18. **The first major factor is the reintermediation of foreign currency previously held outside the banking system.** For the most recent upswing in dollarization, the strongest increase, by far, was recorded among households. In particular, during 2000, their FCDs were almost doubled to US\$ 3.1 billion. Over the past 1½

years, households have accounted for 80 percent of the total increase in FCDs. (Table II.1). Yet, in comparison, remittances have increased more gradually, and contributed only partially to the strong increase in FCDs (Figure II.1). Moreover, with tight controls in place on all capital account transactions, inward capital flows may have been limited. Overall, the sharp

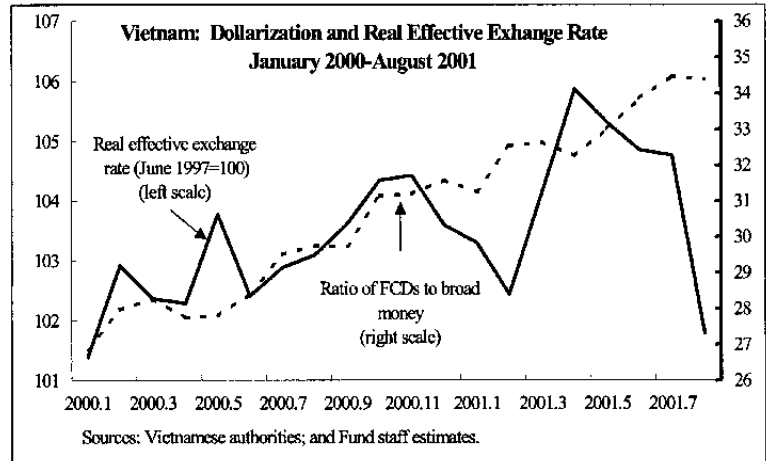


increase in households' FCDs is believed therefore to reflect renewed confidence in the banking system, and was facilitated by the lifting of regulation on the opening of foreign currency accounts in 1999.<sup>9</sup> Also pointing to the role of increased confidence is the fact that nearly all the increase in household FCDs has been in the form of time deposits. Finally, the preference of foreign currency deposits among households is likely to reflect also the relative thinness of the financial market and the lack of alternative interest-bearing financial instruments in Vietnam (Vetlov, 2001).

<sup>9</sup> The new regulation entitles resident individuals to open and maintain foreign currency (time and savings) accounts, to hold foreign currencies received in a number of ways (including in the form of remittances), and to make various kind of payments in foreign currency (SBV Circular No. 01/1999/TT-NHNN7).

19. **The second main factor is the differentials in *ex ante* real returns and portfolio and risk diversification motives.** In particular, periodic expectations of a dong devaluation, in part fuelled by the real appreciation of the dong intermittently since early 2000, tended to coincide with rising

dollarization. With devaluation expectations, households and enterprises have sought protection of wealth and purchasing power in FCDs. With nearly 80 percent of all FCDs in the form of time deposits, such investment and diversification motives, as explained in more detail below, may have played a primary role as opposed to mere money demand factors typically

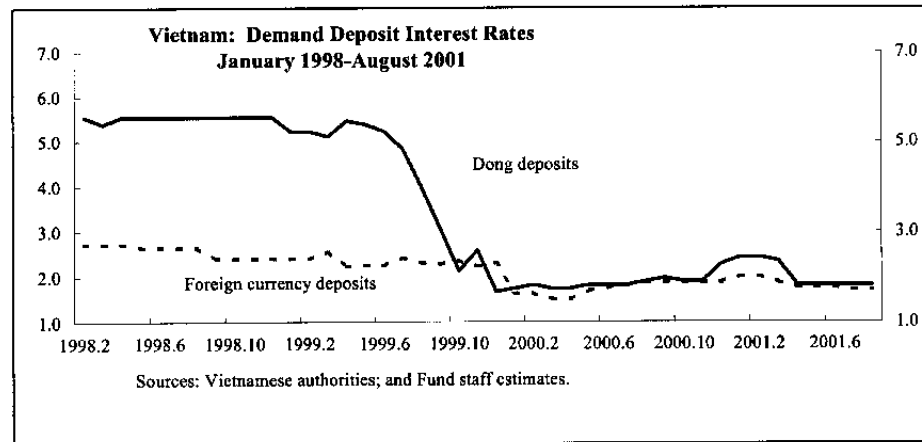
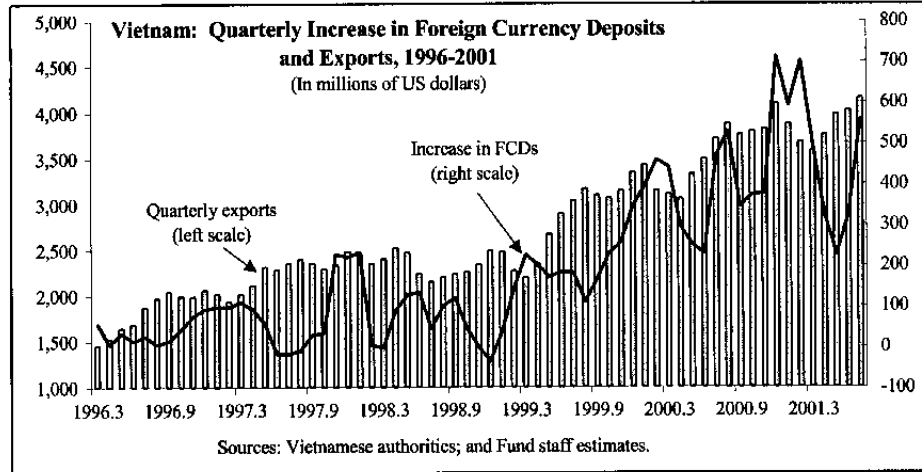


associated with current return differentials. Moreover, enterprises, which hold the bulk of short-term dong deposits, are estimated to have switched out of dong into foreign currency deposits, particularly during the first four months of 2001, when the dong appreciated by a total of 2.2 percent in real terms.

20. **The third factor is the strong export performance during 1999–2001, when quarterly exports nearly doubled,** compared with the previous three-year period average (Figure II.2). This factor coupled with a lower surrender requirement (first reduced in 1999 from 80 to 50 percent and then in 2001 to 40 percent) has allowed many exporters, who are also importers, to retain a larger share of their foreign currency earnings in order to self-finance their growing import activities and reduce related exchange rate risks. It is also noteworthy in this context that, by end-August 2001, more than 40 percent of all FCDs were held with Vietcombank, the main bank for international trade transactions. Moreover, in recent months this bank accounted for up to two thirds of the increase in FCDs in the entire banking system.

21. **The fourth factor is the virtual elimination of the dong-dollar interest rate differential,** which had previously been very much in favor of dong deposits. The rate differential was reduced from 3 percent in mid-1999 to the range of 0 to ¼ percent since early 2000, making FCDs more attractive (Figure II.2). Dong deposit rates may have been lowered in part to help maintain banks' profitability, particularly when nonperforming loans were mounting, and in part as a result of ample liquidity in the banking system at the end of 1999. Continued restrictions on banking competition may have also contributed to the overall lowering of dong deposit rates, as foreign banks are not permitted to offer dong deposits in excess of 25 percent of their capital to non-borrowing households and enterprises.

**Figure II.2. Vietnam: Foreign Currency Deposits, Exports, Interest Rates and Reserve Requirements**



<b>Vietnam: Changes in Reserve Requirements since the Beginning of 2000</b>		
	<b>Dong deposits</b>	<b>Foreign currency deposits</b>
	Applicable to demand and time deposits and deposit substitutes with a maturity of less than 12 months	Applicable to foreign currency deposits and deposit substitutes with a maturity of less than 12 months
Status at the beginning of 2000	5 percent (3 percent for Bank for Agriculture and Development (BARD))	5 percent
October 10, 2000		Increase to 8 percent
December 1, 2000		Increase to 12 percent
May 1, 2001	Decrease to 3 percent (2 percent for BARD)	Increase to 15 percent

22. **On the other hand, recent administrative measures to curb the increase in FCDs appear to have been ineffective.** Aimed at making FCDs less attractive to banks and depositors alike, the State Bank of Vietnam (SBV) raised in three steps the reserve requirements for FCDs to 15 percent in May 2001 (Figure II.2). The ceiling on interest rates on FCDs of enterprises continued to be in the range from 0.5 percent a year for demand deposits to 3 percent a year for time deposits over six months. Moreover, foreign bank branches are prohibited from offering FCDs to Vietnamese households. Despite these steps, FCDs continued to increase rapidly during January 2000 to August 2001.

### C. Dollarization and the Role of Currency Versus Asset Substitution

23. **In order to explain dollarization trends, it is useful to distinguish between two motives for the demand for foreign currency.** The first is currency substitution, which occurs when residents hold foreign currency as a means of payment. The second is asset substitution, when residents hold foreign currency denominated assets for investment purposes, rather than as a means of payment.

24. **Currency substitution** is typically attributed to periods of hyperinflation (as explained in more detail in the Box II.1), when the cost of using domestic currency for transactions becomes very high. This phenomenon helps explain Vietnam's experience in the early 1990s when dollarization peaked at 41 percent as a result of hyperinflation, but then declined to about 20 percent in 1995 following the return to macroeconomic stability. However, since then, dollarization has gradually increased even though inflation has remained low and the exchange rate relatively stable.

25. **This in turn may be due to increased asset substitution which is determined by risk and return characteristics of domestic and foreign currency assets.** Thus, even when the expected exchange rate is stable and inflation is low, foreign currency denominated assets may be preferred as they protect against a possible (but unexpected) return of macroeconomic instability. As suggested by the calculations in Box II.1, Vietnam's past episodes of inflation and real exchange rate volatility could form expectations on future volatility that result in hypothetical dollarization ratios broadly in line with the ratios observed in recent months.

26. **Asset substitution could also lead to higher dollarization as a natural consequence of increased trade and economic integration** (Figure II.3). As more openness tends to result in a stronger exchange rate pass-through, trade integration would lead to higher inflation volatility and lower volatility of the real exchange rate.<sup>10</sup> As a result,

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<sup>10</sup> At the extreme, for example, if the exchange rate pass through were equal to one, the volatility of the real exchange rate would be zero, as exchange rate changes would be matched one-for-one by changes in the inflation rate.

## Box II.1. Currency Versus Asset Substitution—Two Basic Approaches to Explaining Dollarization

### Currency Substitution

The standard analytical framework for currency substitution has been a money demand equation augmented by expected exchange rate changes and foreign interest rates.<sup>1</sup> Such an approach aims at measuring the opportunity cost of holding domestic versus foreign currency. The degree of substitution is then determined by relative rates of return deriving from interest rate differentials between foreign and domestic currency and expected exchange rate changes. This approach has been useful in explaining large upswings in currency substitution during periods of macroeconomic turbulence, when return differentials or the opportunity cost to hold domestic currency are high. However, it is less successful in explaining the persistence of high rates of dollarization when macroeconomic stability returns and return differentials subside. For example, many Latin American countries have experienced continuously rising currency substitution ratios even after the return of macroeconomic stability (Savastano, 1996). By comparison, the experience in transition economies has been more mixed. Poland and the Baltic states experienced significant reductions in currency substitution ratios as inflation returned to single digit levels (Sahay and Vegh, 1995).

### Asset Substitution

Based analytically on the minimum-variance portfolio approach (Ize and Levy-Yeyati, 1998), asset substitution would be determined by the volatility of inflation (increasing the riskiness of domestic currency assets) and the real exchange rate (increasing the riskiness of foreign currency assets in terms of domestic currency). Subjecting investors to a risk-return trade off, the attractiveness of domestic relative to foreign currency deposits increases *ceteris paribus* when inflation volatility declines relative to real exchange rate volatility. In other words, for given inflation volatility, a decline of the volatility of the exchange rate would increase asset substitution, as it would enhance the benefits of hedging wealth with foreign currency assets. Thus, dollarization levels could remain high in a period of macroeconomic stability and low return differentials if the expected volatility of inflation remained high relative to the expected real exchange rate volatility. Based on these considerations, and assuming past episodes of inflation and exchange rate volatility determine expectations, the minimum-variance approach to a portfolio of dong and foreign currency assets would imply an underlying rate of dollarization for Vietnam that could be as high as 50 percent. Assuming that past memories of hyperinflation are fading and taking into account only data for 1994 to the present (a period of relative macroeconomic stability), the implied dollarization ratio would be about 30 percent—broadly in line with the ratio observed in recent months.

Vietnam: Measures of underlying dollarization based on asset substitution (as of June 2001)			
	1990–2001	1994–2001	1998–2001
Variance (quarterly change in CPI, p)	34.78	4.94	2.61
Variance (quarterly REER, e)	29.52	12.41	13.77
Covariance (CPI, REER)	5.98	1.36	1.01
Underlying dollarization (MVP, in percent) 1/	53	31	20
Source: Vietnamese authorities; IMF, Information Notice System; and Fund staff estimates.			
1/ Based on Ize and Levy-Yeyati (1998), the minimum-variance portfolio allocations yield the following dollarization ratio d (foreign currency denominated assets to total assets): $d = \text{Var}(p) + 2 \text{Cov}(p,e) / [\text{Var}(p) + \text{Var}(e) + 2 \text{Cov}(p,e)]$ .			

<sup>1</sup> For a recent literature overview see Balino et al. (1999) or Vetlov (2001).

domestic currency assets would become more risky relative to foreign currency assets, which in turn would induce investors to increase the share of foreign currency assets in their portfolios (see Box II.1). Indeed, Vietnam experienced a rapid increase in economic integration with the rest of the world during the 1990s; the share of trade, as measured by the ratio of imports and exports to GDP more than doubled from 44 percent in 1990 to 94 percent in 2000. Also, the exchange rate pass-through tended to increase (as indicated above), with the contemporaneous correlation of quarterly inflation and changes in the dong-U.S. dollar exchange rate increasing from 0.06 for the period 1993Q1–2001Q2 to 0.33 for the past 3½ years.

27. **The more recent increase of dollarization in Vietnam appears to be due primarily to asset substitution and the increasing integration with the global economy.**<sup>11</sup> Data on FCDs corroborates this view. First, the ratio of demand deposits to total FCDs declined from 29 percent at end-1999 to 17 percent at end-August 2001. This shift coincided with the rapid increase in household FCDs during 2000, nearly all of which was attributable to time deposits. However, data on FCDs can only provide a limited assessment of the extent of dollarization in Vietnam. First, reliable estimates on the amount of U.S. dollar currency in circulation are not readily available.<sup>12</sup> Second, information on cross-border deposits held at banks abroad, which can be considered close substitutes for FCDs, is incomplete at best. However, data from the BIS suggest that Vietnamese cross-border deposits played a minor role and were relatively stable during 1999–2000, increasing by US\$24 million to some US\$139 million at end-2000, which was equivalent to less than 3 percent of FCDs in the Vietnamese banking system. Third, due to statistical inadequacies, the measure of FCDs may include holdings of non-residents (Agenor and Khan, 1996; Buchs, 2000).

#### **D. Benefits, Challenges, and Costs of Dollarization**

28. **The increase of FCDs in the Vietnamese banking system, particularly since late 1999, has clearly enhanced the opportunities for reintermediation and financial**

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<sup>11</sup> Alternatively, one might attribute the persistence of a certain degree of dollarization to switching costs (Mueller, 1994). However, switching costs are considered high for currency, but they may be less significant for interest bearing deposits, which are used as a measure of dollarization here. Note that in many empirical studies, these two components have typically been lumped together in a measure of currency substitution or dollarization (Catao and Terrones, 2000) because of insufficient data on foreign currency in circulation.

<sup>12</sup> Previous research in the Fund and elsewhere has found data from the U.S. Customs Currency and Monetary Instruments Reports (CMIR) to be informative in this respect. This data, which is not available for Vietnam, would permit to calculate cumulative net inflows as a proxy for the stock of U.S. dollar currency circulating in a given country. The accuracy of the estimate would depend, however, on the length of the cumulation period and the absence of outflows, which are unrecorded.

**deepening.** Moreover, it has strengthened banks' financial performance. Overall, banks have been cautious in extending foreign currency loans domestically, and have placed the bulk of FCDs as deposits with banks abroad (Table II.2). These deposits have provided banks with a stable source of income, particularly considering the burden of nonperforming loans on banks' income position. It is noteworthy that one percentage point in the interest rate margin earned on FCDs at end-2000 would have been equivalent to about 3 percentage points in terms of return on banks' equity.

29. **Allowing residents to hold FCDs also enhances the credibility of the macroeconomic policy stance in Vietnam,** by giving a greater role to market forces and avoiding direct intervention in asset allocation decisions of the private sector. Because the cost of monetary indiscipline and intervention increases with the degree of dollarization, the government should thus also be more credibly committed to stronger financial policies.

30. **Perhaps the most important challenge of dollarization concerns banks' safety and prudential supervision.** Dollarization may add to banking sector vulnerabilities, arising from a currency mismatch of deposit and lending activities, and from exchange and credit risks; the share of nonperforming foreign currency loans to total loans is roughly twice as high as that of dong loans (Figure II.3).<sup>13</sup> Moreover, especially in the case of state-owned banks, the potential volatility of FCDs could give rise to liquidity problems and represent potential claims on Vietnam's official reserves. The coverage of FCDs by gross official reserves has declined substantially over the past five years from over 140 percent at end-1996 to below 60 percent at end-August 2001 (Figure II.3).

31. **Dollarization also implies a loss of seigniorage revenues for the SBV, to the extent that it arises from currency substitution.** While some seigniorage is earned from bank's required reserves in foreign currency at the SBV, it is lost from the foreign currency in circulation. As noted above, no reliable data are available on the amount of foreign currency in circulation. However, assuming the ratio of foreign currency in circulation to deposits in foreign currency is the same as that in dong, foreign currency in circulation would be equivalent to D 42 trillion, representing about 10 percent of GDP at end-2000. With

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<sup>13</sup> The interest rate ceiling on foreign currency loans, which was only lifted effective June 1, 2001 (nearly a year after the ceiling on dong loans was replaced by the base rate mechanism), might have prevented banks from accurately pricing risks associated with such loans, thereby contributing to the relatively high share of NPLs in this segment.



monetary aggregates programmed to grow by about 20 percent on average, this form of seigniorage losses would amount to 2 percent of GDP a year.<sup>14</sup>

### E. Policy Implications

32. **Dollarization in Vietnam appears to be largely a result of the country's deepening monetization and closer integration with the global economy, particularly in recent years.** Administrative measures to reduce dollarization should be avoided as this could give rise to renewed disintermediation. In particular, reserve requirements should be more uniform so as not to limit or distort the intermediation of banks, albeit within prudential bounds. Moreover, increased interest rate flexibility, applied to both foreign currency loans and deposits, would allow banks to more accurately price risks involved and improve resource allocation.

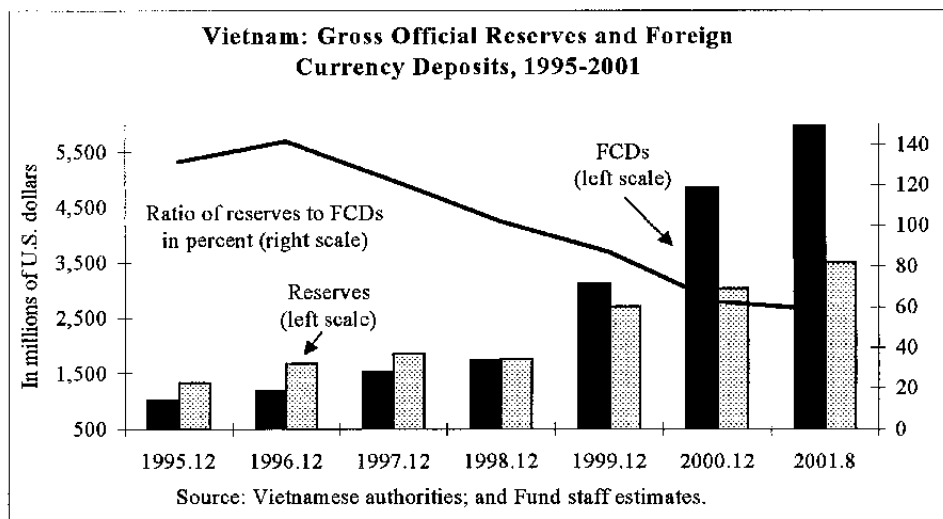
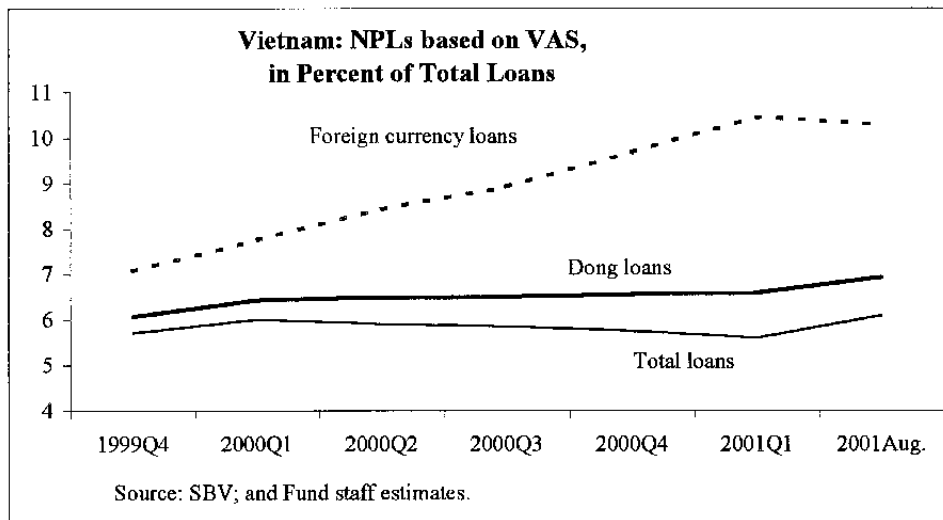
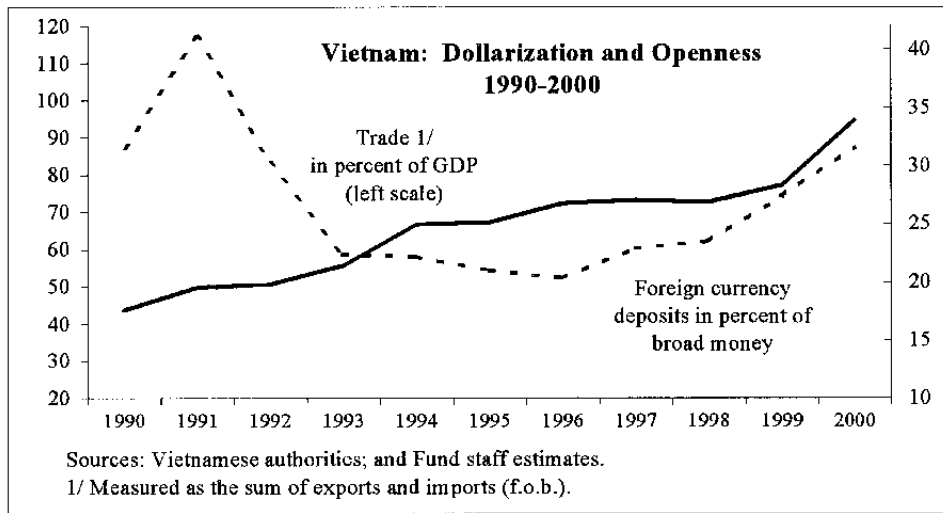
33. **Accepting dollarization, however, means that the SBV will have to address new challenges in prudential supervision,** as well as a broader set of parameters in designing the appropriate monetary and exchange rate policies. In particular, prudential regulation on net open foreign currency positions needs to be strictly enforced and the quality and maturity of banks' foreign currency assets monitored carefully. While the limited role of foreign currency lending in Vietnam is reassuring given banks' weak credit risk management, the liquidity and quality of banks' foreign assets as a counterpart to FCDs will need to be monitored. Supervision needs to be strengthened to maintain the public's confidence in the banking system. While systemic liquidity risks could be addressed by a higher reserve requirement on FCDs, this latter should not impede bank intermediation and thus add to a foreign liquidity squeeze. Moreover, the SBV should set aside all required reserves on FCDs and should not consider them freely usable gross official reserves.<sup>15</sup>

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<sup>14</sup> Similar calculations are discussed by Fischer (1982). Seigniorage losses tend to be highest for developing countries with rudimentary payment and financial systems and thus a high ratio of currency in circulation to GDP. Therefore, seigniorage losses in percent of GDP should be expected to decrease over time as the financial system becomes more sophisticated and reliance on cash transactions declines.

<sup>15</sup> For this reason and in line with the standard definition of international reserves (BOPM5) to cover only readily available and unencumbered reserves, FCDs of deposit money banks held at the SBV are subtracted from gross official reserves when calculating net official international reserves (NIR) under the PRGF-supported program.

**Figure II.3. Vietnam: Openness and Financial Indicators**



34. **On balance, the exchange rate regime should be flexible, given the prevalent role of asset substitution in Vietnam.** Fixing the exchange rate under asset substitution, as with higher capital mobility, would further limit the SBV's scope for independent monetary policy.<sup>16</sup> At the same time, the scope for using a flexible exchange rate as an instrument to reduce dollarization is limited over time. As the exchange rate pass-through is expected to increase with Vietnam's growing openness, the riskiness of foreign currency assets would decline along with the volatility of the real exchange rate.

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<sup>16</sup> It should be cautioned, however, that to the extent currency substitution persists a reduced flexibility of the exchange rate remains justifiable. This is because currency substitution tends to increase exchange rate volatility. As a result, the exchange rate in a floating rate system will be more sensitive to expected changes in the money supply and other variables affecting the money market. For a more detailed discussion on appropriate exchange rate regime in response to various economic shocks under currency substitution see Berg and Borenzstein (2000).

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Table II.1. Vietnam: Deposit Money Bank Deposits, 1999-2001 1/

(In trillions of dong)

	1999	2000				2001		
	Dec.	March	June	Sept.	Dec.	March	June	August
(By type of depositor)								
Enterprises								
Dong deposits	37.8	41.8	45.5	49.7	59.4	58.0	59.8	62.3
Foreign currency deposits 2/ of which: demand deposits	21.2 12.3	23.1 13.9	24.3 12.8	25.3 12.6	25.2 13.5	30.1 14.0	32.8 13.2	35.1 13.5
Households 3/								
Dong deposits	26.6	30.6	30.9	31.2	29.9	35.6	35.9	35.1
Foreign currency deposits 4/ of which: demand deposits	22.6 0.6	27.0 0.7	29.1 0.7	33.6 0.8	45.1 3.3	47.8 1.4	51.5 1.3	54.6 2.1
Deposit substitutes (dong) 5/	10.9	12.3	14.7	13.2	11.0	12.2	12.0	13.9
(Change since beginning of the year)								
Enterprises								
Dong deposits	...	4.0	7.6	11.8	21.6	-1.5	0.4	2.9
Foreign currency deposits 2/	...	1.9	3.1	4.1	4.0	4.9	7.6	9.9
Households 3/								
Dong deposits	...	4.0	4.3	4.6	3.3	5.7	6.0	5.2
Foreign currency deposits 4/	...	4.4	6.5	11.0	22.5	2.7	6.4	9.5
Deposit substitutes (dong) 5/	...	1.4	3.8	2.3	0.2	1.2	0.9	2.9
(Foreign currency deposits by bank)								
Total	43.8	50.2	53.5	58.9	70.4	77.8	84.3	89.7
Vietcombank (VCB)	18.9	21.2	22.8	25.1	29.5	34.2	35.2	38.1
Incombank (ICB)	6.6	7.8	8.4	9.4	10.4	11.5	12.4	13.2
Bank for Agriculture and Rural Development (BARD)	2.3	2.5	2.7	3.2	3.7	4.2	4.5	4.7
Bank for Investment and Development (BIDV)	3.9	4.5	3.9	4.5	8.7	9.6	10.3	11.4
Others	12.1	14.2	15.6	16.6	18.0	18.4	21.9	22.2
(Foreign currency deposits by bank in percent of total)								
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Vietcombank	43.0	42.3	42.7	42.7	41.9	43.9	41.7	42.5
Incombank	15.1	15.5	15.7	16.0	14.8	14.8	14.7	14.8
VBARD	5.3	4.9	5.1	5.5	5.3	5.3	5.4	5.3
BIDV	9.0	9.0	7.3	7.6	12.4	12.3	12.2	12.7
Others	27.7	28.3	29.2	28.2	25.6	23.6	25.9	24.8
(Percentage share in increase of foreign currency deposits since beginning of the year)								
Total	...	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Vietcombank	...	37.3	41.4	41.7	40.1	62.8	41.0	44.6
Incombank	...	18.7	18.3	18.6	14.4	14.8	14.4	14.6
VBARD	...	2.4	4.2	6.1	5.3	5.7	5.6	5.2
BIDV	...	8.8	-0.4	3.8	18.1	11.5	11.2	13.6
Others	...	32.8	36.5	29.9	22.1	5.3	27.8	22.1
(In millions of U.S. dollars, unless indicated otherwise)								
Memorandum items:								
Foreign currency deposits								
Enterprises	1,512	1,646	1,728	1,777	1,737	2,068	2,211	2,339
Households	1,614	1,922	2,069	2,365	3,109	3,284	3,466	3,642
Demand deposits (in percent of total foreign currency deposits)	29.2	29.1	25.3	22.8	24.0	19.8	17.2	17.4

Sources: State Bank of Vietnam; and Fund staff estimates.

1/ Based on monetary survey comprising 6 state-owned commercial banks (SOCBs) and 83 non-state credit institutions.

2/ Adjusted for enterprise holdings of foreign currency deposit substitutes at VCB (about 45 percent of total).

3/ Referred to as savings deposits in the monthly derivation tables on the banking system.

4/ Adjusted for household holdings of foreign currency deposit substitutes at VCB (about 55 percent of total) and at BIDV (all deposits estimated to be held by households).

5/ Adjusted for deposit substitutes of VCB and BIDV (i.e. dollar-denominated bonds issued by banks).

**Table II.2. Vietnam: Foreign Assets of the Banking System**

(In millions of U.S. dollars)

	1998	1999	2000	2001 Aug.
Foreign Assets	3,445	5,542	7,770	8,744
Deposit with banks	3,146	3,764	5,824	6,558
State Bank of Vietnam	2,000	1,860	1,779	2,085
Commercial banks	1,146	1,904	4,045	4,472
Other	299	1,778	1,947	2,186
State Bank of Vietnam	98	1,562	1,734	1,826
Commercial banks	201	215	213	360
Memorandum item:				
Exchange rate (dong per U.S. dollar)	13,890	14,025	14,501	14,993

Source: Vietnamese authorities.

### III. PRIVATE SECTOR DEVELOPMENT IN VIETNAM<sup>17</sup>

#### A. Introduction

35. **This chapter reviews recent trends in private sector development in Vietnam.** It draws upon work done by the World Bank Group and in particular the IFC, and looks ahead to areas where policies will need to be strengthened to accelerate private sector development (PSD). The government's medium- to long-term economic development program emphasizes the commitment to creating a fair business environment for both the state and nonstate sectors. Given this and the current direction of reforms, the private sector is expected to play an increasingly important role in new business formation, employment creation, and output growth. Also, poverty reduction in Vietnam over the last decade was derived from land-based and agricultural-led growth, but there are physical limits to this pattern of growth. Thus, poverty reduction in the future will require more rapid rural and urban growth that is labor-intensive and export-led, with the private sector as the engine of growth. Removing the current impediments to PSD will also help protect macroeconomic stability, through further increasing government revenue, expanding trade opportunities, and increasing Vietnam's resiliency to supply shocks.

#### B. Private Sector Development in the 1990s

36. **Currently, the private sector accounts for around 40 percent of GDP in Vietnam<sup>18</sup>** (compared with 50 percent in China), but mainly in agriculture and for only one-third of industrial output. Its rapid growth in agriculture-based activity started in the late 1980s and was initially fueled by the policy of *Doi Moi* (or economic renewal), under which Vietnam began to make significant strides in liberalizing the agricultural sector. Prior to *Doi Moi*, agriculture was collectivized, and private sector activity in most other sectors was negligible, unrecorded, and/or disallowed. Under *Doi Moi*, most input and output prices were decontrolled, agriculture decollectivized, the exchange and trade system partially liberalized, and foreign direct investment (FDI) allowed (initially joint ventures only). Reforms were guided by new laws promoting domestic and foreign investment, as well as a commercial law.

37. **Progress in PSD in the early and mid 1990s was slow because of policy ambivalence, and stalled with the onset of the Asian financial crisis in 1997.** Even though FDI inflows were very large in the mid 1990s, Vietnam's business climate was increasingly at a competitive disadvantage vis-à-vis the region, in part because of opaque and burdensome

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<sup>17</sup> Prepared by David Cowen.

<sup>18</sup> This measurement comprises mainly the domestic private sector (household enterprises and farms and small and medium-sized enterprises). It also includes a portion of the mixed (i.e., joint ventures with ownership from more than one sector) and foreign invested sectors.

legal and administrative regimes. With the Asian crisis, FDI flows plummeted,<sup>19</sup> and investor sentiment turned negative, given limited progress in reforming state-owned enterprises (SOEs) and the exchange and trade system. Private sector activity in Vietnam was still constrained by an entrenched bureaucracy, a non-transparent tax and regulatory framework, and an uneven playing field in terms of market access, foreign exchange and bank credit availability, and operating costs. Entry to many business sectors was prohibited or allowed only in the form of joint ventures with SOEs. Even when private sector participation was permitted, private businesses faced other administrative hurdles, which raised the costs of doing business in Vietnam.

### C. Recent Measures to Foster Private Sector Development

38. **Since early 2000, and in a bid to promote economic recovery, the government has taken a series of actions aimed at improving the investment climate for a more fair business environment.** These actions in 2000 included notably passage of the new Enterprise Law and amended Foreign Investment Law. This was followed in March 2001 by the adoption of a three-year SOE reform framework that provides for equitization, liquidation, and merger of a significant number of small and medium-sized SOEs; and by implementation of trade opening measures, including the announcement in May 2001 of a five year import–export regime that significantly advances the removal of a number of quantitative restrictions on imports in sectors dominated by SOEs (see Chapter IV). In addition, the government is pushing ahead with financial sector reform, including liberalizing interest rates, restructuring the banking system, and establishing a stock exchange, all of which should aid PSD.

39. **The key provisions of the new Enterprise Law were aimed at easing business entry.** Under the new law, business licensing requirements in 145 (out of 400) sub-sectors were lifted in 2000, making establishment of private firms considerably easier. Decree 30, also issued in 2000, led to revocation of a further 61 licenses and permits. The removal or modification of business licenses in an additional 50 sub-sectors is expected by end 2001. Business registration costs also have been cut significantly and the approval process shortened from 1–2 months to 10 days on average, and even less for small enterprises and in urban areas. As a result of these changes and with effective implementation of the new law, **an estimated 26,000 small and medium-sized enterprises (SMEs) were registered in the period January 2000 through August 2001** employing more than 500,000 workers (some SMEs are newly established companies, but many are household enterprises that have been upgraded or other enterprises that previously operated unofficially or illegally). This represents a 60 percent increase in registered SMEs since January 2000, when the Enterprise Law came into effect. Total registered capital is equivalent to around US\$2 billion, or

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<sup>19</sup> Staff estimates show total nonstate investment declining from around 20 percent of GDP in 1996 to 14 percent in 1999, then rising to 16 percent in 2000. FDI is estimated to have fallen from 7½ percent of GDP in 1996 to 2½ percent in 1999 and 2000.



6 percent of GDP. Concentration of newly registered SMEs has tended to be in urban areas and in the southern part of the country, especially in the Ho Chi Minh City region (Table III.1). **The Enterprise Law will be supplemented with a decree on SMEs** by end 2001. Existing provisions in the Enterprise Law on the use of land-use rights as collateral for bank loans will also require stronger enforcement and greater transparency to ease credit conditions for SMEs.

40. **Amendments to the Foreign Investment Law sought to improve the climate for Foreign Invested Enterprises (FIEs)** by mainly streamlining previously complex FDI procedures and leveling the playing field vis-à-vis the SOEs. The key provisions allow: the automatic registration of export-oriented FIEs, purchase of foreign exchange by FIEs to make payments within certain limits, mortgaging of land by foreign bank branches, and the provision of government guarantees on certain types of infrastructure projects and encouragement of investment by overseas Vietnamese.<sup>20</sup> These guarantees, in particular, aided the conclusion of contracts for large oil and gas projects, the negotiations of which had been protracted. Furthermore, the dual pricing system, which largely discriminates against FIEs, has been rolled back recently with a reduction in price gaps most notably on telecommunication and electricity tariffs.

41. A resolution, adopted by the Central Committee of the Party in August 2001, calls for an accelerated phase out of the dual pricing system (much of which was originally authorized to take place 1999), as well as further streamlining of licensing and administrative procedures for FIEs. The resolution also notes the need for a common and simplified legal framework and tax system for domestic and foreign investors. The number of sectors permitting FDI would be expanded and include import and domestic distribution services. In addition, land clearance procedures for FIEs would be simplified, land-use right certificates issued to FIEs operating in industrial parks or export processing zones, and, on an experimental basis, land-use rights made transferable to certain foreign investors. More generally, **revisions to the Land Law**, which will come into effect soon, are aimed at easing local government control over allocating land and granting land-use certificates to households and enterprises, giving overseas Vietnamese the right to buy houses with attached land-use rights, and aligning compensation for nationalized lands with market value.

42. **In view of the poor financial conditions and inefficiencies of many SOEs, the government adopted a five-year SOE reform plan in March 2001, with annual targets specified for 2001–03.** Final approval of the reform framework was given by the Central Committee in August 2001. The objectives of the plan are to reduce losses and improve competitiveness. Around 1,800 out of the more than 5,500 SOEs will be subject to enterprise-specific reform measures, mostly through equitization (1,400), divestiture (140), or liquidation/closure (220). An additional 200 enterprises will face merger/consolidation. The focus of this reform is on equitization of small to medium-sized SOEs in terms of state

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<sup>20</sup> The original decree was approved in 1998.

capital (11 percent of total) and SOE debt (10 percent of total). However, these SOEs are estimated to account for 31 percent of total SOE employment, as more capital intensive, heavy industry sectors will remain under state dominance (Table III.2).

**43. Recent financial sector reforms should also ease some of the constraints faced by the private sector in terms of accessing bank credit, securing foreign exchange, and, eventually, raising new capital.**

- ***Availability of bank credit:*** The joint stock bank (JSB) sector, where operations have been geared toward serving the private sector, is gradually undergoing a period of consolidation.<sup>21</sup> Since 1999, eight JSBs have been either merged, consolidated, or liquidated. Under current plans, the number of banks will be halved over the next two years to fewer than 25. By then, the JSB system should be financially sounder and better supervised, and more capable of meeting credit needs of viable SMEs. Because of the ongoing bank restructuring and owing to tighter credit risk management, credit growth from the nonstate banks (the JSBs, as well as joint venture banks, foreign bank branches, financial companies, and the Central People's Credit Fund) has been significantly lower than from the banking system as a whole.<sup>22</sup> Over time, however, effective banking reform should help to make more credit available at lower interest rates.
- ***Access to credit under market-related interest rates:*** Interest rate caps have been wholly or partially lifted—for foreign currency loans, the caps were removed in June 2001 and for dong loans, the margins above the base lending rates, which came into effect a year earlier, appear to offer banks adequate flexibility to price risk and SMEs better access to credit. Under the current structure, the bands above the dong base rates are 4 percent (on an annualized basis) for short-term loans and 6½ percent for long term loans. Allowing land use-rights for collateral should also help make credit accessible to SMEs, and requiring SOEs to undergo bank credit risk assessments (like other borrowers) should also make room for credit to SMEs.
- ***Access to foreign exchange through liberalization of the exchange system:*** The foreign exchange surrender requirement was reduced from 80 percent to 50 percent in

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<sup>21</sup> Based on official estimates as of end 1998, loans to the nonstate sector by the state-owned commercial banks (SOCBs) were about three times those by the JSBs. However, they represented only about 40 percent of the SOCBs' total outstanding loans, compared with 70 percent of the JSBs' loans. More recent data broken down by type of borrower from each sector of the banking system are unavailable.

<sup>22</sup> In 2000, nonstate bank credit and total bank credit expanded by 14¾ percent and 38 percent, respectively; during the first eight months of 2001, the trend continued, at 4½ percent and 14½ percent, respectively.

August 1999 and to 40 percent in May 2001. As part of the amended Foreign Investment Law, the foreign exchange balance requirement for FIEs was lifted in May 2000 (previously, FIEs were required to balance payments and receipts in foreign exchange, unless they were granted special exemptions). Under the same set of amendments, the tax on profit remittances of FIEs was reduced from 10 percent to 7 percent.<sup>23</sup> Under the current PRGF-supported program, the authorities have agreed to submit a recommendation to the National Assembly to eliminate the tax for FIEs by March 2002.

- ***Vietnam's stock exchange was established in Ho Chi Minh City in July 2001:*** Currently, only seven companies are listed on the exchange.<sup>24</sup> As of end-August 2001, total market capitalization was US\$20 million (0.1 percent of GDP) and daily trading volume was under US\$0.5 million. Larger companies would like to list on the exchange, but at present cannot meet the main requirement of disclosing audited financial statements on international standards. Currently, FIEs cannot list on the exchange, but the government has recently called for regulations allowing transformation of these enterprises into joint-stock companies on an experimental basis, creating conditions for them to be eventually listed.

44. **Plans are also underway to give local authorities greater autonomy in business regulation.** A draft government decree is being considered that would grant greater autonomy to the Ho Chi Minh City People's Committee in terms of business investment licenses and procedures, land price determination, and provincial budget execution. Already, business registration procedures operated by the local planning and investment service have been streamlined and automated, with licenses to domestic private enterprises granted in as little as one day.

#### **D. Challenges Ahead**

45. **Despite the recent improvements, private sector development still faces remaining impediments in Vietnam.** The government's ten-year socioeconomic development strategy (2001–10), which was endorsed by the Ninth Party Congress in April 2001, envisages a more level playing field for the private sector. However, it still calls for a leading role for the state sector, including continued state protection of and investment in certain key industries. In China, a change in leadership attitude that led to an explicit recognition of the private sector as an important component of the economy (at the Fifteenth Party Congress in 1997), along with earlier steps in clarifying the legal framework, have been

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<sup>23</sup> For overseas Vietnamese who invest in Vietnam under the Foreign Investment Law, the tax rate is 3 percent, and for a small class of foreign investors, the rate is 5 percent (see Summary of the Tax System).

<sup>24</sup> The stock exchange has also floated several special treasury and bank bond issues.

seen as key in fostering rapid expansion of private registered firms in the 1990s (from 100,000 in 1991 to more than 1.3 million today).

46. **Access to bank credit by the private sector remains an issue.** Interest rates have been substantially decontrolled. However, credit risk management by banks needs to be strengthened, which is a key element of the government's banking reform strategy, in particular by the four large state-owned commercial banks. In addition, a more vigorous effort will be needed to meet targets set by the government in consolidating the JSBs. Lending to the private sector should also benefit from steps being taken to further simplifying the use of land-use rights as collateral. Crowding out by the state sector is also expected to diminish, as policy-based lending is being supplanted by explicit government guarantees or direct budget support (e.g., through the Development Support Fund). For SMEs, however, access to bank credit will also require that many of them strengthen corporate governance by clarifying their ownership, adopting stronger accounting methods, and disclosing more fully and accurately business practices.

47. **In addition, SOE reform needs to be accelerated.** SOE reform is critical to PSD, as a number of small to medium-sized SOEs are to be equitized and the sector as a whole is operated on a more commercial basis. However, this reform needs to deepen, in particular for large enterprises. With recent approval of the reform framework by the Central Committee, the government has instructed to relevant ministries and agencies to proceed with full implementation of the SOE reform plan. The legal changes are expected to speed up the equitization process, which thus far has lagged considerably in terms of the reform plan's first-year targets. Critical to this effort will be clarifying of guidelines for resolving bad debt and handling labor redundancies arising from individual SOE restructuring. The equitization process itself is expected to be strengthened by end year through the planned removal of caps on shareholdings in equitized SOEs by individuals and legal entities; in addition, the responsibility for issuing, selling, and registering shares is being removed from SOE management. The government is also committed to publishing a detailed roadmap of SOE reforms.

48. **The legal and administrative framework is unclear and governance is a concern.** As the authority of ministries and agencies and of central and local governments is often overlapping or ill-defined, government decrees issued by competing bodies at times are inconsistent, which invites selective interpretation and enforcement. New and amended laws often await implementation guidelines, which slows reforms. These problems tend to further complicate an already weak court system and lead to bureaucratic entanglements. The extent of corruption is thought to be widespread, raising the costs of doing business. Stronger institutions are needed that have clear cut authority to promote business development and to enforce the rule of law. Also, less discretion should be taken by the bureaucracy in implementing policies. In a recently finalized draft program for administrative reform (2001–10), the government notes that the biggest challenge to developing a clean, stable, and efficient administrative regime is to tackle longstanding problems of excess bureaucracy, red tape, and corruption. Under the reform program, plans are being formulated to streamline central and local government operations, strengthen personnel training and management, and more clearly delineate tasks and responsibilities, including on the issuance of legal and administrative directives.

**Table III.1. Vietnam: Registered Enterprises Under New Enterprise Law by Region 1/**

	Number of enterprise	Amount of registered capital	Share in 1999 of:		
			Industrial output	Industrial establishments 2/	Total population
(In percent of total)					
Total					
Red River Delta	24.0	29.5	20.7	37.8	22.0
North East	6.0	9.9	5.7	9.6	11.6
North West	0.6	0.3	0.3	1.6	2.9
North Central Coast	5.3	3.6	3.3	17.7	13.1
South Central Coast	5.9	7.5	5.1	8.2	8.5
Central Highlands	1.9	1.0	1.0	2.9	5.3
North East South	46.6	42.5	53.7	8.8	15.4
<i>of which</i> : Ho Chi Minh City	36.0	28.3	27.4	4.3	6.6
Mekong River Delta	9.8	5.7	10.3	13.5	21.1

Sources: Ministry of Planning and Investment and General Statistical Office *Statistical Yearbook 2000*.

1/ Through August 2001.

2/ Local business establishments (excluding agriculture and service sectors), including state-owned and foreign invested enterprises.

**Table III. 2. Vietnam: Sectors to be Controlled by Government Ownership**

**1. Business Oriented State-Owned Enterprises (SOEs)**

**State monopoly SOEs**

Explosive materials  
 Toxic chemicals  
 Radioactive materials  
 National power transmission grid  
 International and national communications backbone  
 Cigarettes

**Full or controlling state ownership of SOEs**

Food wholesale trading  
 Petrol and oil wholesale trading  
 Power generation  
 Mining of important minerals  
 Production of some mechanical and electronic products  
 Information technology products  
 Ferrous and non-ferrous metal production  
 Basic chemicals  
 Fertilizers  
 Plant protection products  
 Cement  
 Construction industries  
 Important consumer goods and foodstuffs production  
 Pharmaceutical chemicals and medicines  
 Air transport  
 Railways  
 Ocean shipping  
 Monetary trading  
 Insurance  
 Lottery  
 Basic telecommunications

**2. Public Utility SOEs**

**State monopoly SOEs**

Printing of money and value papers  
 Flight control  
 Maritime control  
 Radio frequency management and distribution  
 Military hardware and weaponry for national defense  
 Enterprises entrusted with special national defense tasks  
 Enterprises operating in strategic locations and combining economic operations and national defense tasks in accordance with government decisions

**Full or controlling state ownership of SOEs**

Technical inspection of large transport vehicles  
 Publication of academic books  
 Political papers and books  
 Current event and documentary films  
 Management and maintenance of the national railways and airports  
 Management of watershed irrigation system  
 Planting and protection of watershed forests  
 Water drainage in large cities  
 Road management and maintenance  
 Bus and coach stations  
 Important waterways  
 Production and supplies of other products and services as provided for by the government

Source: Government Resolution No. 05-NQ-TW on the Continuation of the Restructuring, Reforming, Developing and Improving the Efficiency of State-Owned Enterprises (September 24, 2001).

#### IV. TRADE REFORMS AND EXPORT AND IMPORT PERFORMANCE<sup>25</sup>

##### A. Introduction

49. **Trade liberalization and export development have been central to Vietnam's continuing economic transition.** To this end, Vietnam has pursued a multi-pronged approach to gradually reducing trade barriers and increasing the outward orientation of the economy. First, by joining the ASEAN Free Trade Area, AFTA, in 1996 Vietnam made a commitment to eliminate tariff and non-tariff barriers vis-à-vis the other member countries. Second, the bilateral trade agreement with the United States is expected to be ratified by the National Assembly in November, and other bilateral trade agreements are under discussion. Third, Vietnam is vying for membership in the World Trade Organization (WTO), which requires a commitment to simplify import controls and reduce the level of import protection. Despite the high degree of trade restrictiveness throughout much of the 1990s, however, both exports and imports expanded rapidly. This reflected generally adequate competitiveness, high levels of foreign direct investment (FDI), and the liberalization of the agricultural sector following *Doi Moi*. By 2001, exports account for half of GDP and are broadly diversified, in terms of structure and trading partners. Vietnam's openness (measured in terms of the ratio of exports and imports to GDP) is twice the average of all PRGF-eligible countries. This chapter examines the recent trade initiatives, and the decade-long trends in exports and imports.

##### B. Recent Developments in Trade Reforms

50. **During 2001, Vietnam made substantial progress in liberalizing its trade regime.** In April 2001, with a view to providing a more stable export–import environment, the government announced a Five-Year (2001–2005) Import–Export Regime.<sup>26</sup> This provides a road map for elimination of QRs, tariff reductions, and other trade measures. On October 3, 2001 the U.S. Senate passed legislation implementing the landmark bilateral trade agreement between the United States and Vietnam (the agreement was signed on July 13, 2000) marking an important step toward WTO accession.<sup>27</sup> Vietnam's National Assembly is expected to ratify this agreement when it meets in November. Meanwhile,

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<sup>25</sup> Prepared by Nita Thacker.

<sup>26</sup> Contrary to previous years when only annual changes to the import-export regime were announced.

<sup>27</sup> A meeting of the WTO Working Party on the Accession of Vietnam was held in November 2000 and an Inter-Ministerial Committee has been set-up to guide and monitor progress on WTO accession.

preparations are being made to reach bilateral trade agreements with other WTO members and align existing bilateral agreements<sup>28</sup> and modify Vietnam's laws to meet WTO standards.

### **Key trade reforms in 2001<sup>29</sup>**

51. **Quantitative restrictions:** The program for eliminating QRs has been accelerated compared to commitments under the PRGF-supported program:

- Effective May 1, 2001 QRs on 5 items<sup>30</sup>—paper, clinker, granite and ceramic tiles, alcohol, and passenger vans with 10–16 seats—were eliminated ahead of schedule and replaced with tariffs (see Table IV.1).
- At the same time, the target dates have been advanced for most other items, including construction glass, remaining steel products, and vegetable oil, to end-December 2001 and QRs for two additional items—motorcycles and certain parts thereof and passenger vehicles with up to 9 seats—are now scheduled for removal by end-December 2002.
- QRs on cement will remain until end-December 2002, as initially planned.
- By the beginning of 2003, all but 2 items—sugar and petroleum products—will no longer be subject to QRs.

52. **Tariff reductions under AFTA:** Ordinance No. 28 announced on June 6, 2001 outlines changes in tariff lines consistent with the commitments under AFTA. These changes are effective from January 1, 2001:

- 713 items have been transferred from the Temporary Exclusion List (TEL) to the Inclusion List (IL), leaving 1,200 items still in the TEL (under AFTA all items are expected to be moved to the IL by 2003).
- For the items in the IL (a total of 4,986), 65 percent are subject to a tariff rate of 0–5 percent and the remaining 35 percent to a tariff rate of 5–20 percent (under AFTA tariffs on 97 percent of tariff lines will be reduced to at most 20 percent by 2003 and 0–5 percent by 2006).

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<sup>28</sup> Vietnam currently has bilateral trade agreements with several countries including most Asian countries, the European Union, some transition economies and Australia and New Zealand.

<sup>29</sup> For trade reforms before 2001, see SM/98/6 and SM/99/104.

<sup>30</sup> The last two items are new and were not included in the original list.



53. **Other measures:** In addition,

- Quotas on rice exports have been eliminated and anyone registered to export food and agriculture-related goods can now export rice freely.
- Garment and textile quotas will continue to be announced (currently 25 percent of the quota is auctioned off), and will be increased annually and eliminated over the medium term.
- A revised tariff schedule was announced for 2001, partly to reflect the tariffs for goods on which QRs were removed<sup>31</sup> (Statistical Appendix, Tables 32 and 33). Notwithstanding this, only about 1 percent of line items continue to have rates above 50 percent.
- The surrender requirement has been reduced from 50 percent to 40 percent effective May, 2001.
- Trading rights have been further liberalized for foreign firms.
- Foreign invested enterprises can now buy foreign exchange from commercial banks in Vietnam for their imports.

**United States Bilateral Trade Agreement (USBTA)**

54. **Normalization of Vietnam's trade relations with the United States began with the lifting of the trade embargo in 1994.** This move was followed a year later by the restoration of diplomatic relations in 1995, and the first waiver of the Jackson-Vanik emigration provisions in 1998. Under the USBTA expected to be ratified by the National Assembly in November, the U.S. will extend temporary most-favored nation status (MFN, also known as normal trade relations or NTR status) to Vietnam, so that imports from Vietnam will face significantly lower tariffs when entering the United States.<sup>32</sup> The USBTA also provides for reciprocal nondiscriminatory treatment of U.S. exports to Vietnam. The key features of the USBTA are:

- **Trading rights:** Liberalize trading rights for U.S. firms in three to six years.
- **Tariffs:** Reduce current tariff rates on a limited range of industrial and agricultural items (about 250) by 30 to 50 percent over three years.

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<sup>31</sup> The tariff rate of 120 percent introduced in 2001 is imposed on certain alcohol related items.

<sup>32</sup> Imports from Vietnam have faced tariffs of up to 40 percent, or more than 10 times higher than that faced by most other nations.

- **Quantitative restrictions:** Remove QRs on most products in three to seven years, but back loaded for steel and cement (after six year) and petroleum products (after seven years).
- **Intellectual property rights:** Apply WTO-consistent protection for intellectual rights in 12–18 months.
- **Banking services:** Allow U.S. equity in joint ventures (with up to a 49 percent stake). After nine years, allow 100 percent U.S. owned subsidiary banks. Also allow U.S. equity in privatized Vietnamese banks at the same levels as Vietnamese investors. Phase in right of U.S. banks to accept dong deposits on the same basis as domestic banks over eight years for business clientele and ten years for retail depositors.
- **Nonbank financial services:** Allow 100 percent equity in financial and other leasing after three years.
- **Insurance:** Allow joint ventures in three years and 100 percent U.S. equity in five to six years.
- **Other services:** Allow immediately 100 percent U.S. equity in a range of technical services, including in legal, accounting, engineering, computer-related, and construction areas.
- **Trade-related investment measures:** Phase out all WTO-inconsistent measures (e.g., local content requirements) in five years.
- **Transparency:** Publish all laws and decisions governing issues in the agreement, establish administrative or judicial tribunals for review, and provide the right of appeal.

### **The impact of the USBTA on Vietnam**

55. **Impact on trade:** The major impact is likely to be on exports from Vietnam which will enjoy MFN status. Vietnam's exports to the United States increased from US\$95 million (2.3 percent of total exports) in 1995 to US\$770 million (6.7 percent of total exports) in the first 9 months of 2001. The principal exports are seafood, textiles, footwear and agricultural goods, including coffee, most of which are items that under MFN enjoy duty-free treatment (zero tariffs). Thus, the USBTA is likely to result in increases of commodity exports and exports of labor-intensive manufacturing with large differences between the MFN and non-MFN tariff rates. Using the Global Trade Analysis (GTAP) model, the World Bank has estimated that exports to the United States are likely to double in the first year of MFN status, as U.S. tariff rates on Vietnamese exports will fall from their non-MFN average of 40 percent

to less than 3 percent.<sup>33</sup> In particular, Vietnam's clothing exports are expected to increase dramatically. Vietnam exported less than US\$40 million in apparel to the U.S. in 1999, while garment exports to Japan and the EU totaled US\$500 million and US\$640 million, respectively. Based on the experience of Cambodia—which was granted MFN status in 1996—the World Bank estimates that clothing exports could increase as much as ten-fold in the first year after receiving MFN status.<sup>34</sup> Another item likely to benefit from the USBTA are marine exports from Vietnam. The U. S. has already outpaced Japan to become the biggest importer of seafood from Vietnam accounting for 27.2 percent (or US\$324 million) of total exports of seafood from Vietnam in the first nine months of 2001.

56. **Impact on services and capital flows:** The liberalization of the services sector, including tourism and construction in the short-term and financial services, including banking and insurance services over the medium-term, are likely to lead to a considerable increase in foreign direct investment (FDI). Also, FDI in light industry has been rather modest to date and this is likely to benefit from the USBTA.

57. **Impact on the SOE sector and factor productivity:** SOE enterprises in the textile and footwear sectors are already facing increased competition from China and private domestic firms that have been forming joint ventures with foreign partners. The further opening up of the economy combined with other ongoing trade reforms<sup>35</sup> is bound to increase competition and force restructuring on the SOE sector. Also, increased capital inflows are likely to increase investment in textiles, food processing and fisheries, all of which have a large potential but have hitherto seen relatively small foreign investment.

### C. Export Performance in the 1990s

58. **Vietnam's exports have increased almost five folds in the last 8 years, from about US\$3 billion in 1993<sup>36</sup> to over US\$14 billion in 2000 and are expected to top US\$15 billion in 2001.** Exports are now broadly diversified in structure and in trading partners. During the same period, Vietnam's openness (measured in terms of exports plus imports as a ratio of GDP) improved relative to its neighbors, with the exception of the Philippines and Malaysia, to reach 94 percent in 2000 (Figure IV.1). Export performance in the 1990s can be roughly divided into four periods: (i) from 1993–97 when exports were increasing at an average rate of 30 percent; (ii) 1998 when export growth plummeted to only

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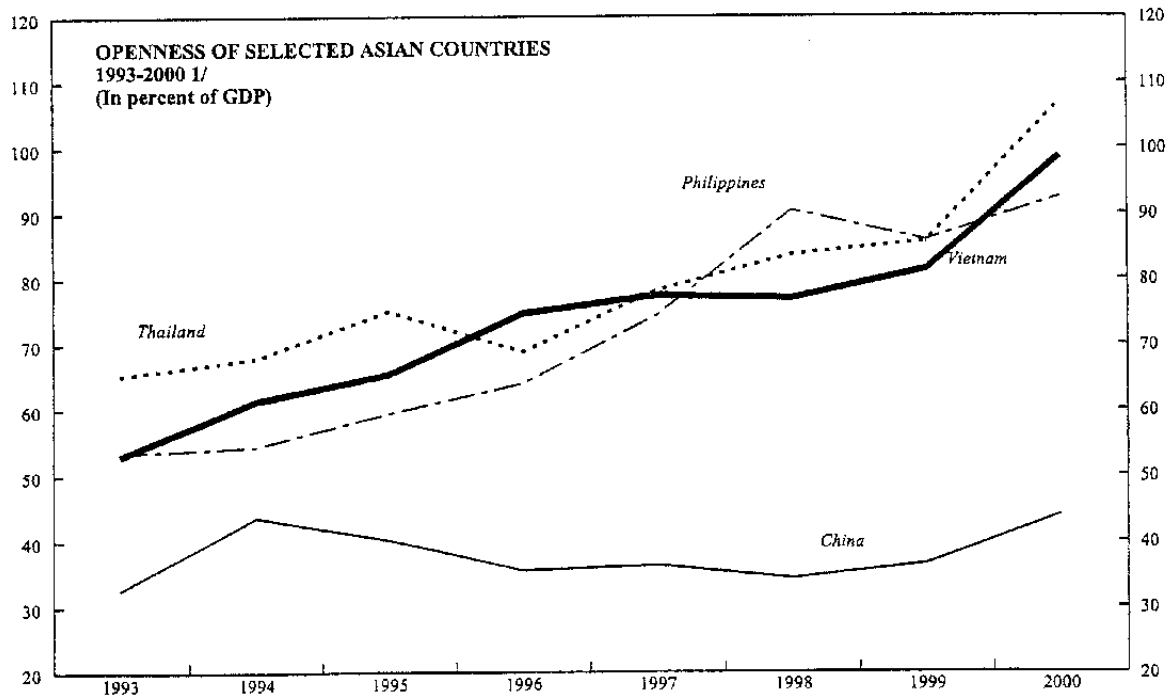
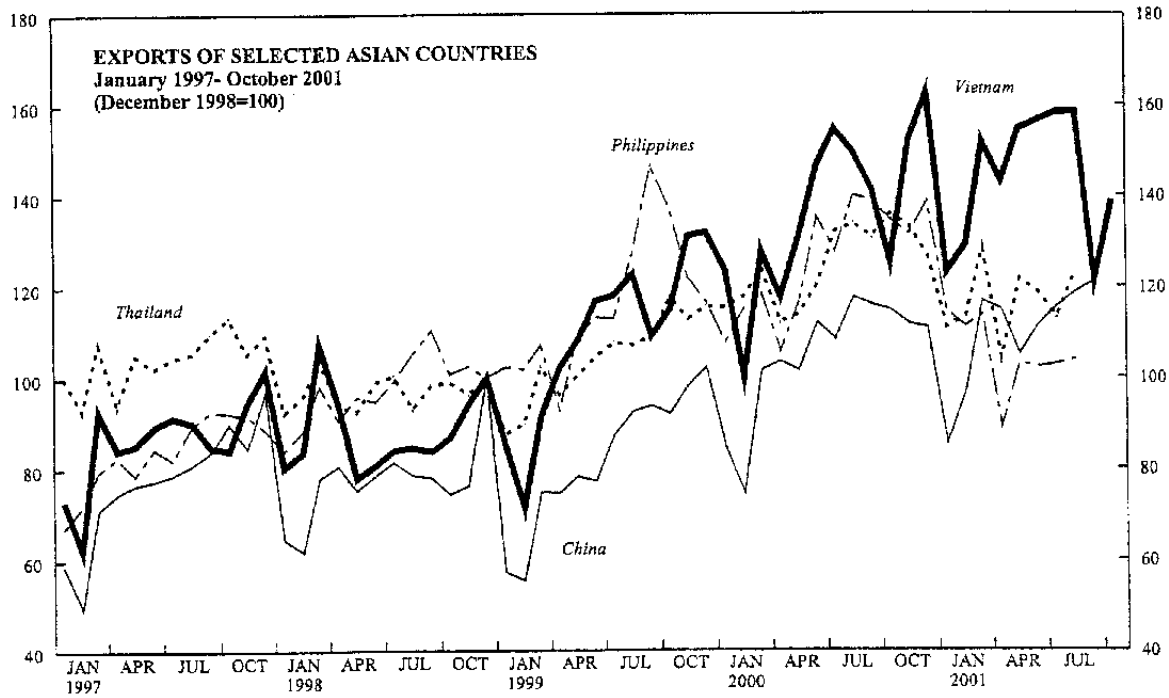
<sup>33</sup> *The Effect of the United States Granting MFN Status to Vietnam*, by E. Fukase and W. Martin, World Bank, 1998.

<sup>34</sup> *The Vietnam-U.S. Bilateral Trade Agreement*, CRS Report for Congress.

<sup>35</sup> Trade reforms under the AFTA and recent removal of quotas will also have a significant role in this context.

<sup>36</sup> Data prior to 1993 are poor and hence not included in this analysis.

Figure IV.1. Vietnam: Comparative Perspective on Trade



Sources: Data provided by the Vietnamese authorities; and Fund staff estimates.

1/ Measured as exports plus imports, in percent of GDP.

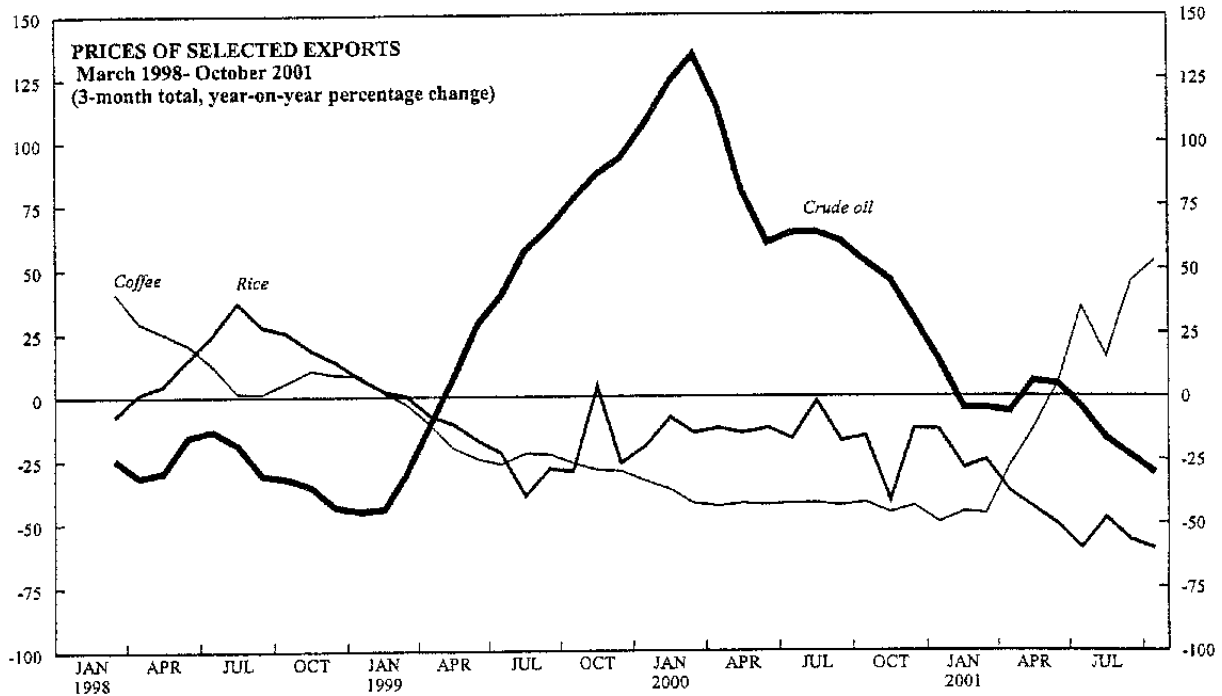
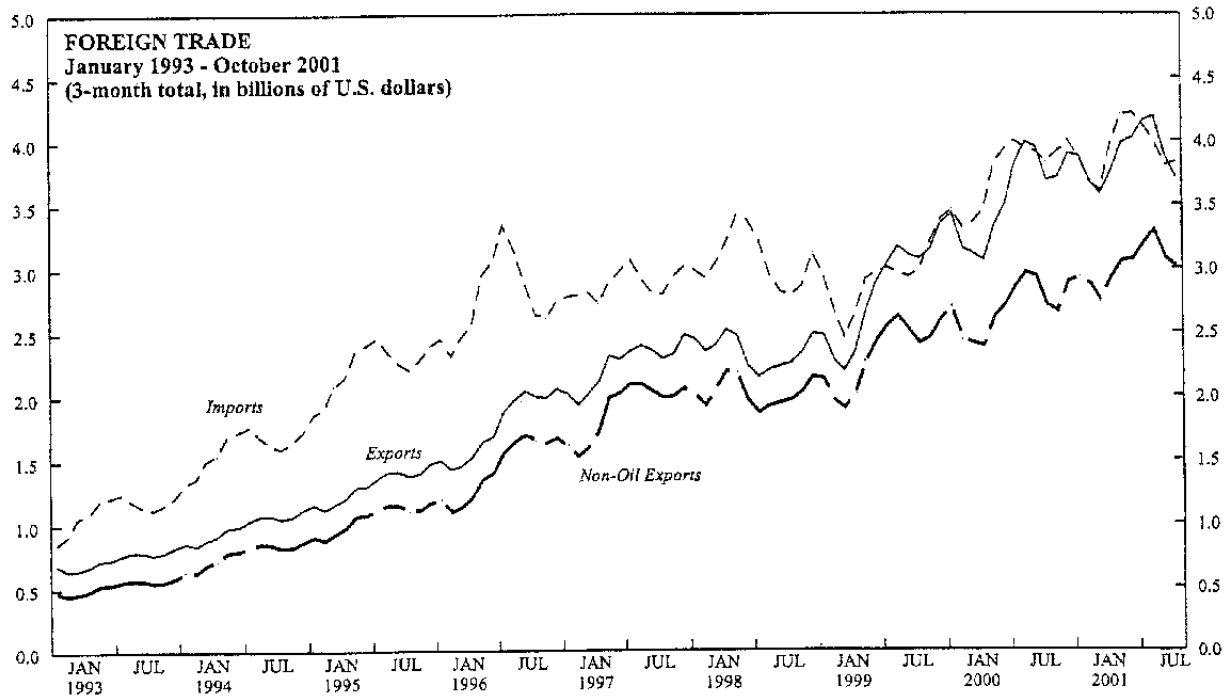
2.4 percent; (iii) post-1998 when growth rebounded to average 24 percent in 1999–2000, and (iv) recently a slowing of export growth with the global downturn. Based on Vietnam's export performance over the last decade and assuming maintenance of competitiveness and continued transition to a market economy, Vietnam's medium-term export outlook remains promising even though the near-term outlook is clouded by the global slowdown.

### **Rapid export growth prior to the Asian crisis (1993–1997)**

59. **Vietnam's export growth was very strong, averaging 30 percent during this period.** The contributing factors were the elimination of export barriers (including quotas) in order to encourage sales to convertible currency areas since 1989, adequate competitiveness, some FDI in export-oriented industries, and the steady growth in import demand in most trading partner countries. This record outperforms export growth of most of its Asian neighbors (Figure IV.2) and was accounted for primarily by non-oil exports:

- Non-oil export growth averaged about 35 percent, with exports of garments and footwear increasing most rapidly and their shares in total exports increasing from 8 percent in 1993 to 15 percent in 1997, and from 2 percent in 1993 to 15 percent in 1997, respectively, replacing coffee and rice as major export earners (apart from oil).
- Oil export value rose at an average rate of about 14 percent, with most of the increase due to higher export volumes (an increase of 78 percent) with a price increase that was relatively modest (Table IV.2 and Statistical Appendix, Table 25). The share of oil exports continued to remain the largest, averaging about 21 percent of total exports.
- Export volumes of coffee, rice and rubber continued to increase so that despite fluctuating prices, they remained important in terms of their contribution to growth.
- Diversification of trading partners also increased. Starting first with regional markets, Vietnam made inroads overtime into European and U.S. markets.
- The principal trading partner during this period was the Asia and Pacific region which absorbed 70 percent of Vietnam's total exports until 1995; however starting in 1996 the share of this region has been declining. Japan and Singapore were the main trading partners in the Asian region (Statistical Appendix, Table 27).
- The share of exports to Germany, United Kingdom and the United States (after the trade embargo was lifted in 1994) steadily increased during this period. As a result, Vietnam has gained market share in these countries. In fact, in 1997 Vietnam's exports to these countries increased when exports of most Asian countries were declining.

Figure IV.2. Vietnam: Export Indicators



Sources: Data provided by the Vietnamese authorities, and Fund staff estimates.

### **Slump in exports in 1998**

**Reflecting the adverse impact of the Asian financial crisis in 1997/98 and Vietnam's close link to the region, exports increased by only 2 percent in dollar terms.** Exports suffered across the board and mainly from the terms of trade shock, due both to lower oil prices and a decline in other commodity prices as a fallout from the Asian crisis; and from a relative loss in competitiveness as the dong appreciated in real effective terms, compared to all the other currencies in the region (Figure IV.3):

- Oil prices fell by 32 percent, so that despite an increase in export volume of 26 percent in 1998, oil export receipts declined by 13 percent.
- Weak demand for Vietnam's exports from its Asian neighbors affected by the financial crisis resulted in a decline in exports of 34 percent in 1998 and the share of exports to this region declined by over 20 percentage points.
- However, the decline in exports to Asia was more than compensated by the near doubling of exports (mainly non-oil) to the European Union and the United States contributing to the small but positive increase in exports compared with most Asian countries that had negative export rates.

### **Export rebound (1999–2000)**

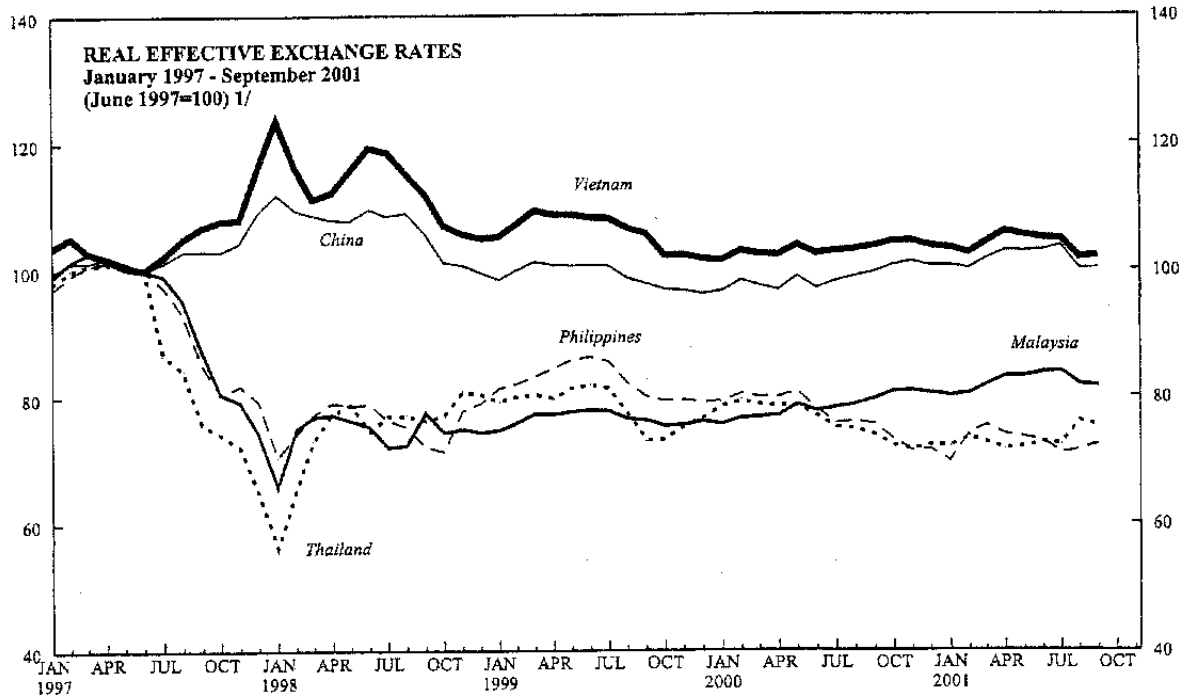
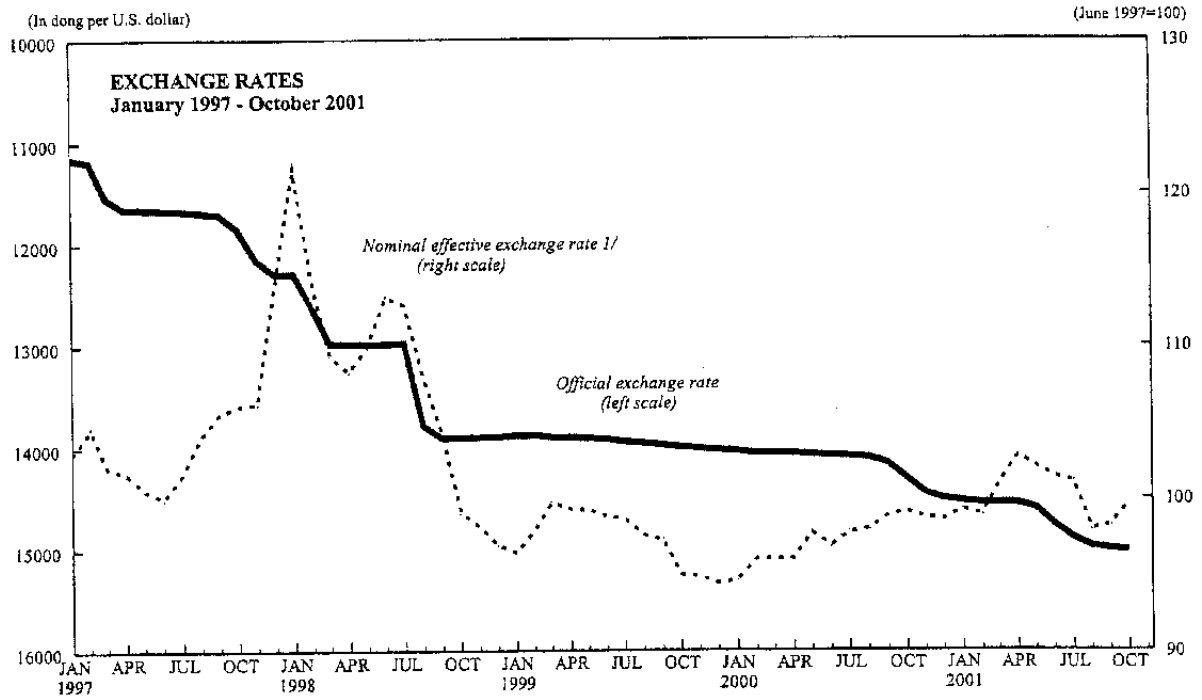
60. **Overall exports increased by an average of about 24 percent in 1999–2000, as the region began to recover from the crisis and also reflecting the dramatic increase in oil prices** from about US\$11 per barrel in January 1999 to US\$28.4 per barrel at end-year 2000.

- As a result, oil export receipts almost tripled between 1998 and 2000 from US\$1.2 billion to US\$3.5 billion, respectively.
- Non-oil exports registered an increase of 16 percent, but this is only half of the average experienced in the mid 1990's.
- Among non-oil exports, the share of garments, footwear, handicrafts, and marine products has remained robust.
- Growth in exports to the European Union and the United States (which are mainly non-oil) was much larger than that to the recovering Asian countries, indicating a continued trend to penetrate these markets following the redirection of trade achieved during the crisis years.

### **Slowing export growth in 2001**

61. **With the weakening in the global environment, export growth during the first 10 months of 2001 slowed substantially to only 9 percent, compared with 26 percent during the same period last year.** This performance is in line with the slowing of external demand

Figure IV.3. Vietnam: Exchange Rate Indicators



Sources: Data provided by the Vietnamese authorities; and Fund staff estimates.

1/ Estimated for September and October 2001.



and in keeping with the regional trend of falling export growth; competitiveness has been broadly maintained through flexible exchange rate management and stable domestic prices.

- Much of the decline can be explained by a decline in oil prices from a peak of US\$34 per barrel last November to US\$22 per barrel in October this year. Oil export volumes in September and October have also been disrupted (exports from January–August averaged 1.4–1.5 million metric tons) by repairs at some oil wells.
- Growth in non-oil exports was 12.5 percent in the first 10 months, almost half the growth rate achieved last year although still higher than for most other Asian countries.
- Among non-oil exports, coffee and garment exports showed a rebound in growth compared to the same period last year while exports of marine products which were growing very rapidly until August seem to have come down quite dramatically in September and October. This may reflect the higher freight insurance costs in the wake of the September 11 events. The slump in non-oil commodity prices has also depressed exports such as coffee and rice.
- Japan remains the largest importer of Vietnamese exports, with China, Australia, Singapore and United States being the other large buyers of Vietnamese goods.
- Despite the broad diversification in export structure and trading partners, experience so far in 2001 suggests that Vietnam is now more vulnerable than a decade ago to shifts in global demand and world commodity prices.

#### **D. Import Performance in the 1990s**

62. **In line with exports, Vietnam's imports have quadrupled over the past eight years**, from about US\$4 billion in 1993 to nearly US\$12 billion in 1999 and are expected to reach US\$14 billion in 2001. Imports seem to have reacted to the Asian crisis faster than exports—perhaps due to administrative controls—with imports declining by 0.4 percent in 1997 compared with the previous year, and to an average growth of 42 percent during 1993–96. Import performance in the 1990s could also be divided into four periods (covering slightly different years): (i) from 1993–96 when imports were increasing rapidly; (ii) 1997–99 when imports plummeted and recovered only slowly towards end-1999; (iii) 2000 when imports increased again rapidly; and (iv) 2001 when imports began slowing.

##### **Strong import growth prior to the Asian crisis (1993–1996)**

63. **Very rapid import growth during this period (42 percent on average) was associated with a rapid GDP growth and high FDI inflows.** This record outperformed import growth of most of its Asian neighbors.

- With rapid economic growth, petroleum imports increased at an average rate of about 14 percent, while non-oil import growth averaged almost 50 percent (Table IV.3).

- Among non-oil imports, imports of machinery and equipment increased most rapidly with the share in total imports increasing from 25 percent in 1995 to about 33 percent in 1996,<sup>37</sup> driven mainly by the large FDI flows during these years.
- Imports of textile yarn, and leather and garment material which forms an important input for the export industry also showed significant increases.
- About 70 percent of all imports came from the Asia and Pacific region; the share of imports from European Union countries averaged about 10 percent (Statistical Appendix, Table 27). The share of imports coming from Taiwan POC and the U.S. steadily increased during this period.

### **Import compression in 1997–99**

64. **The severe impact of the Asian crisis was most evident in the resulting compression of imports.** After the dramatic growth in the previous 4 years, imports plummeted, falling by 0.4 percent in 1997 and 0.6 percent in 1998, growing slightly by 0.8 percent in 1999. This was achieved primarily through a tightening of trade and exchange restrictions as the authorities attempted to protect the foreign exchange position, and also through a substantial depreciation of the exchange rate in 1998. Among the main factors that kept imports compressed were:

- The plummeting of FDI inflows as most of the Asian countries, the principal source of FDI, were hit by the crisis. FDI fell to under 3 percent of GDP in 1997 and 1998 compared with almost 8 percent of GDP in 1996.
- The tightening of ad hoc exchange controls, including the requirements of consistency with the business registration and funding for imports only by importers' own foreign exchange, and the imposition of a foreign exchange surrender requirement of 80 percent in 1998.
- Reflecting both depressed investment and the imposition of quantitative restrictions, imports of key inputs such as steel, cement, and machines, and equipment remained flat, or declined dramatically. Imports of light manufacturing, including leather and garment material and textile yarn, were more resilient as Vietnam was able to redirect exports to the EU.
- The share of imports coming from the Asia and Pacific region increased marginally during this period; however within this region the share of imports from Singapore have declined steadily and have been replaced by imports from China and Taiwan POC.

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<sup>37</sup> Breakdown prior to this year is not available.

- Imports of FIEs declined by 17 percent in 1998 reflecting the low FDI flows, but increased by almost 30 percent in 1999 as the region began to recover.

#### **Import recovery in 2000**

**65. With Vietnam's economic rebound, overall imports grew by 30 percent in 2000.**

- The oil import bill doubled in 2000, reflecting the jump in oil prices from an average of US\$18 per barrel in 1999 to almost US\$29 per barrel in 2000. Also, demand for petroleum increased reflecting a recovering economy so that volume of imports increased about 18 percent.
- Along with a pick up in domestic investment, the recovery was also evident in an increase in imports of machinery and equipment, steel and electronics items. At the same time, imports of textile yarn and leather and garment material remained robust.

#### **Slowing import growth to date in 2001**

**66. Import growth has slowed so far in 2001 in tandem with exports.** In the first 10 months of 2001, the year-on-year growth in imports fell to only 5 percent, both for oil and non-oil imports.

- While a decline in oil prices has been a factor, growth in petroleum import volume has also been modest at just over 4 percent, reflecting a slight slowing in Vietnam's economy.
- Imports of machinery and equipment declined while steel imports are flattening out indicating slowing investment. Cotton and textile yarn imports are also down reflecting a declining external demand for apparel, especially in the wake of the September 11 events; however, imports of leather and garment material remain robust.
- Clothing and electronics imports (as final use items) are down despite increases in income levels (given positive real GDP growth), reflecting weaker consumer confidence.

**67. Vietnam's imports appear to have adjusted rapidly in 2001 to relatively modest exchange rate movements and to domestic demand.** The Vietnamese authorities have begun to ease trade and exchange restrictions and, as noted above, QRs have been removed from several items, and tariffs for AFTA imports have been reduced. The surrender requirement has been progressively reduced, to 40 percent currently. These actions suggest diminished scope for administratively containing imports and greater reliance on market forces to moderate import demand.

**Table IV.1. Vietnam: Schedule for Removal of Quantitative Restrictions  
on Imports, 2001-03**

Item or Group	Original Date	Actual or Revised Date
Paper	2001	Removed May 1, 2001
Clinker and cement		
Clinker	December 31, 2001	Removed May 1, 2001
Cement	December 31, 2002	No change
Construction white glass	December 31, 2002	December 31, 2001
Granite and ceramic tiles	December 31, 2002	Removed May 1, 2001
Remaining steel products	December 31, 2002	December 31, 2001
Vegetable oil	January 1, 2003	December 31, 2001
Alcohol	Not scheduled for removal	Removed May 1, 2001
Motorcycle (new) and certain parts	Not scheduled for removal	December 31, 2002
Passenger vans		
10-16 seats	Not scheduled for removal	Removed May 1, 2001
Up to 9 seats	Not scheduled for removal	December 31, 2002

Source: Prime Minister Decision 46/2001/QD-TTg on the Management of Import and Export of Goods in the Period 2001-2005.

**Table IV.2. Vietnam: Commodity Composition of Exports, 1993-2001 1/**

(In millions of U.S. dollars, unless otherwise indicated)

	1993-97 Average	1998	1999-2000 Average	2001 1/
Total exports	5,744	9,365	12,995	12,710
(Growth in percent)	30.1	2.4	24.2	9.0
Non-oil exports	4,644	8,132	10,197	9,918
(Growth in percent)	35.4	5.3	16.0	12.5
Composition of exports				
Crude oil	1,100	1,232	2,798	2,792
(Growth in percent)	13.9	-13.2	68.6	-1.9
Coal	100	102	95	119
(Growth in percent)	24.0	-8.1	-4.0	-2.3
Rubber	144	127	156	129
(Growth in percent)	31.2	-33.5	19.8	-2.3
Rice	602	1,020	846	337
(Growth in percent)	25.8	17.2	-17.1	-42.1
Coffee	366	594	543	546
(Growth in percent)	60.7	21.0	-7.3	33.4
Marine products	568	858	1,227	1,216
(Growth in percent)	23.9	9.9	30.8	4.2
Garments	729	1,450	1,819	1,707
(Growth in percent)	59.9	7.5	12.6	13.7
Footwear	377	1,031	1,426	1,527
(Growth in percent)	330.1	6.8	18.7	31.1
Handicrafts	90	111	203	192
(Growth in percent)	33.0	-8.3	48.7	-4.9
Electronics	440	497	684	522
(Growth in percent)	...	13.0	31.9	-20.5
Other	1,615	2,342	3,199	3,623
(Growth in percent)	28.1	-2.7	24.9	23.8
(In percent of total exports)				
Crude oil	19.1	13.2	21.2	22.0
Coal	1.7	1.1	0.7	0.9
Rubber	2.5	1.4	1.2	1.0
Rice	10.5	10.9	6.7	2.7
Coffee	6.4	6.3	4.3	4.3
Marine products	9.9	9.2	9.3	9.6
Garments	12.7	15.5	14.1	13.4
Footwear	6.6	11.0	11.1	12.0
Handicrafts	1.6	1.2	1.5	1.5
Electronics	7.7	5.3	5.2	4.1
Other	28.1	25.0	24.5	28.5

Sources: Vietnamese authorities; and Fund staff estimates.

1/ For 2001, January-October only.

**Table IV.3. Vietnam: Commodity Composition of Imports, 1993-2001 1/**

(In millions of U.S. dollars, unless otherwise indicated)

	1993-96 Average	1997-99 Average	2000	2001 1/
Total imports	7,444	11,630	15,200	12,988
(Growth in percent)	42.6	0.3	29.4	4.8
Non-petroleum imports	6,666	10,639	13,142	11,434
(Growth in percent)	49.3	0.4	23.4	6.2
Composition of imports				
Petroleum	778	992	2,058	1,554
(Growth in percent)	14.1	1.5	95.3	-4.4
Fertilizer	405	455	509	275
(Growth in percent)	30.4	-7.6	9.7	-23.5
Insecticide 2/	78	124	137	88
(Growth in percent)	34.8	14.7	3.0	-6.9
Steel and iron	333	532	812	777
(Growth in percent)	51.2	43.2	38.3	21.8
Cement 2/	83	18	...	...
(Growth in percent)	-3.6	-60.7	...	...
Motorcycles 2/	429	331	787	512
(Growth in percent)	2.6	4.7	97.2	-8.5
Motor cars and trucks 2/	152	118	134	...
(Growth in percent)	4.7	-16.1	50.6	...
Wheat Flour 2/	79	46	16	...
(Growth in percent)	43.1	-24.1	-44.8	...
Textile yarn 2/	146	176	231	198
(Growth in percent)	17.9	7.2	19.1	3.2
Cotton 2/	79	98	101	113
(Growth in percent)	-27.5	16.4	11.0	-34.9
Leather and garment material	271	938	1,334	1,323
(Growth in percent)	77.7	31.3	21.7	25.0
Cigarette material 2/	81	94	112	...
(Growth in percent)	-6.0	6.5	27.3	...
Machinery and equipment 2/	2,949	1,945	2,482	2,230
(Growth in percent)	81.2	-13.4	23.8	7.2
Electronics 3/	...	639	869	563
(Growth in percent)	...	...	36.0	-19.7
Other 4/	3,781	5,836	5,618	5,531
(Growth in percent)	32.3	9.7	9.3	13.6
(In percent of total imports)				
Petroleum	10.5	8.5	13.5	12.0
Fertilizer	5.4	3.9	3.3	2.1
Insecticide	1.0	1.1	0.9	0.7
Steel and iron	4.5	4.6	5.3	6.0
Cement	1.1	0.2	...	...
Motorcycles	5.8	2.8	5.2	3.9
Motor cars and trucks	2.0	1.0	0.9	...
Wheat flour	1.1	0.4	0.1	...
Textile yarn	2.0	1.5	1.5	1.5
Cotton	1.1	0.8	0.7	0.9
Leather and garment material	3.6	8.1	8.8	10.2
Cigarette material	1.1	0.8	0.7	...
Machinery and equipment	39.6	16.7	16.3	17.2
Electronics	...	5.5	5.7	4.3
Other	50.8	50.2	37.0	42.6

Sources: Vietnamese authorities; and Fund staff estimates.

1/ For 2001, January-October only.

2/ Data available only for 1995 and 1996; average growth rate is for 1996 only.

3/ Data available from 1999 onwards only.

4/ Figures are not strictly comparable since commodity composition is non-uniform across years, depending on the breakdown available for different years.

Vietnam: Basic Data

Nominal GDP (2000): US\$30.3 billion  
Population (2000): 77.7 million

GDP per capita (2000): US\$390  
Fund quota: SDR 329.1 million

	1995	1996	1997	1998	1999	2000 Est.
<b>Real GDP (annual percentage change)</b>	9.5	9.3	8.2	3.5	4.2	5.5
Industrial output 1/	14.5	14.2	13.8	12.5	11.6	15.7
<b>Saving-investment balance (in percent of GDP)</b>	-13.5	-10.5	-6.9	-4.6	4.1	1.7
Gross national saving	13.6	17.6	21.4	19.1	26.5	27.3
Gross capital formation	27.1	28.1	28.3	23.7	22.4	25.6
<b>Inflation (annual percentage change)</b>						
Period average	17.4	5.7	3.2	7.3	4.1	-1.7
End of period	13.4	4.5	3.6	8.6	-0.2	-0.6
<b>GDP deflator</b>	17.0	8.7	6.6	11.1	5.7	2.5
<b>Government budget (in percent of GDP) 2/</b>						
Total revenue	22.6	22.4	20.0	19.6	19.2	20.7
Grants	0.7	0.6	0.8	0.6	0.6	0.4
Total expenditure (excluding onlending and capital costs of reforms)	23.3	23.1	22.6	20.4	20.6	23.1
Of which: current expenditure	18.6	17.4	16.3	14.7	13.9	15.3
Overall fiscal balance (including grants, excluding onlending)	-0.5	-0.2	-1.7	-0.1	-0.8	-2.0
<b>Money and credit (annual percentage change, end of period) 3/</b>						
Broad money	22.6	22.7	26.1	25.6	39.3	39.0
Credit to the economy	26.9	20.1	22.6	16.4	19.2	38.1
<b>Interest rates (in percent, end of period)</b>						
Three-month deposits (households)	18.2	9.1	8.1	9.7	4.0	4.3
Short-term lending (less than one year)	28.3	15.9	12.7	14.7	11.7	9.8
<b>Current account (including official transfers)</b>						
(in millions of U.S. dollars)	-2,648	-2,431	-1,664	-1,067	1,285	642
(in percent of GDP)	-12.8	-9.9	-6.2	-3.9	4.5	2.1
Exports of goods (annual percentage change, U.S. dollar terms)	28.2	41.2	24.6	2.4	23.2	25.2
Imports of goods (annual percentage change, U.S. dollar terms)	41.1	25.5	-0.2	-1.1	1.1	34.5
<b>Foreign exchange reserves (in millions of U.S. dollars, end of period)</b>						
Gross official reserves, including gold	1,323	1,673	1,857	1,765	2,711	3,030
(in weeks of next year's imports of goods and nonfactor services)	5.2	6.4	7.2	6.8	8.1	8.6
Net international reserves, including gold	886	1,065	1,258	1,173	2,118	2,191
<b>External debt (in percent of GDP) 4/</b>	86.1	77.7	74.8	75.6	71.6	39.3
Convertible currency 5/	35.0	35.7	35.7	36.3	34.2	39.3
Nonconvertible currency	51.1	42.0	39.1	39.3	37.4	0.0
<b>Debt-service ratio (percent of exports of goods and nonfactor services)</b>						
Debt due	12.1	12.9	12.8	13.9	12.8	11.2
Debt paid	6.7	5.6	8.1	8.1	10.5	9.9
<b>Exchange rate (dong per U.S. dollar)</b>						
Period average	11,038	11,035	11,706	13,297	13,944	14,170
End of period	11,015	11,150	12,292	13,890	14,028	14,514
<b>Real effective exchange rate (annual percentage change)</b>						
Period average	6.5	6.6	3.4	8.1	-6.5	-2.8
End of period	8.9	3.7	12.7	-9.4	-3.1	2.0
<b>Memorandum items:</b>						
GDP (in trillions of dong at current market prices)	228.9	272.0	313.6	360.6	397.3	429.7
Per capita GDP (in U.S. dollars)	288	337	361	359	372	390

Sources: Data provided by the authorities; and staff estimates and projections.

1/ Year-on-year changes in the gross value of industrial output.

2/ Cash basis.

3/ For 2000 based on expanded monetary survey (State Bank of Vietnam (SBV) and 89 credit institutions); for previous periods, based on original monetary survey (SBV and 28 credit institutions).

4/ London Club rescheduling was concluded in early 1998. Restructuring of the Russian debt was concluded in September 2000 on comparable terms to the 1993 Paris Club rescheduling.

5/ Includes the loan component of foreign direct investment and other private sector borrowing, and short-term debt.

Table 1. Vietnam: Gross Domestic Product by Expenditure Categories at Current Prices, 1994-2000 1/

	1994	1995	1996	1997	1998	1999	2000
					Official Estimate		
(In billions of dong)							
<b>Consumption</b>	148,037	187,170	225,231	250,584	283,444	301,690	324,258
Private	133,299	168,429	202,509	225,084	255,921	272,619	295,993
Government	14,738	18,741	22,722	25,500	27,523	29,071	28,265
<b>Investment</b>	45,483	62,131	76,450	88,754	104,875	110,503	130,827
Gross capital formation	43,325	58,187	71,597	83,734	97,551	102,799	121,857
Change in stocks	2,158	3,944	4,853	5,020	7,324	7,704	8,970
<b>Domestic demand</b>	193,520	249,301	301,681	339,338	388,319	412,193	455,085
<b>Net exports</b>	-20,245	-33,070	-35,352	-22,686	-26,371	-11,418	-10,346
Exports	61,087	83,966	110,835	136,668	161,910	199,836	241,401
Imports	81,332	117,036	146,188	159,354	188,281	211,254	251,747
<b>Statistical discrepancy 2/</b>	5,259	12,661	5,707	-3,029	-932	-833	-600
<b>GDP</b>	178,534	228,892	272,036	313,623	361,016	399,942	444,139
(In percent of GDP)							
<b>Consumption</b>	82.9	81.8	82.8	79.9	78.5	75.4	73.0
Private	74.7	73.6	74.4	71.8	70.9	68.2	66.6
Government	8.3	8.2	8.4	8.1	7.6	7.3	6.4
<b>Investment</b>	25.5	27.1	28.1	28.3	29.0	27.6	29.5
Gross capital formation	24.3	25.4	26.3	26.7	27.0	25.7	27.4
Change in stocks	1.2	1.7	1.8	1.6	2.0	1.9	2.0
<b>Domestic demand</b>	108.4	108.9	110.9	108.2	107.6	103.1	102.5
<b>Net exports</b>	-11.3	-14.4	-13.0	-7.2	-7.3	-2.9	-2.3
Exports	34.2	36.7	40.7	43.6	44.8	50.0	54.4
Imports	45.6	51.1	53.7	50.8	52.2	52.8	56.7
<b>Statistical discrepancy 2/</b>	2.9	5.5	2.1	-1.0	-0.3	-0.2	-0.1
(Annual percentage change)							
<b>Consumption</b>	26.8	26.4	20.3	11.3	13.1	6.4	7.5
Private	25.2	26.4	20.2	11.1	13.7	6.5	8.6
Government	43.4	27.2	21.2	12.2	7.9	5.6	-2.8
<b>Investment</b>	33.7	36.6	23.0	16.1	18.2	5.4	18.4
Gross capital formation	41.4	34.3	23.0	17.0	16.5	5.4	18.5
<b>Domestic demand</b>	28.4	28.8	21.0	12.5	14.4	6.1	10.4
Exports	52.8	37.5	32.0	23.3	18.5	23.4	20.8
Imports	57.4	43.9	24.9	9.0	18.2	12.2	19.2
<b>GDP</b>	27.3	28.2	18.8	15.3	15.1	10.8	11.1
(Contribution to nominal GDP growth, in percent)							
<b>Domestic demand</b>	111.8	110.8	121.4	90.5	103.4	61.3	97.0
Private consumption	81.8	77.7	88.2	61.0	69.3	46.9	51.1
Fixed capital formation	33.2	29.5	31.1	29.2	29.2	13.5	43.1
Change in stocks	-3.2	3.5	2.1	0.4	4.9	1.0	2.9
<b>Net exports</b>	-22.3	-25.5	-5.3	30.5	-7.8	38.4	2.4
<b>Statistical discrepancy 2/</b>	10.6	14.7	-16.1	-21.0	4.4	0.3	0.5
<b>GDP</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: General Statistical Office.

1/ Data are latest official revisions of historical GDP estimates.

2/ Difference between production- and expenditure-based estimates of GDP, the former of which are considered to be more accurate.



Table 2. Vietnam: Gross Domestic Product by Sector and Ownership at Current Prices, 1994-2000 1/

	1994	1995	1996	1997	1998	1999	2000 Official estimate
(In billions of dong)							
<b>Gross Domestic Product</b>	178,534	228,892	272,036	313,623	361,016	399,942	444,139
State	71,623	91,977	108,634	126,970	144,406	154,927	173,118
(excluding state management) 2/	65,139	83,699	99,217	116,510	132,557	143,244	160,923
Nonstate	106,911	136,915	163,402	186,653	216,610	245,015	271,021
<b>Agriculture</b>	48,968	62,219	75,514	80,826	93,072	101,723	101,723
State	2,190	2,664	3,424	3,628	3,961	4,188	...
Nonstate	46,778	59,555	72,090	77,198	89,111	97,535	...
<b>Industry and construction</b>	51,540	65,820	80,876	100,594	117,299	137,959	162,595
State	26,240	33,097	39,228	48,282	55,508	61,955	...
Nonstate	25,300	32,723	41,648	52,312	61,791	76,004	...
<b>Services</b>	78,026	100,853	115,646	132,203	150,645	160,260	173,631
State	43,193	56,216	65,982	75,060	84,937	88,784	...
(excluding state management) 2/	36,709	47,938	56,565	64,600	73,088	77,101	...
Nonstate	34,833	44,637	49,664	57,143	65,708	71,476	...
Wholesale and retail trade	30,185	37,491	43,125	48,914	55,783	59,384	64,460
Hotels and restaurants	6,125	8,625	9,776	11,307	12,404	13,412	14,343
Transport, storage and communication	7,154	9,117	10,390	12,418	14,076	15,546	17,601
Financial intermediation	3,450	4,604	5,148	5,444	6,274	7,488	8,457
Scientific activities and technology	1,105	1,405	1,629	1,774	2,026	1,902	2,416
Real estate services	9,135	12,392	13,507	15,355	17,683	18,260	19,173
Public admin., defense, and compulsory social security	6,484	8,278	9,417	10,460	11,849	11,683	12,195
Education and training	6,496	8,293	9,887	11,274	13,202	14,004	14,841
Health and social work	2,757	3,642	4,007	4,381	4,979	5,401	5,999
Other services	5,135	7,006	8,760	10,876	12,569	13,180	14,146
(In percent of GDP)							
<b>State sector</b>	40.1	40.2	39.9	40.5	40.0	38.7	39.0
(excluding state management) 2/	36.5	36.6	36.5	37.1	36.7	35.8	36.2
<b>Nonstate sector</b>	59.9	59.8	60.1	59.5	60.0	61.3	61.0
<b>Agriculture</b>	27.4	27.2	27.8	25.8	25.8	25.4	22.9
State	1.2	1.2	1.3	1.2	1.1	1.0	...
Nonstate	26.2	26.0	26.5	24.6	24.7	24.4	...
<b>Industry and construction</b>	28.9	28.8	29.7	32.1	32.5	34.5	36.6
State	14.7	14.5	14.4	15.4	15.4	15.5	...
Nonstate	14.2	14.3	15.3	16.7	17.1	19.0	...
<b>Services</b>	43.7	44.1	42.5	42.2	41.7	40.1	39.1
State	24.2	24.6	24.3	23.9	23.5	22.2	...
(excluding state management) 2/	20.6	20.9	20.8	20.6	20.2	19.3	...
Nonstate	19.5	19.5	18.3	18.2	18.2	17.9	...
Wholesale and retail trade	16.9	16.4	15.9	15.6	15.5	14.8	14.5
Hotels and restaurants	3.4	3.8	3.6	3.6	3.4	3.4	3.2
Transport, storage and communication	4.0	4.0	3.8	4.0	3.9	3.9	4.0
Financial intermediation	1.9	2.0	1.9	1.7	1.7	1.9	1.9
Scientific activities and technology	0.6	0.6	0.6	0.6	0.6	0.5	0.5
Real estate services	5.1	5.4	5.0	4.9	4.9	4.6	4.3
Public admin., defense, and compulsory social security	3.6	3.6	3.5	3.3	3.3	2.9	2.7
Education and training	3.6	3.6	3.6	3.6	3.7	3.5	3.3
Health and social work	1.5	1.6	1.5	1.4	1.4	1.4	1.4
Other services	2.9	3.1	3.2	3.5	3.4	3.3	3.2

Source: General Statistical Office.

1/ Data are latest official revisions of historical GDP estimates.

2/ State management includes public administration, defense, and compulsory social security.

Table 3. Vietnam: Gross Domestic Product by Sector at Constant Prices, 1994-2000

	1994	1995	1996	1997	1998		1999		2000	
					Official estimate	Staff estimate	Official estimate	Staff estimate	Official estimate	Staff estimate
(In billions of dong, at 1994 constant prices)										
<b>Agriculture, forestry, and fishery</b>	48,968	51,319	53,577	55,895	57,866	57,542	60,893	60,552	63,353	62,998
Agriculture	41,839	43,658	45,652	47,915	49,639	...	52,370	...	54,512	...
Forestry	2,265	2,399	2,448	2,450	2,459	...	2,536	...	2,537	...
Fishery	4,864	5,262	5,477	5,530	5,768	...	5,987	...	6,304	...
<b>Industry</b>	51,540	58,550	67,016	75,473	81,764	81,420	88,047	87,676	96,916	95,129
Mining and quarrying	9,114	10,345	11,753	13,304	15,173	...	17,200	...	17,979	...
Manufacturing	26,624	30,231	34,339	38,743	42,694	...	46,105	...	52,177	...
Electricity, gas, and water supply	2,856	3,384	3,986	4,572	5,136	...	5,531	...	6,112	...
Construction	12,946	14,590	16,938	18,855	18,761	...	19,211	...	20,648	...
<b>Services</b>	78,026	85,698	93,240	99,896	104,966	100,395	107,329	101,299	113,314	105,001
Wholesale and retail trade	30,185	33,595	36,866	39,422	41,170	...	41,993	...	44,612	...
Hotels and restaurants	6,125	6,741	7,428	7,949	8,307	...	8,517	...	8,913	...
Transport, storage, and communications	7,154	7,851	8,429	9,178	9,536	...	10,141	...	10,850	...
Financial intermediation	3,450	3,940	4,388	4,578	4,843	...	5,327	...	5,864	...
Science and technology	1,105	1,191	1,273	1,315	1,392	...	1,267	...	1,572	...
Real estate services	9,135	9,738	10,337	11,071	11,682	...	11,926	...	12,236	...
State management 1/	6,484	7,063	7,558	7,860	8,174	...	7,721	...	7,867	...
Education and training	6,466	6,968	7,526	8,062	8,614	...	8,809	...	9,162	...
Health and social work	2,757	3,009	3,220	3,348	3,566	...	3,707	...	3,946	...
Other services	5,135	5,602	6,215	7,113	7,682	...	7,919	...	8,252	...
<b>Gross Domestic Product</b>	178,534	195,567	213,833	231,264	244,596	239,357	256,269	249,527	273,583	263,128
(Real GDP, annual percentage change)										
<b>Agriculture, forestry, and fishery</b>	3.4	4.8	4.4	4.3	3.5	2.9	5.2	5.2	4.0	4.0
Agriculture	3.5	4.3	4.6	5.0	3.6	...	5.5	...	4.1	...
Forestry	2.2	5.9	2.0	0.1	0.4	...	3.1	...	0.0	...
Fishery	2.9	8.2	4.1	1.0	4.3	...	3.8	...	5.3	...
<b>Industry</b>	13.4	13.6	14.5	12.6	8.3	7.9	7.7	7.7	10.1	8.5
Mining and quarrying	21.0	13.5	13.6	13.2	14.1	...	13.4	...	4.5	...
Manufacturing	9.3	13.5	13.6	12.8	10.2	...	8.0	...	13.2	...
Electricity, gas, and water supply	9.2	18.5	17.8	14.7	12.3	...	7.7	...	10.5	...
Construction	18.2	12.7	16.1	11.3	-0.5	...	2.4	...	7.5	...
<b>Services</b>	9.6	9.8	8.8	7.1	5.1	0.5	2.3	0.9	5.6	3.7
Wholesale and retail trade	8.6	11.5	9.7	6.9	4.4	...	2.0	...	6.2	...
Hotels and restaurants	7.1	10.1	10.2	7.0	4.5	...	2.5	...	4.6	...
Transport, storage, and communications	6.6	9.7	7.4	8.9	3.9	...	6.3	...	7.4	...
Financial intermediation	22.3	14.2	11.4	4.3	5.8	...	10.0	...	10.1	...
Real estate services	8.9	6.6	6.2	7.1	5.5	...	2.1	...	2.6	...
State management 1/	11.0	8.9	7.0	4.0	4.0	...	-5.5	...	1.9	...
Education and training	13.8	7.3	8.0	7.1	6.8	...	2.3	...	4.0	...
Health and social work	6.3	9.1	7.0	4.0	6.5	...	4.0	...	6.4	...
Other services	11.8	9.1	10.9	14.4	8.0	...	3.1	...	4.2	...
<b>Gross Domestic Product</b>	8.8	9.5	9.3	8.2	5.8	3.5	4.8	4.2	6.8	5.5
(GDP deflator, annual percentage change)										
<b>Agriculture, forestry, and fishery</b>	13.1	21.2	16.3	2.6	11.2	...	3.9	...	-3.9	...
Agriculture	12.8	20.7	10.8	2.8	11.6	...	3.7	...	-3.9	...
Forestry	8.0	18.5	61.9	2.4	9.8	...	4.9	...	0.0	...
Fishery	18.0	26.6	40.9	2.7	9.8	...	5.1	...	-5.0	...
<b>Industry</b>	12.1	12.4	7.4	10.4	7.6	...	9.2	...	-9.2	...
Mining and quarrying	4.4	6.4	22.2	14.3	7.3	...	24.7	...	-4.3	...
Manufacturing	14.5	13.5	5.9	11.0	8.7	...	5.2	...	-11.6	...
Electricity, gas, and water supply	34.6	38.9	18.1	14.7	7.0	...	4.7	...	-9.5	...
Construction	8.4	8.2	-3.1	3.8	2.1	...	1.9	...	-7.0	...
<b>Services</b>	23.2	17.7	5.4	6.7	8.4	...	4.0	...	2.6	...
Wholesale and retail trade	37.6	11.6	4.8	6.1	9.2	...	4.4	...	2.2	...
Hotels and restaurants	11.7	27.9	2.9	8.1	5.0	...	5.5	...	2.2	...
Transport, storage, and communications	17.8	16.1	6.3	9.8	9.1	...	3.9	...	5.4	...
Financial intermediation	21.7	16.9	0.4	1.4	8.9	...	8.5	...	2.6	...
Real estate services	11.6	27.3	2.7	6.1	9.1	...	1.2	...	2.3	...
State management 1/	19.2	17.2	6.3	6.8	8.9	...	4.4	...	2.5	...
Education and training	17.4	19.0	10.4	6.4	9.6	...	3.7	...	1.9	...
Health and social work	14.5	21.0	2.8	5.2	6.7	...	4.3	...	4.3	...
Other services	12.4	25.1	12.7	8.5	5.3	...	3.4	...	3.0	...
<b>Gross Domestic Product</b>	17.0	17.0	8.7	6.6	8.8	...	5.7	...	-3.2	...

Sources: General Statistical Office; and staff estimates.

1/ State management includes public administration, defense, and compulsory social security.

**Table 4. Vietnam: Consumer Price Inflation, 1995-2001 1/ 2/**  
(Annual average and 12-month percentage changes, unless otherwise indicated)

	Overall index	Goods	Food			Nonfood consumer goods 3/	Services
			All food	Staples	Other food		
1995 December	13.4	13.5	19.6	20.4	19.2	6.9	9.8
Average	17.4	17.8	26.9	35.2	22.9	8.4	12.1
1996 December	4.5	3.9	3.9	0.4	6.3	3.2	8.2
Average	5.7	5.3	5.6	6.1	7.2	3.6	8.3
1997 December	3.6	2.9	2.9	-1.4	2.5	4.6	8.6
Average	3.2	2.2	2.2	-3.4	2.5	4.0	9.1
1998 December	8.6	...	11.2	21.4	8.6	4.6	...
Average	7.3	...	8.7	19.1	6.2	4.9	...

Weight (in percent)	Overall index (1995 = 100)	100.0	Food			Nonfood					
			All food	Staples	Other food	All nonfood	Clothes, footwear	Household goods	Housing, construction	Transport, communications	Other items
			60.9	20.0 4/	80.0 4/	39.1	6.6	4.6	2.9	7.2	17.8
1999 January	122.5	9.1	12.3	25.7	9.0	4.0	4.1	4.7	1.4	0.7	5.6
February	124.8	8.7	11.6	28.9	7.3	4.2	4.6	4.3	0.0	1.9	5.6
March	123.9	8.9	11.4	25.6	7.8	5.0	5.1	4.4	0.2	4.5	6.1
April	123.1	6.5	7.6	14.2	5.9	4.8	4.6	4.1	0.0	4.8	5.8
May	122.6	4.6	4.9	0.0	6.1	4.2	3.8	3.6	0.0	4.2	5.1
June	122.2	4.3	4.2	-2.1	5.8	4.3	4.5	4.0	1.2	3.9	5.1
July	121.7	4.4	4.3	-1.5	5.8	4.4	4.5	4.0	2.3	3.5	5.3
August	121.2	2.8	2.1	-10.3	5.2	3.9	3.8	3.9	1.9	3.2	4.5
September	120.5	1.2	0.0	-14.5	3.6	3.0	3.3	3.1	2.6	1.8	3.4
October	119.2	-0.2	-2.1	-16.7	1.6	2.8	2.9	3.6	2.3	1.8	3.1
November	119.7	0.2	-1.2	-13.2	1.8	2.4	1.8	2.9	1.5	1.5	2.9
December	120.3	-0.2	-2.1	-12.3	0.4	2.9	1.9	3.6	2.6	1.6	3.6
Average	121.8	4.1	4.3	1.3	5.0	3.9	3.7	3.9	1.3	2.8	4.7
2000 January	120.8	-1.4	-3.4	-11.1	-1.5	1.8	1.7	2.1	2.7	0.3	2.3
February	122.7	-1.7	-3.6	-12.7	-1.3	1.3	1.0	1.5	3.8	-0.9	1.9
March	121.3	-2.1	-4.3	-9.4	-3.0	1.3	0.4	1.6	5.3	0.0	1.4
April	120.4	-2.2	-4.2	-10.0	-2.8	1.0	-0.1	0.5	4.9	0.3	1.1
May	119.7	-2.4	-4.8	-9.1	-3.7	1.5	0.4	1.2	5.2	0.9	1.5
June	119.1	-2.5	-5.2	-9.4	-4.1	1.6	0.2	1.8	4.8	1.4	1.6
July	118.4	-2.7	-5.5	-11.5	-4.1	1.7	0.2	1.8	4.6	1.3	1.8
August	118.5	-2.2	-4.8	-11.1	-3.3	1.8	0.0	1.9	4.5	1.5	2.2
September	118.3	-1.8	-4.2	-10.4	-2.7	1.9	0.1	2.1	4.3	1.3	2.4
October	118.4	-0.7	-2.5	-7.7	-1.2	2.2	0.2	2.2	5.1	2.1	2.4
November	119.5	-0.2	-1.8	-9.2	0.0	2.4	0.8	2.2	5.1	2.5	2.6
December	119.6	-0.6	-2.3	-8.3	-0.7	2.0	0.5	2.3	4.6	1.9	2.1
Average	119.7	-1.7	-3.9	-10.1	-2.4	1.7	0.5	1.8	4.6	1.1	1.9
2001 January	119.9	-0.7	-2.7	-11.6	-0.4	2.2	0.9	2.3	4.4	2.3	2.3
February	120.4	-1.9	-4.1	-11.1	-2.4	1.7	-0.3	2.0	3.6	1.8	1.9
March	119.5	-1.5	-3.7	-12.0	-1.6	2.0	0.2	2.2	2.4	1.0	2.9
April	118.9	-1.2	-3.3	-10.5	-1.6	2.0	0.9	3.2	3.0	0.4	2.6
May	118.7	-0.8	-2.6	-10.4	-0.7	1.9	1.1	2.8	2.3	-0.1	2.8
June	118.7	-0.3	-1.6	-6.8	-0.3	1.7	0.8	2.2	2.0	-0.6	2.7
July	118.9	0.5	-0.3	-0.3	-0.3	1.6	0.9	2.1	1.9	-0.2	2.5
August	118.9	0.4	0.1	0.8	-0.1	0.8	0.4	2.2	1.4	-0.6	1.0
September	119.5	1.0	1.1	3.6	0.4	1.0	1.2	2.1	1.3	-0.4	1.2
October	119.3	0.8	0.9	2.5	0.4	0.6	1.1	1.7	0.3	-1.9	1.2

Sources: General Statistical Office; and staff estimates.

1/ Beginning in January 1998, the CPI index calculated using a new methodology that incorporates different weights on and sub-items in the components.

2/ Beginning in July 2001, the weights on and sub-items in the components were changed. However, for the purpose of this table, the previous weights are maintained in computing the overall index.

3/ Beginning in 1998, all nonfood items.

4/ Staff estimates.

Table 5. Vietnam: Gross Value of Agricultural Production at Constant Prices, 1995-2000

	1995	1996	1997	1998	1999	2000 Estimate
(In billions of dong, at constant 1994 prices)						
Total	79,812	83,967	89,958	93,502	100,283	105,365
Food crops	54,034	56,814	59,942	62,257	66,322	68,937
Paddy and other cereals	42,110	44,654	46,593	49,060	52,738	54,938
Vegetables and beans	4,984	5,088	5,441	5,682	5,947	5,891
Fruits	5,578	5,688	6,132	6,091	6,193	6,638
Other	1,362	1,384	1,775	1,424	1,444	1,470
Industrial crops	12,149	12,806	14,551	15,042	16,624	17,923
Animal husbandry	13,629	14,347	15,465	16,204	17,337	18,505
(In percent total production)						
Food crops	67.7	67.7	66.6	66.6	66.1	65.4
Paddy and other cereals	52.8	53.2	51.8	52.5	52.6	52.1
Vegetables and beans	6.2	6.1	6.0	6.1	5.9	5.6
Fruits	7.0	6.8	6.8	6.5	6.2	6.3
Other	1.7	1.6	2.0	1.5	1.4	1.4
Industrial crops	15.2	15.3	16.2	16.1	16.6	17.0
Animal husbandry	17.1	17.1	17.2	17.3	17.3	17.6
(Annual percentage change)						
Total	6.6	5.2	7.1	3.9	7.3	5.1
Food crops	5.0	5.1	5.5	3.9	6.5	3.9
Paddy and other cereals	4.7	6.0	4.3	5.3	7.5	4.2
Vegetables and beans	10.0	2.1	6.9	4.4	4.7	-0.9
Fruits	2.7	2.0	7.8	-0.7	1.7	7.2
Other	6.1	1.6	28.3	-19.8	1.4	1.8
Industrial crops	17.6	5.4	13.6	3.4	10.5	7.8
Animal husbandry	4.5	5.3	7.8	4.8	7.0	6.7

Source: General Statistical Office.

Table 6. Vietnam: Production of Food Staples, 1995-2000

	1995	1996	1997	1998	1999	2000 Estimate
(In thousands of tons)						
<b>Total production</b>	27,571	29,218	30,618	31,854	34,254	...
<b>By product</b>						
Rice paddy	24,964	26,397	27,524	29,146	31,394	32,554
Spring crop	10,737	12,210	13,310	13,560	14,104	15,562
Autumn crop	6,501	6,879	6,638	7,523	8,757	8,612
Winter crop	7,726	7,309	7,576	8,063	8,533	8,380
Other staples (rice equivalent units)	2,607	2,821	3,094	2,708	2,860	...
Other staples (gross output)	5,334	5,301	5,745	4,911	5,304	5,624
Maize	1,177	1,537	1,651	1,612	1,752	1,930
Sweet potato	1,686	1,697	1,691	1,526	1,745	1,658
Cassava	2,212	2,067	2,403	1,773	1,807	2,036
Potatoes	260	...	...	...	...	...
<b>By region</b>						
North	10,576	10,927	12,015	12,093	13,170	...
South	16,995	18,291	18,603	19,761	21,084	...
(Annual percentage change)						
<b>Total production</b>	5.2	6.0	4.8	4.0	7.5	...
<b>Rice paddy</b>	6.1	5.7	4.3	5.9	7.7	3.7
Spring crop	2.2	13.7	9.0	1.9	4.0	10.3
Autumn crop	15.5	5.8	-3.5	13.3	16.4	-1.7
Winter crop	4.5	-5.4	3.7	6.4	5.8	-1.8
<b>Other staples (rice equivalent units)</b>	-2.4	8.2	9.7	-12.5	5.6	...
Maize	2.9	30.5	7.4	-2.4	8.7	10.2
Sweet potato	-11.5	0.7	-0.4	-9.8	14.4	-5.0
Cassava	-6.2	-6.5	16.2	-26.2	1.9	12.7
Potatoes	0.2	...	...	...	...	...
(In thousands of hectares)						
<b>Total area cultivated</b>	7,973	8,217	8,330	8,587	8,874	...
<b>By product</b>						
Rice paddy	6,766	7,004	7,100	7,363	7,654	7,655
Spring crop	2,421	2,541	2,683	2,783	2,890	3,012
Autumn crop	1,742	1,984	1,885	2,141	2,341	2,293
Winter crop	2,602	2,479	2,532	2,439	2,423	2,350
Other staples	1,207	1,213	1,230	1,224	1,220	...
Maize	557	615	663	650	692	714
Sweet potato	305	303	267	254	270	258
Cassava	278	276	254	236	225	235
Other	68	20	46	84	33	...
<b>By region</b>						
North	3,333	3,304	3,365	3,346	3,379	...
South	4,640	4,913	4,965	5,241	5,495	...
(In metric tons per hectare)						
<b>Yield</b>						
<b>By product</b>						
Rice paddy	3.7	3.8	3.9	4.0	4.1	4.3
Spring crop	4.4	4.8	5.0	4.9	4.9	5.2
Autumn crop	3.7	3.5	3.5	3.5	3.7	3.8
Winter crop	3.0	2.9	3.0	3.3	3.5	3.6
Maize	2.1	2.5	2.5	2.5	2.5	2.7
Sweet potato	5.5	5.6	6.3	6.0	6.5	6.4
Cassava	8.0	7.5	9.5	7.5	8.0	8.7
<b>By region</b>						
North	3.2	3.3	3.6	3.6	3.9	...
South	3.7	3.7	3.7	3.8	3.8	...
(In metric tons per capita)						
<b>Per capita production</b>						
<b>Total staples (in metric tons per capita)</b>	0.383	0.399	0.412	0.422	0.447	...
Rice	0.347	0.361	0.370	0.386	0.410	0.419
Other staples	0.036	0.039	0.042	0.036	0.037	...
(in percent of total staples production)	9.5	9.7	10.1	8.5	8.3	...
<b>Total staples (1994 = 100)</b>	103.5	108.0	111.4	114.1	120.9	...
Rice	104.4	108.6	111.5	116.3	123.4	126.1
Other staples	96.0	102.3	110.4	95.2	99.0	...
<b>Total staples (annual percentage change)</b>	3.5	4.3	3.2	2.5	5.9	...
Rice	4.4	4.1	2.7	4.3	6.1	2.2
Other staples	-4.0	6.5	8.0	-13.8	4.0	...

Sources: Ministry of Agriculture and Forestry and General Statistical Office; and staff estimates.

Table 7. Vietnam: Industrial Crop Production and Livestock, 1995-2000

	1995	1996	1997	1998	1999	2000 Estimate
(In thousands of metric tons)						
<b>Production of annual crops</b>						
Cotton	12.8	11.2	14.1	22.0	22.2	19.1
Jute	14.8	15.0	22.3	14.6	9.4	11.0
Rush	75.6	55.0	80.9	69.9	72.5	57.8
Sugarcane	10,711	11,372	11,921	13,844	17,760	15,246
Peanuts	334.4	357.7	351.3	386.0	318.1	352.9
Soybeans	125.5	113.8	113.0	146.7	147.2	141.9
Tobacco	27.7	23.5	27.2	33.3	35.6	27.2
<b>Production of perennial crops</b>						
Tea	40.2	46.8	52.2	56.6	70.3	76.5
Coffee	218.0	320.1	420.5	409.3	509.8	698.2
Rubber	124.7	142.5	186.5	193.5	248.7	291.9
Coconut	1165.3	1317.8	1317.6	1105.6	1104.2	968.0
Pepper	9.3	10.5	13.0	15.9	31.0	37.0
(Annual percentage change)						
Cotton	47.1	-12.5	25.9	56.0	0.9	-14.0
Jute	15.6	1.4	4.3	-34.5	-35.6	17.0
Rush	9.4	-27.2	4.3	-13.6	3.7	-20.3
Sugarcane	41.9	6.7	4.3	16.1	28.3	-14.2
Peanuts	13.6	7.0	-0.2	9.9	-17.6	10.9
Soybeans	0.8	-9.3	-0.9	29.8	0.3	-3.6
Tobacco	27.6	-15.2	12.5	22.4	6.9	-23.6
Tea	-4.3	16.4	10.6	8.4	24.2	8.8
Coffee	21.1	46.8	31.6	-2.7	24.6	37.0
Rubber	-3.2	14.3	30.9	3.8	28.5	17.4
(In thousands of hectares)						
<b>Area cultivated of annual crops</b>						
Cotton	691.9	666.1	681.1	754.5	789.6	726.7
Jute	17.5	15.0	15.2	23.8	21.2	18.9
Rush	7.5	8.0	11.6	6.7	4.1	5.7
Sugarcane	10.4	9.1	11.1	9.8	10.9	8.6
Sugarcane	224.8	237.0	257.0	283.0	344.2	302.9
Peanuts	259.9	262.7	253.5	269.4	247.6	243.9
Soybeans	121.1	110.4	106.4	129.4	129.1	122.3
Tobacco	27.7	23.9	26.3	32.4	32.5	24.4
<b>Area cultivated of perennial crops</b>						
Tea	704.4	811.2	936.4	993.4	1051.2	1176.3
Tea	66.7	74.7	78.6	77.4	84.8	89.5
Coffee	186.4	254.0	340.4	370.6	408.0	516.7
Rubber	278.4	303.0	347.5	382.0	394.9	406.9
Coconut	172.9	179.5	169.9	163.4	163.5	163.2
Pepper	7.0	7.5	9.8	12.8	17.6	24.5
(In output per hectare, in metric tons)						
Cotton	0.7	0.7	0.9	0.9	1.0	1.0
Jute	2.0	1.9	1.9	2.2	2.3	1.9
Rush	7.3	6.0	7.3	7.1	6.7	6.7
Sugarcane	47.6	48.0	46.4	48.9	51.6	50.3
Peanut	1.3	1.4	1.4	1.4	1.3	1.4
Soybeans	1.0	1.0	1.1	1.1	1.1	1.2
Tobacco	1.0	1.0	1.0	1.0	1.1	1.1
Tea	0.6	0.6	0.7	0.7	0.8	0.9
Coffee	1.2	1.3	1.2	1.1	1.2	1.4
Rubber	0.4	0.5	0.5	0.5	0.6	0.7
(in millions of heads)						
<b>Livestock</b>						
Buffalo	3.0	3.0	2.9	3.0	3.0	2.8
Cattle	3.6	3.8	3.9	4.0	4.1	4.1
Pigs (over two months old)	16.3	16.9	17.6	18.1	18.9	20.2
Poultry	142.1	151.4	160.6	166.4	179.3	196.1

Sources: Ministry of Agriculture and Forestry and General Statistical Office.

Table 8. Vietnam: Gross Value of Industrial Production at Constant Prices, 1995-2000 1/

	1995	1996	1997	1998	1999	2000 Estimate
(In trillions of dong, at constant 1994 prices)						
<b>Mining</b>	13.9	16.0	18.3	21.1	24.6	26.4
Coal	1.7	1.9	2.2	2.1	2.0	2.2
Oil and gas	10.8	12.5	14.2	16.9	20.6	21.9
Metal ores	0.2	0.3	0.2	0.2	0.2	0.2
Stone and other mining	1.2	1.3	1.7	1.9	1.8	2.1
<b>Manufacturing</b>	83.2	94.9	107.7	120.7	133.6	157.3
Food and beverages	27.0	30.9	34.0	36.5	37.7	39.4
Cigarettes and tobacco	4.0	4.2	4.4	4.9	4.8	5.6
Textiles and garments	9.1	9.8	11.6	13.1	13.6	15.4
Textile	6.2	6.4	7.3	8.4	8.4	9.4
Garments	2.9	3.4	4.3	4.7	5.2	6.0
Leather tanning and processing	3.6	4.5	6.6	7.1	7.7	8.9
Wood and paper products	5.2	5.5	5.7	6.2	6.7	7.8
Wood products	3.3	3.2	3.1	3.0	3.2	3.7
Paper	1.9	2.3	2.6	3.2	3.5	4.1
Printing, copying, publishing	1.5	1.5	1.6	1.9	2.0	2.2
Chemical and petroleum products	5.4	6.5	7.3	8.2	9.8	12.0
Coke and petroleum	0.3	0.2	0.1	0.1	0.1	0.1
Chemicals	5.1	6.3	7.2	8.1	9.7	11.9
Rubber and plastics	2.3	2.8	3.5	4.4	5.4	6.8
Nonmetallic products	9.2	10.1	12.2	13.7	14.8	17.4
Metal products	5.7	7.0	7.6	8.3	10.0	11.9
Metallic products	3.4	4.1	4.0	4.1	5.0	5.8
Products made of metal	2.3	2.9	3.6	4.2	5.0	6.1
Machinery and equipment	1.4	1.6	1.7	2.1	4.0	7.7
Computer and office equipment	0.0	0.0	0.0	0.2	1.7	5.1
Other machinery and equipment	1.4	1.6	1.7	1.9	2.3	2.6
Electric and electronic products	3.4	4.7	5.1	6.2	7.3	8.7
Radio, TV, telecom. equipment	2.1	3.1	3.3	3.5	4.0	4.6
Medical instruments	0.2	0.3	0.2	0.4	0.4	0.4
Other electric and electronic products	1.1	1.3	1.6	2.3	2.9	3.7
Vehicles and transport equipment	3.4	3.4	3.4	5.1	6.5	9.2
Assembling and repairing of motor vehicles	1.5	1.4	1.6	1.7	1.8	2.1
Transport equipment	1.9	2.0	1.8	3.4	4.5	7.1
Furniture and other	2.0	2.3	3.0	3.0	3.5	4.3
Furniture	1.9	2.2	2.8	2.8	3.4	4.2
Other	0.1	0.1	0.2	0.2	0.1	0.1
<b>Electricity, gas, and water</b>	6.2	7.3	8.4	9.4	10.5	11.6
Electricity and gas	5.4	6.5	7.6	8.5	9.5	10.6
Water supply	0.8	0.8	0.8	0.9	1.0	1.0
<b>Total</b>	<b>102.4</b>	<b>118.1</b>	<b>134.4</b>	<b>151.2</b>	<b>168.7</b>	<b>195.3</b>
(Annual percentage change)						
<b>Mining</b>	13.5	15.1	14.4	15.3	16.6	7.3
Oil and gas	13.2	15.7	13.6	19.0	21.9	6.3
<b>Manufacturing</b>	13.5	14.0	13.5	12.1	10.7	17.7
Food and beverages	12.9	14.4	10.0	7.4	3.3	4.5
Textiles and garments	46.4	7.7	18.4	12.9	3.8	13.2
Metal products	...	22.8	7.9	9.9	20.5	19.0
Electric and electronic products	...	38.2	8.5	21.6	17.7	19.2
Vehicles and transport equipment	...	0.0	-1.4	52.1	23.5	46.0
<b>Electricity, gas, and water</b>	18.5	18.7	15.1	11.9	11.7	10.5
<b>Total</b>	<b>14.5</b>	<b>14.2</b>	<b>13.8</b>	<b>12.5</b>	<b>11.6</b>	<b>15.7</b>

Source: General Statistical Office.

1/ Due to reclassification of industrial activities, previously published industrial sector data are not comparable with the data in this table.

Table 9. Vietnam: Industrial Production by Sector of Ownership at Constant Prices, 1995-2000 1/

	1995	1996	1997	1998	1999	2000 Estimate
(In billions of dong, at constant 1994 prices)						
Total industrial production	103,375	118,097	134,420	151,224	168,749	195,321
State sector	51,991	58,166	64,474	69,463	73,208	82,101
Central	33,920	38,411	42,215	45,677	48,395	53,575
Local	18,071	19,755	22,259	23,786	24,813	28,526
Nonstate sector	25,451	28,368	31,068	33,403	37,027	43,809
Cooperatives	650	684	751	859	1,076	...
Private	2,277	2,792	3,224	3,383	3,718	...
Household	18,191	18,977	19,704	20,827	21,983	...
Mixed	4,333	5,915	7,389	8,334	10,250	...
Foreign invested sector	25,933	31,562	38,878	48,358	58,514	69,411
of which: oil and gas	10,811	12,467	14,207	16,839	20,532	21,876
(excluding oil and gas)	15,121	19,095	24,671	31,520	37,982	47,535
(In percent of total industrial production)						
State sector	50.3	49.3	48.0	45.9	43.4	42.0
Central	32.8	32.5	31.4	30.2	28.7	27.4
Local	17.5	16.7	16.6	15.7	14.7	14.6
Nonstate sector	24.6	24.0	23.1	22.1	21.9	22.4
Cooperatives	0.6	0.6	0.6	0.6	0.6	...
Private	2.2	2.4	2.4	2.2	2.2	...
Household	17.6	16.1	14.7	13.8	13.0	...
Mixed	4.2	5.0	5.5	5.5	6.1	...
Foreign invested sector	25.1	26.7	28.9	32.0	34.7	35.5
(excluding oil and gas)	14.6	16.2	18.4	20.8	22.5	24.3
(Annual percentage change)						
Total industrial production	14.5	14.2	13.8	12.5	11.6	15.7
State sector	13.6	11.9	10.8	7.7	5.4	12.1
Central	14.0	13.2	9.9	8.2	6.0	10.7
Local	12.6	9.3	12.7	6.9	4.3	15.0
Nonstate sector 2/	18.5	11.5	9.5	7.5	10.8	18.3
Cooperatives	...	5.2	9.8	14.4	25.3	...
Private	...	22.6	15.5	4.9	9.9	...
Household	...	4.3	3.8	5.7	5.6	...
Mixed	...	36.5	24.9	12.8	23.0	...
Foreign invested sector	...	21.7	23.2	24.4	21.0	18.6
(excluding oil and gas)	...	26.3	29.2	27.8	20.5	25.2

Sources: General Statistical Office; and staff estimates.

1/ Due to reclassification of industrial activities, previously published industrial sector data are not comparable with the data in this table.

2/ Growth rate for 1995 covers both nonstate and foreign invested sectors.



Table 10. Vietnam: Population and Employment, 1995-2000 1/

	1995	1996	1997	1998	1999	2000 Estimate
(In thousands of persons, unless otherwise indicated)						
Total population 2/	71,996	73,157	74,307	75,456	76,597	77,686
(annual percentage change)	1.7	1.6	1.6	1.5	1.5	1.4
Urban 3/	14,938	15,420	16,835	17,465	18,082	18,620
(annual percentage change)	3.6	3.2	9.2	3.7	3.5	3.0
Rural 3/	57,057	57,737	57,472	57,992	58,515	59,066
(annual percentage change)	1.2	1.2	-0.5	0.9	0.9	0.9
Total employment	34,590	35,792	36,994	37,877	35,731	36,206
Unemployment rate 4/	5.8	5.9	6.0	6.9	6.7	6.4
(In percent of total population)						
Urban 3/	20.7	21.1	22.7	23.1	23.6	24.0
Rural 3/	79.3	78.9	77.3	76.9	76.4	76.0
Female	51.1	51.0	50.9	50.8	50.8	50.8
Male	48.9	49.0	49.1	49.2	49.2	49.2
Age under 15	...	...	...	...	30.5	30.1
Age 15-59	...	...	...	...	60.5	60.9
Age 60 and over	...	...	...	...	9.1	9.0
Total employment	48.0	48.9	49.8	50.2	47.3	46.6
(In thousands of persons)						
Total employment	34,590	35,792	36,994	37,877	35,731	36,206
Nonstate sector	31,537	32,654	33,727	34,494	32,298	32,791
State sector 5/	3,053	3,138	3,267	3,383	3,433	3,414
Government	1,258	1,278	...	...	...	...
Central	261	201	...	...	...	...
Local	997	1,077	...	...	...	...
State enterprises	1,795	1,860	...	...	...	...
Central	1,001	1,084	...	...	...	...
Local	794	776	...	...	...	...
(In percent of total employment)						
Nonstate sector	91.2	91.2	91.2	91.1	90.4	90.6
State sector	8.8	8.8	8.8	8.9	9.6	9.4
Government	3.6	3.6	...	...	...	...
Central	0.8	0.6	...	...	...	...
Local	2.9	3.0	...	...	...	...
State enterprises	5.2	5.2	...	...	...	...
Central	2.9	3.0	...	...	...	...
Local	2.3	2.2	...	...	...	...
(Annual percentage change)						
Total employment	2.7	3.5	3.4	2.4	...	1.3
Nonstate sector	2.6	3.5	3.3	2.3	...	1.5
State sector	4.3	2.8	4.1	3.6	1.5	-0.6
Government	6.8	1.6	...	...	...	...
Central	1.6	-23.0	...	...	...	...
Local	8.3	8.0	...	...	...	...
State enterprises	2.6	3.6	...	...	...	...
Central	1.4	8.3	...	...	...	...
Local	4.0	-2.3	...	...	...	...

Sources: General Statistical Office (GSO) and Ministry of Labour, Invalids, and Social Affairs (MOLISA); and staff estimates.

1/ Beginning in 1999, employment data are as reported in the *Status of Labour - Employment in Vietnam* (MOLISA). Previously, as reported in the various *Statistical Yearbooks* (GSO).

2/ Annual official estimates adjusted on the basis of the 1989 and 1999 census.

3/ Armed forces and some other special groups are excluded from urban/rural categories.

4/ For labor force in urban area comprising males 15 to 60 years old and females 15-55 years old.

5/ As reported by GSO.

Table 11. Vietnam: Total and Nonstate Employment by Sector, 1995-2000 1/

	1995	1996	1997	1998	1999	2000 Estimate
<b>1. State and nonstate employment</b>						
(In thousands of persons)						
<b>Total employment</b>	34,590	35,792	36,994	37,877	35,731	36,205
Agriculture, fisheries, and forestry	24,122	24,775	25,443	26,070	22,726	22,670
Industry and construction	4,582	4,629	4,633	4,636	4,450	4,744
Industry 2/	3,587	3,653	3,656	3,656	...	...
Construction	996	975	977	980	...	...
Trade, transport, and communications	2,451	2,734	3,190	...	...	...
Trade	1,888	2,159	2,672	...	...	...
Transport and communications	563	575	519	...	...	...
Education, health, science, and arts	1,385	1,422	1,432	...	...	...
Other 2/	2,050	2,232	2,296	...	...	...
(Annual percentage change)						
Total employment	2.7	3.5	3.4	2.4	...	1.5
Agriculture, fisheries, and forestry	0.0	2.7	2.7	2.5	...	-0.2
Industry and construction	5.3	1.0	0.1	0.1	...	6.6
Trade, transport, and communications	2.9	11.5	16.7	..	...	...
Education, health, science, and arts	-0.7	2.7	0.7	...	...	...
Other 2/	45.9	8.9	2.9	...	...	...
(In percent of total employment)						
Agriculture, fisheries, and forestry	69.7	69.2	68.8	68.8	63.6	62.6
Industry and construction	13.2	12.9	12.5	12.2	12.5	13.1
Trade, transport, and communications	7.1	7.6	8.6	...	...	...
Education, health, science, and arts	4.0	4.0	3.9	...	...	...
Other 3/	5.9	6.2	6.2	...	...	...
(In thousands of dong at 1994 prices)						
<b>Total output per worker</b>	5,654	5,974	6,251	6,458	6,699	7,078
Agriculture, fisheries, and forestry	2,128	2,163	2,197	2,220	2,532	2,686
Industry and construction	12,777	14,479	16,292	17,637	18,296	18,561
Trade, transport, and communications	16,913	16,570	15,234	...	...	...
Other 2/	12,883	13,119	13,759	...	...	...
(Annual percentage change)						
Total output per worker	6.6	5.7	4.6	3.3	...	5.7
Agriculture, fisheries, and forestry	4.8	1.6	1.6	1.0	...	6.1
Industry and construction	7.9	13.3	12.5	8.3	...	1.4
Trade, transport, and communications	7.9	-2.0	-8.1	...	...	...
<b>2. Nonstate employment 4/</b>						
(In thousands of persons)						
<b>Total nonstate employment</b>	21,537	32,654	33,727	34,494	32,298	32,791
Agriculture, fisheries, and forestry	23,840	24,527	25,186	25,827	...	...
Industry and construction	3,532	3,547	3,487	3,426	...	...
Industry 2/	2,833	2,866	2,849	2,814	...	...
Construction	699	681	638	612	...	...
Trade, transport, and communications	2,057	2,317	2,788	...	...	...
Trade	1,689	1,951	2,467	...	...	...
Transport and communications	368	366	322	...	...	...
Education, health, science, and arts	452	450	416	...	...	...
Other 3/	1,656	1,814	1,850	...	...	...
(Annual percentage change)						
Total nonstate employment	2.6	3.5	3.3	2.3	...	1.5
Agriculture, fisheries, and forestry	0.0	2.9	2.7	2.5	...	...
Industry and construction	5.1	0.4	-1.7	-1.7	...	...
Trade, transport, and communications	3.2	12.6	20.4	...	...	...
Education, health, science, and arts	-10.2	-0.6	-7.4	...	...	...
Other 2/	59.6	9.5	2.0	...	...	...
(In percent of total nonstate employment)						
Agriculture, fisheries, and forestry	75.6	75.1	74.7	68.2	...	...
Industry and construction	11.2	10.9	10.3	9.0	...	...
Trade, transport, and communications	6.5	7.1	8.3	...	...	...
Education, health, science, and arts	1.4	1.4	1.2	...	...	...
Other 3/	5.3	5.6	5.5	...	...	...

Sources: General Statistical Office, Central Institute for Economic Management, and Ministry of Labour, Invalids and Social Affairs (MOLISA); and staff estimates.

1/ Beginning in 1999, employment data are as reported in the *Status of Labour - Employment in Vietnam* (MOLISA).

2/ Includes mining and quarrying and electricity, gas, and water supply.

3/ Includes unclassified workers.

4/ Employment outside central and local government and state-owned enterprises.

Table 12. Vietnam: Employment in the State Sector, 1995-2000

	1995	1996	1997	1998	1999	2000 Estimate
(In thousands of persons)						
Total employment	3,053	3,138	3,267	3,383	3,433	3,414
Agriculture and forestry	282	248	257	243	222	224
Industry and construction	1,051	1,082	1,146	1,210	1,242	1,235
Industry	754	787	807	842	865	865
Construction	297	294	338	368	377	370
Trade, transport, and communications	393	417	402	400	389	387
Trade	198	208	205	201	187	176
Transport and communications	195	210	197	199	202	211
Education, health, science, and arts	933	973	1,016	1,070	1,100	1,110
Education	711	741	777	818	849	856
Science	27	32	32	37	33	35
Culture, arts, and sport	32	32	33	35	35	29
Public health	163	168	173	180	183	190
Other	394	418	447	460	480	458
(In percent of total state sector employment)						
Agriculture and forestry	9.2	7.9	7.9	7.2	6.5	6.6
Industry and construction	34.4	34.5	35.1	35.8	36.2	36.2
Trade, transport, and communications	12.9	13.3	12.3	11.8	11.3	11.3
Education, health, science, and arts	30.5	31.0	31.1	31.6	32.0	32.5
Other	12.9	13.3	13.7	13.6	14.0	13.4
(Annual percentage change)						
Total employment	4.3	2.8	4.1	3.6	1.5	-0.6
Agriculture and forestry	-2.3	-12.1	3.6	-5.4	-8.6	0.9
Industry and construction	6.0	2.9	5.9	5.6	2.6	-0.6
Trade, transport, and communications	1.0	6.0	-3.6	-0.5	-2.8	-0.5
Education, health, science, and arts	4.7	4.3	4.4	5.4	2.8	0.9
Other	7.2	6.2	6.8	3.0	4.4	-4.6
(In thousands of dong per month)						
Average nominal wage 1/	478	543	642	697	729	736
Industry	754	708	841	898	947	937
Construction	499	573	738	807	794	770
Agriculture	366	422	480	514	564	555
Transportation	879	1,018	1,132	1,304	1,258	1,264
Trade	490	582	688	742	768	725
Education	310	329	405	451	501	512
Science	361	505	555	673	585	611
Culture, arts, and sports	347	400	453	540	520	526
Public health	327	363	440	480	508	520
State management	357	380	435	449	458	541
Financial intermediation	807	940	...	...	...	...
Average real wage growth 2/	4.3	7.5	14.5	1.2	0.5	2.7
Industry	11.6	-11.1	15.0	-0.4	1.3	0.7
Construction	1.9	8.5	25.0	1.9	-5.5	-1.3
Agriculture	8.9	8.9	10.2	-0.1	5.4	0.1
Transportation	35.2	9.6	7.6	7.4	-7.3	2.2
Trade	3.6	12.3	14.6	0.6	-0.6	-4.0
Education	-10.2	0.5	19.4	3.8	6.7	4.0
Science	-11.9	32.3	6.4	13.2	-16.5	6.3
Culture, arts, and sports	-4.8	9.0	9.7	11.1	-7.5	2.9
Public health	-7.0	5.0	17.4	1.8	1.6	4.1
State management	-7.3	0.7	11.0	-3.8	-2.0	20.2
Financial intermediation	0.9	10.2	...	...	...	...
Consumer price inflation	17.4	5.7	3.2	7.3	4.1	-1.7

Sources: General Statistical Office (GSO); and staff estimates.

1/ Cash income, including payments in kind, bonus payments, and social security contributions.

2/ Nominal wage growth deflated by consumer price inflation.

Table 13. Vietnam: Summary of General Government Budgetary Operations, 1995-2001 1/

	1995	1996	1997	1998	1999	2000	2001 Budget 2/
(In trillions of dong)							
Revenue and grants	53.4	62.4	65.4	73.0	78.5	90.7	86.3
Revenue	51.8	60.8	62.8	70.8	76.1	88.8	84.4
Tax revenue	40.0	50.3	49.7	55.7	60.3	64.1	65.9
Nontax revenue	11.8	10.6	13.1	15.2	15.8	24.7	18.5
Grants	1.6	1.5	2.6	2.1	2.4	1.9	1.9
Total expenditure (including onlending)	55.1	64.3	77.6	78.8	88.9	109.7	116.1
(excluding onlending)	54.6	62.9	70.7	73.4	81.8	99.3	105.7
Current expenditure	42.5	47.3	51.3	52.9	55.1	65.7	70.4
Current non-interest expenditures	39.6	44.6	49.4	50.9	52.8	62.6	66.1
Interest payments (paid)	2.9	2.7	1.9	2.1	2.3	3.1	4.3
(scheduled)	4.1	4.1	3.9	2.1	2.3	3.1	4.3
Capital expenditure and onlending	12.6	17.1	26.4	25.9	33.8	44.0	43.3
of which: onlending	0.5	1.4	6.9	5.4	7.1	10.4	10.4
Contingency	0.0	0.0	0.0	0.0	0.0	0.0	2.4
Capital costs of structural reform 3/	0.0	0.0	0.0	2.4	0.0	0.0	0.0
Overall fiscal balance (excluding onlending and capital costs of reform)	-1.2	-0.5	-5.4	-0.5	-3.3	-8.6	-19.4
Overall fiscal balance (including onlending)	-1.7	-1.9	-12.3	-5.8	-10.4	-19.1	-29.8
Augmented balance (including onlending and capital costs of reform)	-1.7	-1.9	-12.3	-8.2	-10.4	-19.1	-29.8
Financing	1.7	1.9	12.3	8.2	10.4	19.1	29.8
Domestic (net)	2.7	0.6	5.2	0.8	-1.5	4.4	14.3
Banking system 4/	0.1	-0.3	0.0	-0.8	-5.4	-3.4	...
Nonbanks 5/	2.6	0.8	5.2	1.6	3.9	7.8	...
Foreign (net)	-1.0	1.4	7.1	7.4	11.9	14.6	15.5
Disbursements	2.0	3.8	10.2	10.2	14.8	17.0	18.0
Amortization paid (-)	3.0	2.5	3.2	2.8	3.0	2.4	2.5
(In percent of GDP)							
Revenue and grants	23.3	22.9	20.8	20.2	19.8	21.1	18.9
Revenue	22.6	22.4	20.0	19.6	19.2	20.7	18.4
Tax revenue	17.5	18.5	15.8	15.4	15.2	14.9	14.4
Nontax revenue	5.1	3.9	4.2	4.2	4.0	5.7	4.0
Grants	0.7	0.6	0.8	0.6	0.6	0.4	0.4
Total expenditure (including onlending)	24.1	23.6	24.8	21.9	22.4	25.5	25.4
(excluding onlending)	23.8	23.1	22.6	20.4	20.6	23.1	23.1
Current expenditure	18.6	17.4	16.3	14.7	13.9	15.3	15.4
Current non-interest expenditure	17.3	16.4	15.7	14.1	13.3	14.6	14.5
Interest payments (paid)	1.3	1.0	0.6	0.6	0.6	0.7	0.9
Capital expenditure and onlending	5.5	6.3	8.4	7.2	8.5	10.2	9.5
Contingency	0.0	0.0	0.0	0.0	0.0	0.0	0.5
Overall fiscal balance (excluding onlending)	-0.5	-0.2	-1.7	-0.1	-0.8	-2.0	-4.2
Overall fiscal balance (including onlending)	-0.8	-0.7	-3.9	-1.6	-2.6	-4.4	-6.5
Financing	0.8	0.7	3.9	1.6	2.6	4.4	6.5
Domestic (net)	1.2	0.2	1.7	0.2	-0.4	1.0	3.1
Banking system 4/	0.0	-0.1	0.0	-0.2	-1.4	-0.8	...
Nonbanks 5/	1.1	0.3	1.7	0.5	1.0	1.8	...
Foreign (net)	-0.4	0.5	2.3	2.1	3.0	3.4	3.4
(In trillions of dong, unless otherwise indicated)							
Memorandum items:							
Expenditures managed at units 6/	...	...	4.8	3.6	4.8	5.3	7.4
(in percent of GDP)	...	...	1.5	1.0	1.2	1.2	1.6
Wage and salary bill	14.5	16.2	18.9	19.6	22.9	27.9	33.2
(in percent of GDP)	6.3	6.0	6.0	5.4	5.8	6.5	7.3
Total social expenditure (in percent of GDP) 7/	...	...	...	5.0	5.3	6.1	...

Sources: Ministry of Finance; and staff estimates and projections.

1/ Cash basis.

2/ Excludes current and capital costs of banking and state-owned enterprise reform.

3/ Includes capital costs of bank restructuring estimated at D 2.4 trillion (0.7 percent of GDP) in 1998.

4/ The difference between bank financing and net claims on government in the monetary survey for 1998 is due to bank recapitalization operations.

5/ Domestic nonbank financing is derived as a residual and includes statistical discrepancy.

6/ Self-financed expenditure undertaken by administrative units of the central and local governments, which are excluded from the above budget presentation.

7/ Staff estimate based on (i) current social expenditure in the budget on education and training, health, and family planning; (ii) safety net costs of state-owned enterprise reform; (iii) targeted capital spending programs in poverty reduction and employment, clean water and public health, family planning, education and training, and reforestation; and (iv) other capital expenditure on education and training and health, and on poverty-related projects in the agriculture, transportation, and electricity and water sectors. Excludes social security.

Table 14. Vietnam: Government Revenues, 1995-2001

	1995	1996	1997	1998	1999	2000	2001 Budget
(In trillions of dong)							
Total revenue and grants	53.4	62.4	65.4	73.0	78.5	90.7	86.3
Tax revenue	40.0	50.3	49.7	55.7	60.3	64.1	65.9
Corporate income tax 1/	7.4	10.1	11.6	13.1	14.5	19.8	20.8
Individual income tax	0.5	1.4	1.5	1.8	1.9	1.8	1.8
Capital user charge	1.3	1.5	1.5	1.7	1.5	1.4	1.5
Land and housing tax	0.3	0.4	0.3	0.3	0.3	0.4	0.3
License tax	0.2	0.3	0.4	0.3	0.4	0.4	0.4
Tax on the transfer of properties	...	1.1	1.0	1.0	1.0	0.9	0.9
Tax on land use right	...	0.3	0.3	0.4	0.3	0.2	0.2
Value added tax (VAT) 2/	7.8	11.1	11.8	11.8	17.2	17.1	17.6
Excises	2.5	4.5	4.6	5.6	4.5	5.3	5.7
Slaughter tax 3/	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Agricultural tax	1.6	1.9	1.7	2.0	2.0	1.8	1.5
Import and export taxes	13.3	15.1	13.5	14.9	14.4	13.5	15.0
Other taxes on trade	0.0	1.2	0.0	1.5	1.0	0.1	0.2
Other taxes	4.9	1.3	1.4	1.4	1.2	1.4	0.1
Nontax revenue	11.8	10.6	13.1	15.2	15.8	24.7	18.5
Fees and charges	...	3.3	3.9	4.1	3.6	5.1	4.6
Rental of land	...	0.0	0.5	0.5	0.6	0.5	0.4
Income from natural resources	2.4	3.1	3.4	3.3	4.6	6.7	6.1
Net profit after tax	...	2.1	2.4	2.1	2.9	8.7	5.2
Capital revenues	...	0.3	0.8	0.8	0.8	0.8	0.4
Other	...	1.8	2.1	4.3	3.4	2.8	1.7
Grants	1.6	1.5	2.6	2.1	2.4	1.9	1.9
(In percent of GDP)							
Total revenue and grants	23.3	22.9	20.8	20.2	19.8	21.1	18.9
Tax revenue	17.5	18.5	15.8	15.4	15.2	14.9	14.4
Corporate income tax 1/	3.3	3.7	3.7	3.6	3.7	4.6	4.5
Individual income tax	0.2	0.5	0.5	0.5	0.5	0.4	0.4
Capital user charge	0.6	0.6	0.5	0.5	0.4	0.3	0.3
Land and housing tax	0.1	0.1	0.1	0.1	0.1	0.1	0.1
License tax	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Tax on the transfer of properties	...	...	0.3	0.3	0.3	0.2	0.2
Tax on land use right	...	...	0.1	0.1	0.1	0.0	0.0
VAT 2/	3.4	4.1	3.8	3.3	4.3	4.0	3.8
Excises	1.1	1.7	1.5	1.5	1.1	1.2	1.2
Slaughter tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Agricultural tax	0.7	0.7	0.5	0.5	0.5	0.4	0.3
Import and export taxes	5.8	5.6	4.3	4.1	3.6	3.1	3.3
Other taxes on trade	0.0	0.4	0.0	0.4	0.2	0.0	0.0
Other taxes	2.1	0.5	0.4	0.4	0.3	0.3	0.0
Nontax revenue	5.1	3.9	4.2	4.2	4.0	5.7	4.0
Fees and charges	...	...	1.2	1.1	0.9	1.2	1.0
Rental of land	...	...	0.1	0.2	0.1	0.1	0.1
Income from natural resources	1.0	1.1	1.1	0.9	1.1	1.6	1.3
Net profit after tax	...	...	0.8	0.6	0.7	2.0	1.1
Capital revenues	...	...	0.3	0.2	0.2	0.2	0.1
Other	...	...	0.7	1.2	0.9	0.7	0.4
Grants	0.7	0.6	0.8	0.6	0.6	0.4	0.4

Sources: Ministry of Finance, Budget Department; and staff estimates.

1/ Profit tax prior to 1999.

2/ Turnover tax prior to 1999.

3/ Abolished in 1998.

Table 15. Vietnam: Government Expenditures, 1995-2001

	1995	1996	1997	1998	1999	2000	2001 Budget 1/
(In trillions of dong)							
Total expenditure (cash basis)	55.1	64.3	77.6	78.8	88.9	109.7	116.1
Total current expenditure (cash basis)	42.5	47.3	51.3	52.9	55.1	65.7	70.4
General administrative services	5.7	6.4	7.1	6.7	6.8	6.3	6.1
Economic services	4.0	4.2	4.5	4.8	4.8	5.4	5.8
Social services	18.2	20.3	23.7	24.4	25.6	32.2	31.7
Education	4.7	5.5	7.2	7.7	8.0	10.7	10.9
Health	2.4	2.8	3.0	3.1	3.1	3.7	3.7
Social subsidies	7.4	8.2	9.2	8.7	9.0	11.3	10.5
Other	3.8	3.9	4.3	5.0	5.5	6.5	6.5
Other noninterest expenditure 2/	11.7	13.7	14.1	14.8	15.7	18.7	22.6
Interest payments (paid)	2.9	2.7	1.9	2.1	2.3	3.1	4.3
Foreign	1.4	1.2	0.9	0.9	...	...	...
Paid	1.4	1.2	0.9	0.9	...	...	...
Arrears	1.2	1.4	2.0	0.0	...	...	...
Domestic	1.5	1.5	1.0	1.2	...	...	...
Capital expenditure and onlending	12.6	17.1	26.4	25.9	33.8	44.0	43.3
Capital expenditure	12.1	15.6	19.5	20.5	26.7	33.6	32.9
Onlending	0.5	1.4	6.9	5.4	7.1	10.4	10.4
Contingency	0.0	0.0	0.0	0.0	0.0	0.0	2.4
(In percent of GDP)							
Total expenditure (cash basis)	24.1	23.6	24.8	21.9	22.4	25.5	25.4
Total current expenditure (cash basis)	18.6	17.4	16.3	14.7	13.9	15.3	15.4
General administrative services	2.5	2.3	2.3	1.9	1.7	1.5	1.3
Economic services	1.7	1.5	1.4	1.3	1.2	1.3	1.3
Social services	8.0	7.5	7.5	6.8	6.4	7.5	6.9
Education	2.1	2.0	2.3	2.1	2.0	2.5	2.4
Health	1.0	1.0	1.0	0.8	0.8	0.9	0.8
Social subsidies	3.2	3.0	2.9	2.4	2.3	2.6	2.3
Other	1.6	1.4	1.4	1.4	1.4	1.5	1.4
Other noninterest expenditure 2/	5.1	5.0	4.5	4.1	3.9	4.3	4.9
Interest payments (paid)	1.3	1.0	0.6	0.6	0.6	0.7	0.9
Foreign	0.6	0.4	0.3	0.2	...	...	...
Domestic	0.7	0.6	0.3	0.3	...	...	...
Capital expenditure and onlending	5.5	6.3	8.4	7.2	8.5	10.2	9.5
Capital expenditure	5.3	5.7	6.2	5.7	6.7	7.8	7.2
Onlending	0.2	0.5	2.2	1.5	1.8	2.4	2.3
Contingency	0.0	0.0	0.0	0.0	0.0	0.0	0.5

Sources: Ministry of Finance, Budget Department; and staff estimates.

1/ Excludes current and capital costs of state-owned enterprise and banking sector reforms.

2/ Includes defense expenditures.

**Table 16. Vietnam: Treasury Bill and Bond Issues, 1996-2001 1/**  
(In billions of dong, unless otherwise indicated)

Auction date	Treasury Bills (one-year)			Treasury Bonds (two-year) 2/			Treasury Bonds (five-year) 2/	
	Amount sold	Average yield	End-month outstanding stock	Amount sold	Average yield	End-month outstanding stock	Amount sold	End-month outstanding stock
1996 December	0	...	824	92	12.0	1,260	...	...
1997 December	3	9.0	2,918	132	12.0	4,836	...	...
1998 December	369	11.6	3,721	272	13.0	6,418	...	...
1999 January	66	11.5	3,787	0	...	6,418	...	...
February	69	11.5	3,831	587	13.0	6,683	...	...
March	255	11.0	4,053	1,366	13.0	7,495	...	...
April	278	10.2	4,147	874	13.0	7,909	...	...
May	201	9.9	3,970	341	13.0	8,037	1,507	1,507
June	380	9.6	3,980	0	...	7,858	1,958	3,465
July	324	9.4	3,775	0	...	7,470	1,031	4,496
August	297	9.0	3,384	0	...	7,002	0	4,496
September	410	7.9	3,398	0	...	6,657	0	4,496
October	400	6.5	3,248	0	...	6,341	0	4,496
November	333	4.9	3,381	0	...	6,141	0	4,496
December	0	...	3,012	0	...	6,009	0	4,496
2000 January	325	6.0	3,271	0	...	6,009	0	4,496
February	350	6.0	3,552	0	...	6,009	0	4,496
March	977	5.7	4,274	0	...	5,824	0	4,496
April	615	5.7	4,611	0	...	5,653	0	4,496
May	200	5.4	4,611	0	...	5,421	0	4,496
June	86	5.1	4,317	0	...	5,280	0	4,496
July	665	5.0	4,658	0	...	5,132	0	4,496
August	525	5.1	4,886	0	...	5,023	0	4,496
September	190	5.1	4,666	0	...	4,408	0	4,496
October	540	5.2	4,806	0	...	3,849	0	4,496
November	87	5.3	4,560	0	...	3,439	0	4,496
December	21	5.4	4,581	0	...	3,167	0	4,496
2001 January	85	5.4	4,341	0	...	3,167	0	4,496
February	230	5.4	4,221	0	...	2,580	0	4,496
March	505	5.5	3,749	0	...	1,214	0	4,496
April	210	5.5	3,344	...	...	...	...	...
May	445	5.5	3,589	...	...	...	...	...
June	305	5.5	3,808	...	...	...	...	...
July	40	5.5	3,183	...	...	...	...	...
August	180	5.7	2,838	...	...	...	...	...
September	310	5.8	2,958	...	...	...	...	...
Memorandum items:				<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001 3/</u>
Total stock of debt (in trillions of dong, end of period)				7,754	10,139	13,517	12,244	9,459
(in percent of GDP)				2.5	2.8	3.4	2.8	2.1

Sources: State Bank of Vietnam and Ministry of Finance; and staff estimates.

1/ In addition to these amounts, D 246 billion in shorter-term maturity bills were auctioned during 1995-96. Treasury bills of varying maturities have also been placed directly with the public through the Ministry of Finance's retail network.

2/ Beginning in April 2001, data not reported.

3/ As of end-March 2001.

Table 17. Vietnam: Monetary Survey, 1996-2001 1/

	1996	1997	1998	1999	2000				2001		
					March	June	Sept.	Dec.	March	June	Aug.
(In trillions of dong, end of period)											
<b>Net foreign assets</b>	14.3	21.0	31.2	61.2	73.8	76.7	86.4	95.7	101.3	108.7	113.0
Foreign assets	31.2	37.9	47.0	77.7	90.5	92.3	101.9	112.7	118.5	126.5	131.1
Foreign liabilities	-17.0	-16.9	-15.8	-16.5	-16.8	-15.5	-15.6	-17.0	-17.2	-17.8	-18.1
<b>Net domestic assets</b>	50.4	60.6	71.2	99.2	103.8	111.4	111.6	127.2	137.1	140.2	147.8
Domestic credit (net)	55.3	66.8	81.0	115.7	119.7	130.1	135.9	155.2	163.6	167.6	174.9
Net claims on government 2/	4.4	4.4	8.4	3.0	-1.6	-2.9	-4.7	-0.5	-0.7	-4.5	-3.7
Credit to the economy	50.9	62.4	72.7	112.7	121.4	133.0	140.6	155.7	164.3	172.1	178.5
Claims on state enterprises	26.8	31.0	38.1	54.3	57.9	64.0	64.8	69.9	73.1	75.1	...
Claims on other sectors	24.1	31.4	34.6	58.4	63.5	69.0	75.8	85.8	91.2	97.0	...
Other items, net	-4.9	-6.2	-9.8	-16.5	-16.0	-18.7	-24.3	-28.0	-26.5	-27.4	-27.0
<b>Broad money</b>	64.7	81.6	102.4	160.4	177.5	188.3	198.1	222.9	238.5	249.0	260.8
<i>of which</i> : total deposits	42.0	56.5	75.5	119.1	134.9	144.6	153.0	170.7	183.6	192.0	201.0
Dong liquidity	51.5	62.9	78.3	116.5	127.3	134.8	139.2	152.5	160.6	164.7	171.1
Currency outside banks	22.6	25.1	27.0	41.3	42.6	43.7	45.0	52.2	54.9	57.0	59.8
Deposits	28.9	37.8	51.4	75.3	84.8	91.1	94.1	100.3	105.8	107.7	111.3
Demand deposits	18.7	23.1	31.1	47.1	54.4	58.6	59.0	58.4	67.2	67.6	70.1
Other deposits	10.2	14.7	20.2	28.2	30.4	32.5	35.1	41.9	38.6	40.1	41.2
Foreign currency deposits	13.2	18.7	24.1	43.8	50.2	53.5	58.9	70.4	77.8	84.3	89.7
(in millions of U.S. dollars)	1,180	1,521	1,753	3,126	3,568	3,796	4,142	4,854	5,351	5,677	5,981
(in percent of total liquidity)	20.3	22.9	23.5	27.3	28.3	28.4	29.7	31.6	32.6	33.8	34.4
(Annual percentage change)											
Credit to the economy	20.1	22.6	16.4	...	...	...	...	38.1	35.4	29.4	29.8
Claims on enterprises	11.3	15.6	22.9	...	...	...	...	28.7	26.3	17.4	...
Claims on other sectors	31.7	30.5	10.0	...	...	...	...	46.9	43.6	40.5	...
<b>Broad money (M2)</b>	22.7	26.1	25.6	...	...	...	...	39.0	34.3	32.3	32.4
<i>of which</i> : total deposits	25.3	34.3	33.6	...	...	...	...	43.3	36.1	32.8	31.9
Dong liquidity	23.7	22.0	24.6	...	...	...	...	30.8	26.2	22.2	23.6
Currency outside banks	18.1	10.9	7.4	...	...	...	...	26.6	28.8	30.6	33.8
Deposits	28.5	30.8	36.0	...	...	...	...	33.2	24.8	18.2	18.8
Foreign currency deposits	19.0	42.0	28.8	...	...	...	...	60.5	55.1	57.6	53.0
(Change in percent of beginning of year broad money)											
<b>Net foreign assets</b>	6.5	10.4	12.5	...	7.8	9.7	15.7	21.5	2.5	5.9	7.7
<b>Net domestic assets</b>	16.3	15.7	13.1	...	-2.9	7.6	7.7	17.5	4.5	5.9	9.3
Net claims on government	-0.5	0.0	4.9	...	-2.9	-3.7	-4.8	-2.1	-0.1	-1.8	-1.4
Credit to the economy	16.2	17.8	12.6	...	5.4	12.6	17.4	26.8	3.8	7.4	10.2
Velocity 3/	4.2	3.8	3.5	2.5	2.4	2.3	2.2	1.9	1.9	1.8	1.6
Money multiplier 4/	2.0	2.3	2.6	2.8	3.0	3.2	3.4	3.1	3.2	3.4	3.3
Currency to dong deposits (in percent)	78.4	66.5	52.5	54.8	50.3	47.9	47.8	52.1	51.9	52.9	53.7
Currency to total deposits (in percent)	53.9	44.5	35.7	34.6	31.6	30.2	29.4	30.6	29.9	29.7	29.8

Sources: State Bank of Vietnam; and staff estimates.

1/ Data for 1996-1998 comprise four state-owned commercial banks and 24 nonstate-owned banks. Data from 1999 onwards comprise six state-owned commercial banks and 83 non-state credit institutions.

2/ Includes D 2.4 trillion recapitalization of state-owned commercial banks (SOCBs) in October 1998, under which frozen loans of SOCBs were written off on behalf of the government and swapped for government equity in SOCBs.

3/ Velocity is measured as the ratio of GDP to end-of-period broad money (M2).

4/ Money multiplier is measured as the ratio of broad money (M2) to reserve money.



Table 18. Vietnam: Balance Sheet of the State Bank of Vietnam, 1996-2001

	1996	1997	1998	1999	2000				2001		
					March	June	Sept.	Dec.	March	June	Aug.
(In trillions of dong, end of period)											
<b>Net foreign assets</b>	14.0	19.4	22.1	40.8	44.7	44.0	44.7	43.9	42.9	44.7	50.9
Foreign assets	20.0	25.6	29.1	48.0	51.8	51.1	51.7	50.9	49.8	52.2	58.7
Foreign liabilities	-6.0	-6.2	-7.0	-7.2	-7.1	-7.1	-6.9	-7.1	-6.9	-7.5	-7.8
<b>Net domestic assets</b>	18.2	16.4	16.6	17.4	13.6	14.2	13.4	28.9	31.1	27.9	27.6
Net domestic credit	13.0	11.0	12.8	10.5	5.3	5.1	4.4	18.6	20.3	18.4	18.9
Net claims on government	5.2	4.0	6.3	0.2	-5.9	-6.5	-8.4	4.3	4.9	2.7	2.7
Claims on banks	7.7	6.8	6.5	10.3	11.1	11.5	12.8	14.2	15.4	15.7	16.1
Claims on enterprises and nonbank financial institutions	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other items, net	5.2	5.4	3.7	6.9	8.3	9.1	9.0	10.3	10.8	9.4	8.7
<b>Reserve money</b>	32.2	35.8	38.7	58.2	58.3	58.2	58.2	72.8	74.0	72.5	78.4
Currency in circulation	23.8	26.3	28.3	44.9	44.8	46.0	47.3	54.3	57.4	59.7	62.1
Bank deposits	7.8	9.3	10.4	13.3	13.5	12.3	10.8	18.4	16.6	12.8	16.3
Vault cash	1.2	1.2	1.3	3.7	2.2	2.3	2.3	2.1	2.5	2.7	2.3
Required reserves 1/	4.0	4.7	6.3	4.9	5.5	5.9	6.2	9.8	10.6	12.7	13.4
Excess reserves 1/	4.2	3.6	2.3	8.3	7.8	5.1	3.9	8.4	5.1	-0.2	2.7
Other deposits	0.6	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Annual percentage change)											
<b>Net foreign assets</b>	27.6	38.1	14.1	84.4	85.4	59.1	32.1	7.5	-4.1	1.4	15.4
<b>Net domestic assets</b>	14.8	-9.8	1.0	5.2	-9.8	30.0	42.6	65.9	128.8	96.2	104.9
Net domestic credit	31.8	-15.6	17.1	-18.1	-55.3	-31.5	-27.5	76.5	285.5	262.7	320.4
Net claims on government	72.1	-22.3	56.6	-96.8	-216.5	-2,120.6	683.9	2,061.0	-183.1	-141.9	-133.4
Claims on banks	13.5	-11.9	-3.8	58.2	65.9	62.8	78.3	38.0	38.2	36.0	28.1
<b>Reserve money</b>	20.0	11.1	8.1	50.5	48.8	50.9	34.4	25.0	26.9	24.5	36.3
Currency in circulation	18.9	10.3	7.6	59.0	59.1	67.5	65.0	20.9	28.0	30.0	32.0
Bank deposits	23.8	19.2	11.6	27.5	22.5	10.0	-25.9	38.8	23.1	4.1	55.7
(Change in percent of beginning of year reserve money)											
<b>Net foreign assets</b>	11.3	16.6	7.6	48.3	52.6	42.4	25.1	5.3	-3.1	1.1	11.8
<b>Net domestic assets</b>	8.7	-5.5	0.5	2.2	-3.8	8.5	9.3	19.7	30.0	23.5	24.5
Net domestic credit	11.7	-6.3	5.2	-6.0	-16.6	-6.1	-3.9	13.8	25.7	22.9	25.0
Of which: Net claims on government	8.1	-3.6	6.4	-15.8	-27.9	-17.6	-16.9	7.1	18.4	15.8	18.8
Memorandum item:											
Gross official reserves (in millions of U.S. dollars) 2/	1,673	1,857	1,765	2,711	2,790	2,857	2,947	3,030	2,896	3,086	3,495
(in weeks of next year's imports) 3/	6.4	7.2	6.8	8.1	7.9	8.1	8.3	8.6	7.0	7.4	8.4

Sources: State Bank of Vietnam; and staff estimates.

1/ Staff estimate.

2/ Excludes foreign currency counterpart of government foreign currency deposits at the State Bank of Vietnam.

3/ Imports of goods and nonfactor services.

Table 19. Vietnam: Consolidated Balance Sheet of Deposit Money Banks, 1996-2001 1/

	1996	1997	1998	1999	2000				2001		
					March	June	Sept.	Dec.	March	June	Aug.
(In trillions of dong, end of period)											
<b>Net foreign assets</b>	0.2	1.6	9.1	20.4	29.0	32.7	41.6	51.8	58.4	64.1	62.1
Foreign assets	11.2	12.3	17.8	29.7	38.7	41.2	50.3	61.7	68.8	74.3	72.4
Foreign liabilities	-11.0	-10.7	-8.7	-9.3	-9.7	-8.5	-8.7	-9.9	-10.4	-10.3	-10.4
<b>Net domestic assets</b>	41.2	54.7	66.4	98.7	105.9	111.9	111.4	118.8	125.2	127.9	138.9
Net domestic credit from the commercial banks	50.0	62.6	74.7	115.5	125.6	136.5	144.3	150.9	158.7	164.9	172.1
Net credit to government	-0.8	0.4	2.1	2.8	4.2	3.5	3.7	-4.8	-5.6	-7.2	-6.4
Credit to the economy	50.8	62.3	72.7	112.7	121.4	133.0	140.6	155.7	164.3	172.1	178.5
State enterprises	26.8	31.0	38.1	54.3	57.9	64.0	64.8	69.9	73.1	75.1	...
Other sectors	24.0	31.3	34.6	58.4	63.5	69.0	75.8	85.8	91.2	97.0	...
<i>Of which</i> : claims on nonbank financial institutions	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Banks' reserves	9.3	9.5	9.9	16.9	15.5	13.3	12.5	20.4	18.3	15.2	18.4
Credit from State Bank of Vietnam	-6.1	-5.6	-4.2	-11.6	-12.0	-12.5	-13.2	-14.4	-15.7	-15.9	-16.0
Capital and reserves	-6.2	-8.2	-11.6	-19.8	-20.1	-20.4	-21.6	-22.4	-23.0	-23.4	-24.1
Other items, net	-5.7	-3.7	-2.4	-2.2	-3.2	-5.1	-10.7	-15.6	-13.0	-12.9	-11.5
<b>Deposits</b>	41.5	56.3	75.4	119.1	134.9	144.6	153.0	170.7	183.6	192.0	201.0
Dong deposits	28.3	37.6	51.4	75.3	84.8	91.1	94.1	100.3	105.8	107.7	111.3
Demand deposits	10.2	14.7	20.2	28.2	30.4	32.5	35.1	41.9	38.6	40.1	41.2
Time deposits	18.1	22.9	31.1	47.1	54.4	58.6	59.0	58.4	67.2	67.6	70.1
Foreign currency deposits	13.2	18.7	24.1	43.8	50.2	53.5	58.9	70.4	77.8	84.3	89.7
(Annual percentage change)											
Credit to the economy	20.0	22.6	16.7	...	...	...	...	38.1	35.4	29.4	29.8
State enterprises	11.3	15.6	22.9	...	...	...	...	28.7	26.3	17.4	...
Other sectors	31.5	30.4	10.6	...	...	...	...	46.9	43.6	40.5	...
Credit from State Bank of Vietnam	5.9	-9.3	-23.6	...	...	...	...	24.6	30.9	27.4	...
Total deposits	25.4	35.7	34.1	...	...	...	...	43.3	36.1	32.8	31.9
Dong deposits	28.7	32.8	36.7	...	...	...	...	33.2	24.8	18.2	18.8
Demand deposits	48.6	43.8	37.9	...	...	...	...	48.3	27.1	23.2	0.0
Time deposits	19.6	26.6	36.0	...	...	...	...	24.1	23.6	15.4	0.0
Foreign currency deposits	19.0	42.0	28.8	...	...	...	...	60.5	55.1	57.6	53.0
<b>Memorandum items:</b>											
Foreign currency deposits (in millions of U.S. dollars)	1,180	1,521	1,733	3,126	3,568	3,796	4,142	4,854	5,351	5,677	5,981
(annual percentage change) 2/	17.5	28.8	14.0	...	...	...	...	55.2	50.0	49.5	53.0
(in percent of total deposits)	31.7	33.2	31.9	36.8	37.2	37.0	38.5	41.2	42.4	43.9	44.6
(change in millions of U.S. dollars) 3/	176	340	213	...	...	...	...	1,727	497	824	1,127

Sources: State Bank of Vietnam; and staff estimates.

1/ Data for 1996-1998 comprise four state-owned commercial banks and 24 nonstate-owned banks. Data from 1999 onwards comprise six state-owned commercial banks and 83 non-state credit institutions

2/ Twelve-month percentage changes.

3/ Change since the beginning of the year.

Table 20. Vietnam: Distribution of Credit, 1996-2000 1/2/

	1996	1997	1998	1999	2000
(In billions of dong, end of period)					
<b>Total credit to the economy 3/</b>	50,751	62,201	72,597	112,730	155,720
To state enterprises	26,810	31,222	38,076	54,335	69,918
To other sectors	23,941	30,979	34,521	58,395	85,802
<b>Credit extended by state-owned commercial banks</b>	38,320	48,042	59,087	76,559	114,193
To state enterprises	22,030	26,625	34,218	...	...
To other sectors	16,290	21,417	24,869	...	...
<b>Credit extended by other banks 4/</b>	12,431	14,159	13,510	36,171	41,527
To state enterprises	4,780	4,597	3,858	...	...
To other sectors	7,651	9,562	9,652	...	...
<b>Total dong loans 3/</b>	32,187	42,801	53,641	83,848	123,418
To state enterprises	12,735	17,875	24,410	...	...
To other sectors	19,452	24,926	29,231	...	...
<b>Credit extended by state-owned commercial banks</b>	27,056	36,876	41,363	63,510	97,775
To state enterprises	11,537	16,593	22,884	...	...
To other sectors	15,519	20,283	18,479	...	...
<b>Credit extended by other banks 4/</b>	5,131	5,925	9,136	20,338	25,645
To state enterprises	1,198	1,282	1,526	...	...
To other sectors	3,933	4,643	7,610	...	...
<b>Total foreign currency loans 3/</b>	18,564	19,400	18,956	28,852	32,302
To state enterprises	14,075	13,347	13,666	...	...
To other sectors	4,489	6,053	5,290	...	...
<b>Credit extended by state-owned commercial banks</b>	11,264	11,166	17,724	13,049	16,420
To state enterprises	10,493	10,032	11,334	...	...
To other sectors	771	1,134	6,390	...	...
<b>Credit extended by other banks 4/</b>	7,300	8,234	4,374	15,834	15,882
To state enterprises	3,582	3,315	2,332	...	...
To other sectors	3,718	4,919	2,042	...	...
(In percent of total credit to the economy)					
<b>Total credit to the economy 3/</b>	100.0	100.0	100.0	100.0	100.0
To state enterprises	52.8	50.2	52.4	48.2	44.9
To other sectors	47.2	49.8	47.6	51.8	55.1
<b>Credit extended by state-owned commercial banks</b>	75.5	77.2	81.4	67.9	73.3
To state enterprises	43.4	42.8	47.1	...	...
To other sectors	32.1	34.4	34.3	...	...
<b>Credit extended by other banks 4/</b>	24.5	22.3	18.6	32.1	26.7
To state enterprises	9.4	7.4	5.3	...	...
To other sectors	15.1	15.4	13.3	...	...
<b>Total dong loans</b>	63.4	68.8	73.9	74.4	79.3
Credit extended by state-owned commercial banks	53.3	59.3	57.0	56.3	62.8
Credit extended by other banks 4/	10.1	9.5	12.6	18.0	16.5
<b>Total foreign currency loans</b>	36.6	31.2	26.1	25.6	20.7
Credit extended by state-owned commercial banks	22.2	18.0	24.4	11.6	10.5
Credit extended by other banks 4/	14.4	13.2	6.0	14.0	10.2
(In billions of dong, end of period)					
<b>Total credit to the economy by sector</b>					
Agriculture, fisheries, and forestry	...	...	...	29,535	41,577
Industry and construction	...	...	...	46,895	57,697
Industry	...	...	...	30,775	37,372
Construction	...	...	...	16,120	20,325
Trade, transportation, and communications	...	...	...	28,858	38,166
Trade	...	...	...	24,462	30,597
Transport, storage, and communications	...	...	...	4,396	7,569
Other services	...	...	...	7,440	18,280
(In percent of total credit to the economy)					
Agriculture, fisheries, and forestry	...	...	...	26.2	26.7
Industry and construction	...	...	...	41.6	37.3
Trade, transportation, and communications	...	...	...	25.6	24.5
Other services	...	...	...	6.6	11.7

Sources: State Bank of Vietnam; and staff estimates.

1/ Beginning in 1999, credit to the economy by sector of ownership are estimated rather than actual data.

2/ Data for 1996-1998 comprise four state-owned commercial banks and 24 nonstate-owned banks. Data from 1999 onwards comprise six state-owned commercial banks and 83 non-state credit institutions

3/ Excludes net credit to the government.

4/ Includes joint-stock banks, joint-venture banks, branches of foreign banks, and the Central People's Credit Fund.

Table 21. Vietnam: Overdue Loans of Deposit Money Banks, 1996-2001 1/ 2/

	1996	1997	1998	1999	2000	2001		
						March	June	Aug.
(In billions of dong, end of period)								
Deposit money banks	4,726	7,682	8,697	10,490	15,111	15,578	16,514	16,858
Four largest state-owned commercial banks	4,209	5,769	6,471	7,813	10,902	11,403	12,344	12,745
Other banks	517	1,914	2,227	2,677	4,209	4,175	4,170	4,113
(In percent of total loans)								
Deposit money banks	9.3	12.4	12.0	12.1	9.7	9.5	9.6	9.4
Four largest state-owned commercial banks	11.0	12.0	11.0	10.8	10.0	9.6	9.9	9.9
Other banks	4.2	13.5	16.4	18.9	9.0	9.1	8.7	8.3
(In percent of total bank assets)								
Deposit money banks	5.5	7.4	6.8	6.6	5.4	5.2	5.3	5.3
Four largest state-owned commercial banks	6.4	7.1	6.2	5.8	5.4	5.3	5.5	5.5
Other banks	2.6	8.5	9.8	11.0	5.1	5.1	4.7	4.6
(In percent of total overdues)								
State-owned enterprises	44.2	34.8	34.7	...	...	...	...	...
Cooperatives	1.7	1.3	1.0	...	...	...	...	...
Joint-stock companies	11.8	45.7	46.7	...	...	...	...	...
Joint ventures	0.6	0.6	1.1	...	...	...	...	...
Private sector	41.7	17.5	16.6	...	...	...	...	...
(In percent of total loans to the sector)								
State-owned enterprises	7.8	8.6	7.9	...	...	...	...	...
Cooperatives	29.7	40.2	35.1	...	...	...	...	...
Joint-stock companies	7.4	34.3	36.7	...	...	...	...	...
Joint ventures	1.0	1.2	2.0	...	...	...	...	...
Private sector	14.9	8.1	7.7	...	...	...	...	...

Sources: State Bank of Vietnam; and staff estimates.

1/ Based on nonstandard classification of nonperforming loans, which tends to underestimate the actual amount of bad loans. Until 1999, includes the four largest state-owned commercial banks and 24 nonstate-owned banks. Beginning in 2000, based on the four largest state-owned commercial banks and 85 other credit institutions.

2/ Beginning June 1999, data on credit to the economy (including overdues) by sector of ownership no longer compiled by the State Bank of Vietnam in consolidated balance sheet of deposit money banks.

**Table 22. Vietnam: Nominal and Real Interest Rates, 1996-2001**  
(In percent per year, end of period)

	1996	1997	1998				1999				2000				2001						
			Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Apr.	May	June	July	Aug.	Sept.
<b>Nominal interest rates</b>																					
<b>Deposit rates 1/</b>																					
Demand deposits, enterprises	6.2	4.6	5.4	5.5	5.5	5.5	5.1	5.2	3.0	1.7	1.7	1.8	2.0	2.3	2.3	1.8	1.8	1.8	1.8	1.8	2.1
Savings deposits (three-month), households	9.1	8.1	9.4	9.9	9.7	9.7	9.4	9.1	5.1	4.0	3.7	3.6	4.1	4.3	5.1	5.1	4.8	4.9	4.9	5.5	5.5
Foreign currency demand deposits	...	...	2.7	2.7	2.4	2.4	2.6	2.3	2.3	2.3	1.5	1.8	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.2
Foreign currency deposits (six-month)	...	...	5.1	5.1	5.1	4.9	4.9	4.7	4.8	4.5	3.8	4.2	4.8	4.8	4.0	3.8	3.7	3.2	3.1	3.0	2.7
<b>Lending rates 1/</b>																					
Working capital (short term)	15.9	12.7	15.2	15.0	14.7	14.7	13.9	13.7	12.7	11.7	10.8	10.1	9.8	9.8	9.8	9.1	9.3	9.2	9.3	9.3	9.3
Fixed capital (medium term)	17.3	14.0	15.7	15.9	15.4	15.2	14.7	14.0	12.7	11.7	11.4	10.4	10.4	10.4	11.7	11.2	10.9	10.3	10.3	10.3	10.3
Foreign currency loans	9.5	8.5	8.5	8.5	7.5	7.5	7.1	7.0	7.2	6.5	7.0	7.0	7.0	7.0	6.3	5.4	5.4	5.5	5.5	5.5	5.5
<b>Real interest rates 2/</b>																					
<b>Deposit rates</b>																					
Demand deposits, enterprises	2.3	0.7	1.1	-2.0	-2.6	-3.0	-3.5	0.1	0.3	1.7	3.5	4.3	4.3	2.8	3.8	3.4	3.0	2.6	2.1	1.6	1.5
Savings deposits (three-month), households	5.1	4.1	5.0	2.0	1.2	0.9	0.5	3.8	2.2	4.0	5.5	6.1	6.5	4.8	6.5	6.7	6.0	5.8	5.2	5.4	4.9
Foreign currency demand deposits	...	...	17.4	6.3	12.2	4.1	-6.1	-2.1	0.9	3.9	4.5	4.9	5.5	11.4	6.9	5.0	4.0	5.3	7.7	10.5	9.6
Foreign currency deposits (six-month)	...	...	20.0	8.8	15.1	6.6	-4.0	0.2	3.4	6.2	6.8	7.4	8.6	14.7	9.1	7.1	6.0	6.8	9.1	11.9	11.1
<b>Lending rates</b>																					
Working capital (short term)	11.7	8.5	10.6	6.8	5.8	5.4	4.6	8.2	9.6	11.7	12.7	12.8	12.3	10.3	11.3	10.8	10.6	10.1	9.6	9.2	8.7
Working capital (short term; adjusted for core inflation)	10.4	7.3	10.1	9.7	9.1	9.0	9.0	8.9	8.5	8.7	9.0	8.5	7.8	7.4	7.7	7.1	7.2	7.2	7.5	7.9	8.1
Fixed capital (medium term)	13.0	9.8	11.1	7.6	6.5	5.9	5.3	8.4	9.6	11.7	13.4	13.1	13.0	10.9	13.2	12.9	12.2	11.2	10.5	10.1	9.6
Foreign currency loans	8.0	19.8	24.0	12.4	17.8	9.3	-2.0	2.4	5.8	8.2	10.2	10.2	10.9	17.1	11.5	8.8	7.8	9.1	11.7	14.5	14.1
<b>Memorandum items</b>																					
Interest rate spread 3/	6.8	4.6	5.8	5.2	5.0	5.0	4.5	4.6	7.6	7.7	7.1	6.5	5.6	5.5	4.7	4.0	4.5	4.3	4.4	3.8	3.8
Inflation 4/	3.8	3.8	4.2	7.7	8.4	8.8	8.9	5.1	2.8	-0.1	-1.7	-2.4	-2.3	-0.5	-1.4	-1.5	-1.2	-0.8	-0.2	0.2	0.6
Core inflation 4/	5.0	5.0	4.7	4.8	5.2	5.2	4.5	4.4	3.8	2.8	1.6	1.5	1.9	2.2	2.0	1.9	1.9	1.8	1.7	1.3	1.1
Exchange rate (+ depreciation) 5/	2.4	14.6	19.0	11.5	18.8	10.6	-0.3	0.6	1.4	1.5	1.2	0.6	1.3	8.9	3.5	1.6	1.0	2.7	5.7	8.8	8.9

Sources: State Bank of Vietnam; and staff estimates.

1/ Average of four largest state-owned commercial banks.

2/ Measured with respect to nominal interest rates at the end of each quarter and average monthly inflation during that quarter using the exact Fisher formula. Real interest rates on foreign currency deposits and loans are adjusted for exchange rate depreciation using the same formula.

3/ Difference between interest rates on working capital loans and households' three-month savings deposits.

4/ Average monthly inflation during preceding quarter; not seasonally adjusted.

5/ Average depreciation during preceding quarter, annualized.

Table 23. Vietnam: Exchange Rate Developments, 1995-2001

	1995	1996	1997	1998	1999	2000	2001 1/
	(Twelve-month average; 1990 = 100)						
Effective exchange rates							
Nominal	42.2	43.9	45.1	46.7	42.3	42.1	42.4 2/
Real	122.9	131.1	135.5	146.4	137.0	133.1	131.4 2/
	(Annual percentage change; - depreciation)						
Nominal	-5.6	4.0	2.8	3.7	-9.5	-0.4	0.6 2/
Real	6.5	6.6	3.4	8.1	-6.5	-2.8	-1.3 2/
	(In units indicated)						
Dong per U.S. dollar, end of period	11,015	11,150	12,292	13,896	14,028	14,514	15,033
Dong per U.S. dollar, 12-month average	11,038	11,033	11,706	13,297	13,944	14,170	14,749 3/
Dong per SDR, end of period	16,372	15,889	16,585	19,566	19,254	18,910	19,225
Dong per SDR, 12-month average	16,739	16,017	15,631	18,038	19,066	18,687	...
	(Annual percentage change, - depreciation)						
Dong per U.S. dollar, end of period	0.3	-1.2	-10.2	-13.0	-0.9	-3.5	-3.6
Dong per U.S. dollar, 12-month average	-0.6	0.0	-6.1	-13.6	-4.9	-1.6	-4.1 3/
Dong per SDR, end of period	-1.5	2.9	-4.4	-18.0	1.6	1.8	-1.7
Dong per SDR, 12-month average	-6.7	4.3	2.4	-15.4	-5.7	2.0	...

Sources: Vietnamese authorities; and IMF, *Information Notice System*, and staff estimates.

1/ As of end October 2001, unless indicated otherwise.

2/ As of end-August 2001.

3/ For the period January to October 2001.

**Table 24. Vietnam: Balance of Payments, 1995-2000**  
(In millions of U.S. dollars, unless otherwise indicated)

	1995	1996	1997	1998	1999	2000 Estimate
<b>Current account balance</b>	-2,648	-2,431	-1,664	-1,067	1,285	642
Excluding official transfers	-2,801	-2,581	-1,839	-1,239	1,154	506
<b>Trade balance</b>	-3,155	-3,143	-1,315	-981	1,080	378
Exports, f.o.b.	5,198	7,337	9,145	9,365	11,540	14,449
Imports, f.o.b.	8,353	10,480	10,460	10,346	10,460	14,071
<b>Non-factor services (net)</b>	159	-61	-623	-539	-547	-615
Receipts	2,409	2,709	2,530	2,604	2,493	2,695
Payments	2,250	2,770	3,153	3,143	3,040	3,310
<b>Investment income (net)</b>	-279	-427	-611	-669	-429	-597
Receipts	96	140	136	133	142	185
Payments	375	567	747	802	571	782
<b>Transfers (net)</b>	627	1,200	885	1,122	1,181	1,476
Private	474	1,050	710	950	1,050	1,340
Official	153	150	175	172	131	136
<b>Capital account balance</b>	2,326	2,079	1,662	216	-334	-772
<b>Gross foreign direct investment (FDI) inflows</b>	2,276	1,813	2,074	800	700	800
Equity	1,287	891	1,002	240	301	320
Loan disbursements	989	921	1,072	560	399	480
FDI loan repayments	8	55	174	372	603	601
<b>Medium and long-term loans (net)</b>	-253	98	375	432	605	729
Disbursements	443	772	1,007	1,121	1,036	1,411
ODA loans	189	336	550	796	970	1,361
Commercial loans	254	436	457	326	66	50
Scheduled amortization	696	674	632	690	431	682
<b>Short term capital (net)</b>	311	224	-612	-644	-1,036	-1,700
<b>Errors and omissions</b>	284	1	-2	327	-183	247
<b>Overall balance</b>	-38	-351	-4	-524	768	116
<b>Financing</b>	38	351	4	524	-768	-116
Change in net foreign assets of the State Bank of Vietnam (-, increase)	-390	-190	-319	-15	-1,316	-116
of which: Change in net international reserves	0	0	-214	90	-938	-342
Use of Fund credit (net)	92	178	-54	-78	-26	-21
Other NIR	-482	-368	-160	168	-912	-321
Arrears and rescheduling 1/	428	541	323	126	548	-9,691
Debt relief 1/	0	0	0	413	0	9,691
<b>Financing gap</b>	0	0	0	0	0	0
<b>Memorandum items:</b>						
Gross official reserves, including gold	1,376	1,797	1,858	1,765	2,711	3,030
In weeks of next year's imports	5.4	6.9	7.2	6.8	8.1	8.6
Ratio to short-term external debt (in percent) 2/	204.1	284.2	269.4	409.6	397.5	654.9
Current account balance (in percent of GDP)	28.8	31.0	-6.2	-3.9	4.5	2.1
Excluding official transfers	28.8	31.0	-6.9	-4.6	4.0	1.7
Export value growth (annual percentage change)	28.2	41.1	24.6	2.4	23.2	25.2
Import value growth (annual percentage change)	41.1	25.5	-0.2	-1.1	1.1	34.5

Sources: Vietnamese authorities; and staff estimates and projections.

1/ London Club-rescheduling was concluded in early 1998. Restructuring of the Russian debt was concluded in September 2000 on comparable terms to the 1993 Paris Club rescheduling.

2/ Short-term debt by remaining maturity refers to non-equity claims falling due over the next period.

Table 25. Vietnam: Merchandise Exports by Commodity, 1995-2000

	1995	1996	1997	1998	1999	2000 Estimate
(In millions of U.S. dollars, unless otherwise indicated)						
<b>Total exports, f.o.b.</b>	5,198	7,337	9,145	9,365	11,540	14,449
(annual percentage change)	28.2	41.1	24.6	2.4	23.2	25.2
(Excluding oil)	4,174	5,991	7,722	8,132	9,448	10,946
(annual percentage change)	30.9	43.5	28.9	5.3	16.2	15.9
<b>Crude oil</b>	1,024	1,346	1,423	1,232	2,092	3,503
Volume ('000 tons)	7,593	8,705	9,638	12,145	14,882	15,424
Unit value (US\$/ton)	135	154	148	101	141	227
<b>Coal</b>	90	155	111	102	96	94
Volume ('000 tons)	2,620	3,647	3,454	3,162	3,259	3,251
Unit value (US\$/ton)	34	32	32	32	29	29
<b>Rubber</b>	159	163	191	127	146	166
Volume ('000 tons)	132	122	195	191	263	273
Unit value (US\$/ton)	1,208	1,336	980	667	556	608
<b>Rice</b>	496	855	870	1,020	1,025	667
Volume ('000 tons)	1,922	3,003	3,553	3,730	4,508	3,477
Unit value (US\$/ton)	258	285	245	273	227	192
<b>Coffee</b>	565	337	498	594	585	501
Volume ('000 tons)	241	239	392	382	482	734
Unit value (US\$/ton)	2,348	1,410	1,271	1,554	1,213	683
<b>Marine products (including frozen items)</b>	431	651	782	858	974	1,479
<b>Garments</b>	431	1,150	1,503	1,450	1,746	1,892
<b>Footwear</b>	200	531	978	1,031	1,387	1,465
<b>Handicrafts</b>	70	79	121	111	168	237
<b>Electronic goods and components</b>	...	...	440	497	585	783
<b>Other</b>	1,732	2,071	2,228	2,342	2,736	3,662
(In percent of value of total exports)						
Crude oil	19.7	18.3	15.6	13.2	18.1	24.2
Coal	1.7	2.1	1.2	1.1	0.8	0.7
Rubber	3.1	2.2	2.1	1.4	1.3	1.1
Rice	9.5	11.7	9.5	10.9	8.9	4.6
Coffee	10.9	4.6	5.4	6.3	5.1	3.5
Marine products	8.3	8.9	8.6	9.2	8.4	10.2
Garments	8.3	15.7	16.4	15.5	15.1	13.1
Footwear	3.8	7.2	10.7	11.0	12.0	10.1
Handicrafts	1.3	1.1	1.3	1.2	1.5	1.6
Electronic goods and components	...	...	4.8	5.3	5.1	5.4
Other	33.3	28.2	24.4	25.0	23.7	25.3
(In percentage points of growth in the value of exports)						
Crude oil	3.9	6.2	1.1	-2.1	9.2	12.2
Coal	0.4	1.2	-0.6	-0.1	-0.1	0.0
Rubber	0.6	0.1	0.4	-0.7	0.2	0.2
Rice	1.7	6.9	0.2	1.6	0.1	-3.1
Coffee	5.8	-4.4	2.2	1.1	-0.1	-0.7
Marine products	-3.0	4.2	1.8	0.8	1.2	4.4
Garments	-1.1	13.8	4.8	-0.6	3.2	1.3
Footwear	1.9	6.4	6.1	0.6	3.8	0.7
Handicrafts	1.7	0.2	0.6	-0.1	0.6	0.6
Electronic goods and components	...	...	...	0.6	0.9	1.7
Other	16.1	6.5	2.1	1.2	4.2	8.0

Sources: Ministry of Trade and Customs Office; and staff estimates.



Table 26. Vietnam: Merchandise Imports by Commodity, 1995-2000

	1995	1996	1997	1998	1999	2000 Estimate
(In millions of U.S. dollars, unless otherwise indicated)						
<b>Total imports, c.i.f.</b>	8,381	11,644	11,622	11,527	11,742	15,200
(annual percentage change)	43.8	38.9	-0.2	-0.8	1.9	29.4
<b>Petroleum products (gasoline, diesel, etc.)</b>	724	1,079	1,123	832	1,047	2,058
Volume ('000 tons)	4,391	5,803	6,852	6,852	7,425	8,777
Unit value (US\$/ton)	165	186	164	121	141	234
<b>Fertilizer</b>	554	628	440	474	458	509
Volume ('000 tons)	2,508	2,832	2,526	3,448	3,702	3,973
Unit value (US\$/ton)	221	222	174	137	124	128
<b>Insecticide</b>	66	89	114	92	133	137
Volume ('000 tons)	30	60	22	24	...	...
Unit value (US\$/ton)	2,213	1,484	5,168	3,793	...	...
<b>Steel and iron</b>	389	529	510	535	626	812
Volume ('000 tons)	1,126	1,549	1,401	1,786	2,254	2,868
Unit value (US\$/ton)	345	342	364	299	278	283
<b>Cement</b>	84	81	52	2	...	...
Volume ('000 tons)	1,459	1,302	878	50	...	...
Unit value (US\$/ton)	57	62	59	42	...	...
<b>Motorcycles</b>	423	434	233	351	386	787
Volume ('000 units)	404	472	247	384	502	1,807
Unit value (US\$/unit)	1,048	919	944	915	768	436
<b>Motor cars and trucks</b>	148	155	138	130	98	134
Volume ('000 units)	24.5	19.1	14.0	17.2	11.3	15.7
Unit value (US\$/unit)	6,054	8,131	9,855	7,572	8,736	8,507
<b>Wheat flour</b>	65	90	42	62	32	16
Volume ('000 tons)	233	296	152	271	159	86
Unit value (US\$/ton)	279	305	275	228	198	191
<b>Textile yarn (fibers)</b>	134	158	159	188	192	231
Volume ('000 tons)	52	74	77	130	160	176
Unit value (US\$/ton)	2,592	2,128	2,070	1,445	1,200	1,313
<b>Cotton</b>	91	66	67	91	83	101
<b>Leather and garment material</b>	305	531	897	821	1,096	1,334
<b>Cigarette material (including tobacco)</b>	83	78	80	111	88	112
<b>Machinery and equipment (including aircraft)</b>	2,097	3,800	1,777	2,187	2,005	2,482
<b>Other</b>	3,219	3,926	5,990	5,651	5,497	6,487
(In percent of value of total imports)						
Petroleum products	8.6	9.3	9.7	7.2	8.9	13.5
Fertilizer	6.6	5.4	3.8	4.1	3.9	3.3
Insecticide	0.8	0.8	1.0	0.8	1.1	0.9
Steel and iron	4.6	4.5	4.4	4.6	5.3	5.3
Cement	1.0	0.7	0.4	0.0	...	...
Motorcycles	5.0	3.7	2.0	3.0	3.3	5.2
Motor cars and trucks	1.8	1.3	1.2	1.1	0.8	0.9
Wheat flour	0.8	0.8	0.4	0.5	0.3	0.1
Textile yarn	1.6	1.4	1.4	1.6	1.6	1.5
Cotton	1.1	0.6	0.6	0.8	0.7	0.7
Leather and garment material	3.6	4.6	7.7	7.1	9.3	8.8
Cigarette material	1.0	0.7	0.7	1.0	0.8	0.7
Machinery and equipment	25.0	32.6	15.3	19.0	17.1	16.3
Other	38.4	33.7	51.5	49.0	46.8	42.7

Sources: Ministry of Trade and Customs Office; and staff estimates.

Table 27. Vietnam: Direction of Trade, 1995-2000 1/  
(In percent of total exports or imports)

	1995	1996	1997	1998	1999	2000
<b>Exports</b>						
Industrial countries or regions	66.0	68.4	67.2	73.1	73.4	64.4
Japan	26.8	21.3	18.2	18.0	17.6	18.1
Hong Kong SAR	4.7	4.3	4.7	2.4	1.8	2.2
Korea	4.3	7.7	4.5	1.9	1.7	2.4
Singapore	12.7	17.8	13.2	4.4	4.7	6.1
France	3.1	2.0	2.6	5.8	5.1	2.6
Germany	4.0	3.1	4.5	9.2	9.0	5.1
Italy	1.0	0.7	1.3	2.8	2.7	1.5
Netherlands	1.5	2.0	2.9	2.5	2.3	2.7
Switzerland	1.1	2.1	3.6	0.6	0.6	1.2
United Kingdom	1.4	1.7	2.9	4.2	4.4	3.3
Other Europe (industrialized) 2/	0.9	1.4	2.2	8.1	7.8	4.5
United States	3.1	2.8	3.2	6.2	5.8	5.1
Canada	0.3	0.4	0.7	1.4	1.3	0.7
Australia	1.0	0.9	2.5	5.4	8.4	8.8
New Zealand	0.0	0.1	0.2	0.3	0.2	0.1
Developing countries	34.0	31.6	32.8	26.9	26.6	35.6
China (mainland)	6.6	4.7	5.2	2.2	3.0	10.6
Indonesia	1.0	0.6	0.5	0.6	0.5	1.7
Malaysia	4.3	7.7	4.5	1.9	1.7	2.4
Philippines	0.8	1.8	2.6	4.2	3.8	3.3
Russia	1.5	1.2	1.4	0.6	0.2	0.8
Taiwan POC	8.1	7.4	8.9	3.5	3.2	5.2
Thailand	1.9	1.5	2.6	2.4	2.2	2.7
Other	9.9	6.7	7.1	11.4	12.0	8.8
<b>Imports</b>						
Industrial countries or regions	61.5	67.8	66.7	58.1	58.4	60.5
Japan	11.2	11.3	13.0	11.8	14.1	14.4
Hong Kong SAR	5.1	7.1	5.2	4.5	3.9	3.9
Korea	15.4	16.0	13.5	12.1	12.4	11.1
Singapore	17.5	18.2	18.4	13.4	12.9	17.7
France	3.4	3.7	4.8	2.7	2.7	2.1
Germany	2.2	2.6	2.4	3.2	2.2	1.9
Italy	0.7	1.0	0.9	1.0	1.0	1.0
Netherlands	0.4	0.5	0.4	0.3	0.3	0.6
Switzerland	0.9	1.3	1.2	0.5	0.5	0.7
United Kingdom	0.6	0.8	0.9	1.0	1.1	1.0
Other Europe (industrialized) 2/	0.9	1.4	1.6	2.3	2.4	1.8
United States	1.6	2.2	2.2	2.4	2.5	2.2
Canada	0.3	0.3	0.3	0.3	0.3	0.2
Australia	1.2	1.2	1.7	2.1	1.8	1.9
New Zealand	0.0	0.2	0.2	0.4	0.4	0.0
Developing countries	38.5	32.2	33.3	41.9	41.6	39.5
China (mainland)	4.0	3.0	3.5	9.1	8.6	9.1
Indonesia	2.3	1.3	1.7	2.1	2.0	2.2
Malaysia	2.3	1.8	2.0	3.3	3.3	2.5
Philippines	0.3	0.3	0.3	0.8	0.8	0.4
Russia	1.8	1.7	1.4	2.4	1.4	1.5
Taiwan POC	11.1	11.3	12.8	10.8	11.0	12.1
Thailand	5.4	4.4	5.0	5.3	5.4	5.2
Other	11.3	8.4	6.7	8.1	9.0	6.5
<b>Memorandum items:</b>						
European Union						
Exports	11.9	10.9	16.1	32.1	30.9	19.6
Imports	8.1	9.9	11.0	10.4	9.6	8.3
ASEAN 3/						
Exports	20.6	29.4	23.8	13.9	13.2	16.7
Imports	27.8	26.1	27.8	25.4	24.9	28.7

Sources: Customs Office; IMF, *Direction of Trade Statistics*, and staff estimates.

1/ For 1998-2000, some data reflect partner country data.

2/ Defined as Austria, Belgium, Denmark, Finland, Greece, Iceland, Ireland, Luxembourg, Norway, Portugal, Spain, and Sweden.

3/ Including Lao PDR and Myanmar beginning in 1997 and Cambodia in 1999.

Table 28. Vietnam: Commitments of Foreign Direct Investment, 1995-2000 1/

	1995	1996	1997	1998	1999	2000
	(In millions of U.S. dollars)					
Industry	3,111	3,049	1,840	850	839	625
Heavy industries	1,819	1,422	984	607	451	277
Export processing zones 2/	12	246	208	...	...	...
Light industries	814	889	455	186	177	275
Food	466	492	193	57	211	72
Oil and gas	0	53	51	1,358	43	1,231
Construction	584	824	712	161	214	40
Transportation and communications	379	755	1,061	305	137	8
Real estate	2,505	4,079	596	908	163	23
Hotels and tourism	907	140	180	786	43	23
Office property and apartments	1,598	3,939	416	123	120	0
Agriculture, forestry, and fisheries	633	348	333	142	118	92
Services	285	221	252	297	190	96
Total	7,496	9,329	4,845	4,021	1,704	2,114
	(In percent of total)					
Industry	41.5	32.7	38.0	21.1	49.2	29.5
Heavy industries	24.3	15.2	20.3	15.1	26.5	13.1
Export processing zones	0.2	2.6	4.3	...	...	...
Light industries	10.9	9.5	9.4	4.6	10.4	13.0
Food	6.2	5.3	4.0	1.4	12.4	3.4
Oil and gas	0.0	0.6	1.1	33.8	2.5	58.2
Construction	7.8	8.8	14.7	4.0	12.5	1.9
Transportation and communications	5.0	8.1	21.9	7.6	8.1	0.4
Real estate	33.4	43.7	12.3	22.6	9.6	1.1
Hotels and tourism	12.1	1.5	3.7	19.5	2.5	1.1
Office property and apartments	21.3	42.2	8.6	3.1	7.0	0.0
Agriculture, forestry, and fisheries	8.4	3.7	6.9	3.5	6.9	4.4
Services	3.8	2.4	5.2	7.4	11.2	4.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Ministry of Planning and Investment (MPI) and State Bank of Vietnam; and staff estimates.

1/ As reported by MPI. Includes investments by domestic joint venture partners.

2/ Data incomplete from 1998 onwards.

Table 29. Vietnam: Disbursements of Foreign Direct Investment, 1995-2000 1/

	1995	1996	1997	1998	1999	2000
	(In millions of U.S. dollars)					
Industry	801	1,141	1,326	922	835	910
Heavy industries	314	478	701	491	424	445
Export processing zones	34	136	88	43	49	14
Light industries	267	412	363	225	182	326
Food	186	116	174	164	178	126
Oil and gas	567	377	261	375	345	205
Construction	133	261	407	198	152	221
Transportation and communications	155	82	101	80	106	28
Real estate	433	421	488	471	340	299
Hotels and tourism	261	289	227	233	128	164
Office property and apartments	172	132	261	237	212	135
Agriculture, forestry, and fisheries	130	113	234	124	192	208
Services	120	95	61	77	71	87
Total disbursements	2,341	2,490	2,878	2,246	2,041	1,959
Total disbursements: staff estimates 2/	2,276	1,813	2,074	800	700	800
	(In percent of total)					
Industry	34.2	45.8	46.1	41.0	40.9	46.5
Heavy industries	13.4	19.2	24.4	21.8	20.8	22.7
Export processing zones	1.4	5.4	3.1	1.9	2.4	0.7
Light industries	11.4	16.6	12.6	10.0	8.9	16.6
Food	8.0	4.6	6.0	7.3	8.7	6.4
Oil and gas	24.2	15.1	9.1	16.7	16.9	10.5
Construction	5.7	10.5	14.1	8.8	7.4	11.3
Transportation and communications	6.6	3.3	3.5	3.6	5.2	1.4
Real estate	18.5	16.9	17.0	20.9	16.7	15.3
Hotels and tourism	11.2	11.6	7.9	10.4	6.3	8.4
Office property and apartments	7.4	5.3	9.1	10.6	10.4	6.9
Agriculture, forestry, and fisheries	5.6	4.6	8.1	5.5	9.4	10.6
Services	5.1	3.8	2.1	3.4	3.5	4.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
Memorandum item:						
Total disbursements (in percent of GDP)	11.3	10.1	10.7	8.3	7.2	6.5

Sources: Ministry of Planning and Investment (MPI); and staff estimates.

1/ Data on disbursements classified by industry as reported by MPI. Calculated as total reported disbursements less equity contribution of domestic partners. Thus, data include domestic borrowing by the joint venture. Data are subject to extensive revision.

2/ Staff estimates are based on reported foreign equity inflows plus foreign borrowings by joint ventures, as reported by the State Bank of Vietnam. For 1998-2000, also based on other indicators of investment inflows.

Table 30. Vietnam: Foreign Direct Investment by Country of Origin, 1995-2000 1/

	Commitments			Disbursements		
	1995	1996	1997	1998	1999	2000
(In millions of U.S. dollars)						
Singapore	969	3,046	532	315	257	258
Taiwan POC	934	683	280	213	193	362
Korea	677	978	686	219	217	125
Japan	1,412	827	801	509	436	400
British Virgin Islands	800	1,431	228	113	66	142
Hong Kong SAR	158	463	241	153	146	192
Malaysia	199	93	174	151	123	89
Thailand	272	130	276	82	19	28
United States	524	152	275	65	45	68
France	148	101	890	93	115	53
Australia	105	49	7	21	34	28
Other	1,301	1,377	455	314	389	213
<b>Total</b>	<b>7,496</b>	<b>9,329</b>	<b>4,845</b>	<b>2,246</b>	<b>2,041</b>	<b>1,959</b>
(In percent of total)						
Singapore	12.9	32.7	11.0	14.0	12.6	13.1
Taiwan POC	12.5	7.3	5.8	9.5	9.5	18.5
Korea	9.0	10.5	14.1	9.8	10.6	6.4
Japan	18.8	8.9	16.5	22.6	21.4	20.4
British Virgin Islands	10.7	15.3	4.7	5.0	3.2	7.2
Hong Kong SAR	2.1	5.0	5.0	6.8	7.2	9.8
Malaysia	2.6	1.0	3.6	6.7	6.0	4.5
Thailand	3.6	1.4	5.7	3.7	1.0	1.4
United States	7.0	1.6	5.7	2.9	2.2	3.5
France	2.0	1.1	18.4	4.1	5.6	2.7
Australia	1.4	0.5	0.1	0.9	1.7	1.4
Other	17.4	14.8	9.4	14.0	19.0	10.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Sources: Ministry of Planning and Investment (MPI); and staff estimates.

1/ Data as reported by MPI. See Table 29 for qualifications.

Table 31. Vietnam: External Debt and Debt Service Obligations, 1995-2000 1/

	1995	1996	1997	1998	1999	2000 Estimate
(In millions of U.S. dollars, end of period)						
<b>Total convertible currency debt stock</b>	7,145	8,797	9,578	9,847	9,756	11,915
Medium- and long-term debt stock	6,364	7,792	9,185	9,173	9,199	11,387
Public sector (convertible debt only)	4,465	5,023	5,562	5,508	5,978	8,619
<i>Of which:</i>						
State-owned enterprises 2/	238	525	885	974	787	539
IMF	377	539	452	391	355	312
Private sector	1,898	2,769	3,623	3,665	3,221	2,767
FDI-related	1,796	2,544	3,244	3,248	2,884	2,537
Other	102	225	379	418	337	231
Short-term debt stock	781	1,005	393	674	557	528
<b>Total external debt service</b>	1,044	1,300	1,495	1,663	1,798	1,912
Principal	752	880	1,054	1,219	1,373	1,420
Interest	292	420	440	444	425	492
Public debt	885	1,005	918	854	757	774
Principal	693	699	656	603	510	471
Interest	193	306	262	250	247	303
Private debt	159	295	576	809	1,041	1,138
Principal	60	182	398	615	863	949
Interest	99	113	178	194	178	189
(In percent of GDP)						
Total debt service	5.0	5.3	5.6	6.1	6.3	6.3
<i>of which</i> : public	4.3	4.1	3.4	3.1	2.7	2.6
Total convertible currency debt stock	34.5	35.7	35.7	36.3	34.2	39.3
<i>of which</i> : public	21.5	20.4	20.8	20.3	21.0	28.4
(In percent of exports of goods and nonfactor services)						
Total debt service	12.1	12.9	12.8	13.9	12.8	11.2
<i>of which</i> : public	11.4	8.4	7.5	7.7	4.3	4.8
Total convertible currency debt stock	93.9	87.6	82.0	82.3	69.5	69.5
<i>of which</i> : public	58.7	50.0	47.6	46.0	42.6	50.3
Memorandum item:						
Nonconvertible Russian debt 3/	10,597	10,227	10,326	10,515	10,515	0

Sources: Vietnamese authorities; and staff estimates.

1/ Convertible currency debt only.

2/ Includes loans to state-owned enterprises not classified elsewhere.

3/ In millions of transferable rubles. Restructuring of nonconvertible Russian debt was concluded in September 2000.

Table 32. Vietnam: Summary of Normal Tariff Schedule, 1999-2001 1/

Rates in 1999			Rates in 2000			Rates in 2001		
Bands	Number of lines:		Bands	Number of lines:		Bands	Number of lines:	
	number	percent		number	percent		number	percent
0	1,965	32.4	0	2,029	32.0	0	2,070	32.4
1	148	2.4	1	173	2.7	1	170	2.7
3	374	6.2	3	381	6.0	3	349	5.5
5	616	10.2	5	679	10.7	5	677	10.6
10	448	7.4	7	7	0.1	7	3	0.0
15	58	1.0	10	519	8.2	10	550	8.6
20	531	8.8	12	2	0.0	12	3	0.0
30	663	10.9	15	79	1.2	15	68	1.1
40	617	10.2	18	1	0.0	20	502	7.9
50	574	9.5	20	516	8.1	25	5	0.1
60	34	0.6	25	3	0.0	30	663	10.4
100	28	0.5	30	633	10.0	35	1	0.0
			40	678	10.7	40	671	10.5
			45	2	0.0	45	2	0.0
			50	569	9.0	50	575	9.0
			55	1	0.0	60	11	0.2
			60	12	0.2	80	2	0.0
			80	9	0.1	100	50	0.8
			100	48	0.8	120	8	0.1
Total	6,056	100.0	Total	6,341	100.0	Total	6,380	100.0
Number of bands		12			19			19
Average 2/		15.5			15.4			...
Standard deviation 2		17.7			18.1			...

Source: Ministry of Finance.

1/ The normal tariff rates are termed *preferential* in the official schedule. There are also nonpreferential tariff rates about 50 percent higher than these rates, which are applied to imports from countries without a trade agreement (or not in the process of negotiating one).

2/ Based on actual trade flows.

**Table 33. Vietnam: Common Effective Preferential Tariff (CEPT) Rates, 1999-2001** 1/

Rates in 1999			Rates in 2000			Rates in 2001		
Bands	Number of lines:		Bands	Number of lines:		Bands	Number of lines:	
	number	percent		number	percent		number	percent
0	1,523	42.7	0	1,690	39.9	0	1,763	35.4
1	82	2.3	1	155	3.7	1	171	3.4
3	332	9.3	3	335	7.9	3	333	6.7
4	1	0.0	4	0	0.0	5	962	19.3
5	561	15.7	5	783	18.5	7	3	0.1
7	20	0.6	7	10	0.2	10	676	13.6
10	261	7.3	10	573	13.5	12	1	0.0
15	470	13.2	15	129	3.0	15	133	2.7
20	25	0.7	20	107	2.5	20	944	18.9
25	24	0.7	25	13	0.3			
30	33	0.9	30	72	1.7			
35	3	0.1	35	280	6.6			
40	231	6.5	40	82	1.9			
45	1	0.0	45	1	0.0			
			50	3	0.1			
Total	3,567	100.0	Total	4,233	100.0	Total	4,986	100.0
Average 2/		7.1			7.3			...
Standard deviation 1		10.6			10.7			...

Source: Ministry of Finance.

1/ Under Vietnam's current ASEAN Free Trade Area (AFTA) agreement.

2/ Based on actual trade flows.



## V. Vietnam: Summary of the Tax System as October 1, 2001

Nature of the tax	Tax deductions and exemptions	Rates																																										
<b>I. Personal Income Tax and Enterprise Income Tax</b>																																												
<b>1.1. Personal Income Tax</b>																																												
<p>(a) Regular income (in cash or kind):</p> <ul style="list-style-type: none"> <li>- salaries and wages</li> <li>- allowances</li> <li>- bonuses</li> <li>- non-salary income that is not subject to corporate income tax.</li> </ul> <p>Excluded are:</p> <ul style="list-style-type: none"> <li>- interest and dividend income</li> <li>- rental income</li> <li>- social benefits, insurance compensations, and severance allowances.</li> <li>- income of nonresidents staying in Vietnam for fewer than 30 days</li> <li>- social and health insurance contributions deducted from salaries and wages</li> <li>- remuneration for technical innovation/invention</li> <li>- business travel expenses; allowances for shift work, for working under noxious or dangerous conditions or in mountainous areas; and on stipulated offshore islands.</li> </ul>	<p>Individual investors are exempted for 5-10 years from income tax applicable to income earned by contributing capital and purchasing shares in business.</p> <p>Investors are exempted from income tax applicable to income earned by contributing capital through intellectual property rights, technical knowledge, or technological processes.</p>	<p>For Vietnamese citizens:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Monthly income (VND million)</u></th> <th style="text-align: left;"><u>Marginal rate</u></th> </tr> </thead> <tbody> <tr><td>0-3</td><td>0%</td></tr> <tr><td>3-6</td><td>10%</td></tr> <tr><td>6-9</td><td>20%</td></tr> <tr><td>9-12</td><td>30%</td></tr> <tr><td>12-15</td><td>40%</td></tr> <tr><td>15 or more</td><td>50%</td></tr> </tbody> </table> <p>For resident foreigners and for Vietnamese citizens on mission, working overseas, or working in software services/production.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Monthly income (VND million)</u></th> <th style="text-align: left;"><u>Marginal rate</u></th> </tr> </thead> <tbody> <tr><td>0-8</td><td>0%</td></tr> <tr><td>8-20</td><td>10%</td></tr> <tr><td>20-50</td><td>20%</td></tr> <tr><td>50-80</td><td>30%</td></tr> <tr><td>80-120</td><td>40%</td></tr> <tr><td>120 or more</td><td>50%</td></tr> </tbody> </table> <p>For non-resident foreigners: flat rate of 25% on Vietnam-sourced income.</p> <p>For Vietnamese citizens and resident foreigners, the following marginal rates apply on irregular income:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Income (VND million)</u></th> <th style="text-align: left;"><u>Scale rate</u></th> </tr> </thead> <tbody> <tr><td>0-2</td><td>0%</td></tr> <tr><td>2-4</td><td>5%</td></tr> <tr><td>4-10</td><td>10%</td></tr> <tr><td>10-20</td><td>15%</td></tr> <tr><td>20-30</td><td>20%</td></tr> <tr><td>30 or more</td><td>30%</td></tr> </tbody> </table> <p>Gifts: Flat 5% (nil for less than or equal to VND 2 million)                      Lottery winnings: Flat 10% (nil for less than or equal to VND 12.5 million)                      Fees and commissions: Flat 5% (nil for less than or equal to VND 2 million).</p>	<u>Monthly income (VND million)</u>	<u>Marginal rate</u>	0-3	0%	3-6	10%	6-9	20%	9-12	30%	12-15	40%	15 or more	50%	<u>Monthly income (VND million)</u>	<u>Marginal rate</u>	0-8	0%	8-20	10%	20-50	20%	50-80	30%	80-120	40%	120 or more	50%	<u>Income (VND million)</u>	<u>Scale rate</u>	0-2	0%	2-4	5%	4-10	10%	10-20	15%	20-30	20%	30 or more	30%
<u>Monthly income (VND million)</u>	<u>Marginal rate</u>																																											
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30 or more	30%																																											
<p>(b) Irregular income</p> <ul style="list-style-type: none"> <li>- gifts in kind from overseas</li> <li>- lottery winnings</li> <li>- fees or commissions from copyrights, technology and knowledge transfers, and on industrial and construction design.</li> </ul>																																												
<b>1.2. Supplementary Income Tax</b>																																												
<p>Levied on monthly income above VND 15 million net of regular income tax payment.</p>	<p>Non-citizens and Vietnamese citizens on mission, working overseas, or working in software services/production are exempted.</p>	<p>30% of net income in excess of VND 15 million per month.</p>																																										

## V. Vietnam: Summary of the Tax System as October 1, 2001

Nature of the tax	Tax deductions and exemptions	Rates
<p>1.3.1. Corporate Income Tax</p> <p>Taxable income defined as total revenue, less total deductible expenses of the enterprise, plus any other income such as rents, proceeds from the transfer or liquidation of assets, profits earned from business operations abroad, and profits from financial dealings.</p> <p>Deductible expenses are:</p> <ul style="list-style-type: none"> <li>- costs of raw and other materials and energy required for the manufacture of principal products and by-products or for the provision of services</li> <li>- wages, salaries, and allowances</li> <li>- depreciation of fixed assets</li> <li>- costs of research and development</li> <li>- interest payments (subject to certain limitations)</li> <li>- severance payments</li> <li>- expenses incurred for employee safety</li> <li>- taxes (other than profit tax or profit remittance tax)</li> <li>- fees on land rental related to business activities.</li> <li>- social and health insurance and trade union expenses</li> <li>- provisions for devaluation of inventory and bad debts</li> <li>- costs of outsourced services, including water and electricity; acquisition of or the right to use any technical documents, patents, licenses, or trademarks; insurance; management and consulting services.</li> <li>- costs for sale and distribution of goods and provision of services, including expenses for storage, packaging, transportation, warranty, and so forth</li> <li>- advertising, promotion, and other expenses, subject to caps of 3%, 5%, or 7% of total amount of the above expenses depending on the business sector</li> <li>- head office administration expenses allocated to the business establishment in Vietnam (applicable to foreign economic organizations' branches in Vietnam)</li> <li>- any losses brought forward from previous years (the maximum period for the loss carry forward is five years from the loss-making year)</li> </ul> <p>Expenses unrelated to turnover and taxable income, fines and penalties, payments unsupported by proper documents, and expenditures covered by other sources are not deductible for corporate income tax purposes.</p>	<p>Tax exemptions are granted to:</p> <p>(a) farmers and households engaged in farming, livestock, or fishing activity, whose earnings are less than VND 90 million per year or income less than VND 36 million per year are exempt from the Corporate Income Tax</p> <p>(b) newly founded domestic business establishments for the first profit-making year, and thereafter a 50% reduction of tax for certain periods</p> <p>(c) domestic business establishments on income earned from scientific research; provision of technical services for agriculture; production by disabled workers; and vocational training of disabled persons, ethnic minorities, and children living under particularly difficult conditions.</p> <p>Tax reductions are available for domestic business establishments and foreign invested enterprises that engage in manufacturing, construction and transportation sectors and employ a considerable number of female workers. The tax reduction is equivalent to certain actual payments to female workers.</p> <p>Tax exemptions or reductions are available for establishment of production; "build, transfer, and operate" (BTO) contracts; or "build, operate, and transfer" (BOT) contracts; investment projects in regions with difficult economic and social conditions; and for the following investment projects:</p> <p>(a) afforestation and forest planting</p> <p>(b) infrastructure and public transport</p> <p>(c) education, health care, or culture</p> <p>(d) export production and trading</p> <p>(e) agricultural and maritime development</p> <p>(f) science, business management, or technology transfer</p> <p>(g) production reform or relocation</p> <p>(h) developing preferential professions.</p> <p>Investors of export products production and export products trading establishments receive additional reductions as follows:</p> <p>(a) 50% reduction in first year when export is a new product, or when the export goes to a new market</p> <p>(b) 50% reduction in the year when export turnover exceeds that the previous year</p> <p>(c) 20% reduction in the year when export earnings exceed 50% of turnover, or in the third consecutive year of stable export markets</p> <p>(d) additional 25% reduction of the tax on income from exports in the above-listed cases if projects in regions with difficult economic and social conditions</p>	<p>Standard rate: 32%</p> <p>Oil sector standard rate: 50%</p> <p>For mining, forestry, fishery, metallurgy, mechanical manufacture, basic chemicals, fertilizer, pesticides, construction materials (excluding cement), construction (excluding certain related industries), and transportation (excluding airway and taxi), a 25% rate will be applied until January 1, 2002.</p> <p>For other resource-exploitation sectors, a 32-50% rate will be decided by Ministry of Finance (MoF) or foreign investment license issuing authority with the agreement of MoF.</p> <p>Preferential rates (25%, 20% and 15%) are offered depending on industries and areas of investment.</p> <p>BOT, BTO and "build, transfer" (BT) projects: 10%.</p>
<p>1.3.2. Corporate Income Tax on Foreign Invested Enterprises and Foreign Parties to Business Cooperation Contracts (BCCs)</p> <p>As 1.3.1., a BCC is a business contract between a foreign investor and domestic partner that does not involve setting up a legal entity in Vietnam.</p>	<p>Tax holidays are granted for joint ventures and wholly foreign-owned companies (excluding hotel, office, or apartment building projects that do not belong to investment encouragement areas or whose assets are not transferred to the Vietnamese government on a non-recourse basis). Projects in banking, financial, insurance, trading, and services sectors outside EPZs or industrial or high-tech parks may be considered for tax holidays. The holidays take the form of a complete exemption from profit tax for a certain period beginning immediately after the project becomes profitable, followed in turn by a period where tax is charged at one-half the agreed preferential rate. The duration of the holiday period depends on tax rate applicable to the project as follows:</p>	<p>Standard rate: 25%</p> <p>Oil: 50%</p> <p>Preferential rates of 20%, 15%, and 10% are available for inward investment upon the granting of an investment license.</p> <p>The following rates are available for 10-15 years upon commencement of business activity:</p>

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Nature of the tax	Tax deductions and exemptions	Rates
	<p>(a) projects subject to 20% rate may be considered for one year's exemption, followed by up to two years at 10% rate</p> <p>(b) projects subject to 15% rate may be considered for two years' exemption, followed by up to three years at 7.5% rate</p> <p>(c) projects subject to 10% rate may be considered for four years' exemption, followed by up to four years at 5% rate, except those projects exempted from the corporate income tax for 8 years.</p> <p>(d) BOT, BTO, and BT projects in investment encouragement areas and high-tech enterprises, technological service enterprises in high-tech areas, afforestation or infrastructure projects in especially difficult areas, large-scale projects having substantial socioeconomic impact, and projects on the special investment encouragement list obtain an exemption for 8 years after becoming profitable.</p> <p>Investors who reinvest profits earned from investment in Vietnam are refunded part of or all Corporate Income Tax paid on the reinvested profits if the following conditions are met:</p> <p>(a) reinvestment is made in projects that enjoy preferential Corporate Income Tax treatment</p> <p>(b) capital reinvested is used at least 3 years;</p> <p>(c) contribution of legal capital or capital to a BCC has been fulfilled</p> <p>Levels of the refunded Corporate Income Tax on reinvested profits are:</p> <p>(a) 100% if profits are reinvested in projects that enjoy the corporate income tax rate of 10%</p> <p>(b) 75% if profits are reinvested in projects that enjoy a rate of 15%</p> <p>(c) 50% if reinvested in projects that enjoy a rate of 20%.</p>	<p>(a) 20% for 10 years for projects meeting at one of the following criteria:</p> <ul style="list-style-type: none"> <li>- service enterprises in an IZ</li> <li>- non-oil projects and projects that do not fall into categories (b) and (c) below.</li> </ul> <p>(b) 15% for 12 years for projects meeting one of the following criteria:</p> <ul style="list-style-type: none"> <li>- projects on the investment encouragement list, including: <ul style="list-style-type: none"> <li>(i) with at least 50% of production for export</li> <li>(ii) with at least 30% of production for export and consumption of domestic materials (representing at least 30% of production cost)</li> <li>(iii) for projects using substantial Vietnamese natural resources and workers</li> <li>(iv) for processing of agricultural, forestry, and marine products</li> <li>(v) for heavy industry such as refining metals and producing primary chemicals; for refined oil products and fertilizer; for heavy metal engineering; and for production of car and motorbike components and electronic parts and accessories.</li> <li>(vi) infrastructure construction and operation projects</li> <li>(vii) projects in areas under difficult socio-economic conditions</li> <li>(viii) service projects in EPZs</li> <li>(ix) projects in industrial parks that export more than 50% of products</li> <li>(x) projects in which the a foreign party undertakes a transfer of assets to the Vietnamese government on a non-recourse basis at the end of the operating period.</li> </ul> </li> </ul> <p>(c) 10% for 15 years for projects meeting one of the following criteria:</p> <ul style="list-style-type: none"> <li>- projects meeting two of the criteria in category (b)</li> <li>- projects on the investment encouragement special list, including: <ul style="list-style-type: none"> <li>(i) at least 80% of production for export</li> <li>(ii) processing of agricultural, forestry, and marine products with at least 50% of production for export</li> <li>(iii) production of new quality hybrid seeds</li> <li>(iv) projects in agriculture, forestry, and fisheries</li> <li>(v) manufacture of new materials, application of new biological technologies, and application of new technologies for the manufacture of telecommunication equipment</li> <li>(vi) high-tech industries</li> <li>(vii) investment in research and development</li> <li>(viii) manufacture of waste treatment equipment</li> <li>(ix) production of materials for antibiotic medicine</li> <li>(x) pollution and waste treatment and environmental protection</li> <li>(xi) BOT, BTO and BT projects</li> </ul> </li> <li>- projects in areas under difficult or socioeconomic conditions and on the investment encouragement list.</li> <li>- enterprises engaged in development of infrastructure in industrial parks, EPZs, and high-tech parks.</li> <li>- export processing enterprises</li> <li>- projects in areas of medical care and examination, education, and scientific research.</li> </ul>

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Nature of the tax	Tax deductions and exemptions	Rates
		<p>Preferential tax rate shall be applied during the whole duration of some special projects if one of the following conditions is met:</p> <ul style="list-style-type: none"> <li>- projects on the investment encouragement special list</li> <li>- projects on the investment encouragement list and located in regions with especially difficult socio-economic conditions</li> <li>- projects for development of infrastructure in industrial parks, EPZs, and high-tech parks</li> <li>- projects in an industrial parks, EPZs, and high-tech parks</li> <li>- projects in areas of medical care and examination, education, and scientific research.</li> </ul> <p>Overseas Vietnamese investing in Vietnam under the Law on Foreign Investment shall enjoy 20% reduction of corporate income tax for the same type of projects, except for projects that subject to 10% rate.</p>
<p><b>1.3.3. Corporate Income Tax on Foreign Contractors</b></p> <p>For contractors who do not register for and apply Vietnamese Accounting System (VAS). Based on value of contract with Vietnamese party. Corporate income tax payable is equal to taxable turnover multiplied by deemed corporate income tax rates.</p> <p>Contractors who register for and apply VAS shall pay corporate income tax in accordance with the regulations mentioned in section 1.3.1.</p>		<p>Tax rates:</p> <p>Trading businesses: 1%</p> <p>Transportation, construction (including survey, design, and supervision), and production: 2%</p> <p>Services: 5%</p> <p>Interest and income from copyright: 10%.</p>
<p><b>1.3.4. Corporate Income Tax on Foreign Economic Organizations Branches in Vietnam</b></p> <p>As in 1.3.1.; administrative expenses allocated by the head office also are deductible for corporate income tax purposes. Deduction of payments to head office and its affiliated branches in the form of royalties, fees for use of patents, and interest payments on loans are disallowed. For branches of foreign credit institutions, interest payments received by the institutions are deductible for corporate income tax purposes.</p>		32%
<p><b>1.4. Additional Income Tax</b></p> <p>Levied on after-tax income in excess of 20% of the owners' capital.</p>	<p>Additional income tax shall not be imposed on:</p> <ul style="list-style-type: none"> <li>- foreign invested enterprises</li> <li>- preferential investment projects that are entitled to corporate income tax rates of 25%, 20%, and 15%</li> <li>- business establishments exporting more than 50% of their products or with export revenue exceeding 50% of total revenue.</li> </ul>	25%
<p><b>1.5. Withholding Profit Remittance Tax</b></p> <p>Income earned by foreign investors from investments in Vietnam (including refunded corporate income tax for investments and gains from capital transfers) are taxable when remitted overseas or retained outside Vietnam.</p>	<p>Foreign economic organizations branches in Vietnam are not liable for the profit remittance tax.</p>	<p>(a) 3% for:</p> <ul style="list-style-type: none"> <li>- overseas Vietnamese who invest in Vietnam under the Law on Foreign Investment in Vietnam</li> <li>- foreigner investors in an industrial parks, EPZs, or a high-tech parks</li> <li>- foreign investors with legal capital contribution or capital</li> </ul>

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Nature of the tax	Tax deductions and exemptions	Rates
		contribution for the implementation of a HCC of US\$5-10 million - investment projects in regions under especially difficult socio-economic conditions and on the investment encouragement list.  (b) 5% for - foreign investors with legal capital contribution or capital contribution for the implementation of a BCC of more than US\$10 million - projects in areas of medical care and examination, education, and scientific research.  (c) 7% in other cases.
<b>1.6. Capital Gains Tax</b>		
Levied on gains from a transfer of contributed capital (in a joint venture, a 100% foreign-owned enterprise, or a BCC) by foreign investors in Vietnam  Taxable gain is defined as the transfer price less the original cost of the transferred capital and expenses associated with the transfer.		25%
<b>2. Social Security Contributions</b>	Expatriates are exempt.	Employer contributes 15% and employee contributes 5% of the employee's total wages.  Health insurance payable by employer at 2% of employee's wages; employee contributes another 1%.
<b>3. Taxes on Goods and Services</b>		
<b>3.1. Value-Added Tax</b>		
Goods and services for the purposes of production, business, or consumption in Vietnam are subject to VAT.  For domestic production and business goods, tax is calculated on before-VAT price.  For imports, base includes the dutiable price and import duty.  Two methods of VAT payment are: - credit method, whereby VAT payable shall be the difference between output VAT and input VAT - direct method, whereby VAT payable is calculated on value added of VATable good or service.	Until 2002, a reduction in the VAT liability of a loss-making enterprise is considered up to the difference between the VAT liability and imputed turnover tax.  Goods not subject to VAT are as follows: (a) agricultural production (b) salt products (c) excisable products and services and imports, except for export goods that are subject to VAT at the rate of 0% (d) machinery, equipment, means of transportation, and certain specialized equipment that cannot be produced domestically (e) transfer of land use rights (f) state-owned houses sold to tenants (g) credit and financial leasing services and securities business (h) certain insurance services (i) medical services (j) non-business related artistic, cultural, and sport activities (k) teaching and training (l) state-funded broadcasting (m) printing and publishing (newspapers and certain types of publications) (n) cash transferred in to Vietnam (o) public sanitary, drainage, and park services (p) bus transport (q) geological investigation and surveys (r) irrigation	VAT rates are:  (a) 0% for exports, repair of machinery, transportation means, provision of software services for foreign countries, enterprises in EPZs, export of labor, manufacturing of export goods, and goods sold by foreign invested enterprises to foreigners but delivered in Vietnam.  (b) 5% for provision of essential goods and services (e.g. clean water, food, fertilizer, medicine, and various agricultural goods and services); mechanical products (except consumer items); coal; metallurgical products (excluding gold); excisable goods subject to VAT by the credit method at commercial stage; special healthcare equipment, and teaching-aids.  (c) 10% - standard rate (e.g. electricity, minerals; processed foods; post and transport services; tailoring; hotel, restaurants, and tourism services; auditing, insurance, and consulting services; and goods and services not subject to the rates of 0%, 5% and 20%).  (d) 20% for trading precious minerals, lotteries, and shipping agent and broker services.

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Nature of the tax	Tax deductions and exemptions	Rates
	<ul style="list-style-type: none"> <li>(s) arms for national defense</li> <li>(t) foreign charity and grants and related imports</li> <li>(u) goods in transit</li> <li>(v) temporary imports for re-exports</li> <li>(w) materials for export production and processing</li> <li>(x) goods and services for international transport and consumers abroad</li> <li>(y) international transportation</li> <li>(z) goods sold at duty free shops</li> <li>(aa) construction and installation overseas or for enterprises in EPZ</li> <li>(bb) services for overseas consumption and for enterprises in EPZ, excluding labor on export, machinery, and transportation means repairing services for foreigners</li> <li>(cc) goods and services exported overseas by enterprises in EPZ and sold by enterprises in EPZ to others in EPZ</li> <li>(dd) goods and services imported by enterprises in EPZ from abroad</li> <li>(ee) technology transfers and computer software (except software for export)</li> <li>(ff) unprocessed gold</li> <li>(gg) natural resources and minerals exploited but not yet processed for export (crude oil, gemstones, some ores, etc.)</li> <li>(hh) goods and services by business individuals below threshold</li> </ul>	
<p>3.1.1. Value-Added Tax on Foreign Contractors</p> <p>For contractors who do not register for and apply the VAS. Based on value of contract with Vietnamese party.</p> <p>The VAT payable is equal to the deemed value added in taxable turnover multiplied by a VAT rate, with the deemed value added in taxable turnover defined as the taxable turnover multiplied by a deemed percentage of value added in the taxable turnover.</p> <p>Contractors who register for and apply the VAS shall pay VAT by the credit method mentioned in 3.1.</p>		<p>Deemed percentage of value added in taxable turnover are:</p> <p>Trading: 10%</p> <p>Services: 50%</p> <p>Construction and installation (without being accompanied by a supply of materials, machinery, and/or equipment), and design and supervision: 50%</p> <p>Construction and installation (accompanied by a supply of materials, machinery, and/or equipment): 30%</p> <p>Other production and transportation: 25%</p>
<p>3.2. Special Consumption Taxes (excises)</p> <p>Tax base is the tax-exclusive sale price, which is calculated as follows:</p> <p>Tax base = sale price/(1 + tax rate).</p>	<p>Goods not subject to special consumption tax are:</p> <ul style="list-style-type: none"> <li>(a) goods directly exported by production or processing enterprises</li> <li>(b) goods imported in the following cases: <ul style="list-style-type: none"> <li>- by humanitarian and non-refundable aid agencies; as donations to state agencies or to political and social organizations; by units of the armed forces; under diplomatic immunity; and as duty-free luggage</li> <li>- goods in transit</li> <li>- goods temporarily imported for re-export</li> <li>- goods temporarily exported for re-import</li> <li>- goods imported for duty-free sale.</li> </ul> </li> </ul> <p>Exemptions from or reduction of excises are granted in following cases:</p> <ul style="list-style-type: none"> <li>(a) difficulties for enterprises producing excisable goods due to disaster, war, or sudden calamity</li> <li>(b) small-scale loss-making beer production (until May 20, 2003).</li> </ul>	<p>Rates on excises are:</p> <p>Cigarettes without filters: 25%</p> <p>Cigarettes with filters (and mainly domestic materials): 45%</p> <p>Cigarettes with filters (and mainly imported materials) and cigars: 65%</p>
(a) Cigarettes, cigars		

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Nature of the tax	Tax deductions and exemptions	Rates
(b) Beer		Draft beer: 50% Canned beer: 65% Bottled beer: 75%.
(c) Alcoholic beverages other than beer		Medicinal wine: 15% - if below 20% alcohol (alcohol from fruit): 20% - if 20-30% alcohol: 25% - if 30 and 40% alcohol: 55% - if above 40% alcohol: 70%.
(d) Cars	Domestic automobile manufacturers are entitled to reduction from 50% to 100% until May 20, 2003, after which the period can be extended by one to five years if they continue to suffer losses.	16-24 seats: 30% 6-15 seats: 60% Under 5 seats: 100%.
(e) Gasoline		15%
(f) Air conditioning equipment (below 90,000 btu)		20%
(g) Playing cards		30%
(h) Votive paper and products		60%
(i) Massage, karaoke, and dance-hall businesses		20%
(j) Casino businesses and jackpot machines		25%
(k) Betting on horse and motorcycle races		20%
(l) Golf course membership and playing fees	Reduction by 30% for golf course businesses until May 20, 2003.	20%
3.3. Taxes on Natural Resources		
(a) Production royalties		Tax rates are as follows:
Calculated on selling price at exploitation site.	Joint ventures are partially exempted.	Metallic minerals: 2-5% Non-metallic minerals: 1-4% Gold: 2-3% Rare soil: 4% Gemstones: 3-8% Coal: 1-3% Oil: 6-25% Gas: 0-10% Natural forest products: 5-40% Natural marine products: 2-10% Natural water: 0-4% Other natural resources: 0-20%.
(b) Rent of land, water, and sea surfaces		
Payable by foreign invested enterprises and contracting parties.	Reductions in the tax are available as follows: - afforestation projects: 90% - BOT, BT, BTO or projects in especially difficult areas: total reduction or exemption - projects that pay rental in advance for a period from 5 to 30 year: 5-30%	Land surface, depending on the particular conditions in the locality: US\$0.01-US\$12 per square meter Water surface without any architectural work: US\$75-US\$25 per hectare a year Sea surface: US\$150-US\$7,500 per square kilometer a year.
3.4. Import and Export Duties		
Import duties:	Exempted imports are:	Import duty rates (preferential or normal rates): 0%, 1%, 3%, 5%, 10%, 15%, 30%, 40%, 50%, 60%, and maximum of 100%.
Import duty is based on the contracted CIF and delivery at frontier (DAF) price, except for 7 groups of goods, on which minimum import prices have been determined.	(a) goods for national defense and security industries (b) goods and services imported for education or scientific research (c) goods temporarily imported for subsequent export and those temporarily exported for fairs and exhibitions.	Ordinary rate, applied to non-MFN imports, at maximum of 70% higher than preferential rate.  Preferential rate applied to MFN (and most) imports.

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Nature of the tax	Tax deductions and exemptions	Rates
<p>Import taxable value is determined: (i) as the contract value matched with documents related to buying and selling (CIF price, if import by sea); or (ii) as the buying price under Vietnam border conditions (DAF price, if import by land) except for some goods under the state control, for which the taxable price shall not be less than the minimum price as stipulated.</p> <p>The regulation on import duties on petroleum products serve several purposes, including stabilizing prices. Import duties on petroleum products also aim to eliminate the differential between international and regulated domestic prices.</p> <p>Export duties:</p> <p>Export taxable value is determined as selling price at export gate (FOB).</p> <p>Minimum taxable value is based on purchasing price in international markets or foreign trade contract of import goods of the same kind, referencing domestic price of import goods and comments of Ministry of Trade and Customs Department.</p> <p>Commodities subject to current export duty include:</p> <ul style="list-style-type: none"> <li>- crude oil</li> <li>- wood and woody products</li> <li>- cashew nuts</li> <li>- aloe-wood</li> <li>- minerals</li> <li>- precious and semi-precious gemstones</li> <li>- metallic wastage</li> <li>- uncompleted metals</li> <li>- live animals</li> <li>- botanical materials (rattan, etc.).</li> </ul>	<p>Additional tax-exempted imports and exports are:</p> <ul style="list-style-type: none"> <li>(a) imports or exports of moving assets</li> <li>(b) samples of imports or exports</li> <li>(c) imports or exports of duty-free luggage of passengers</li> <li>(d) imports or exports of foreign organizations and individuals enjoying immunities and privileges in Vietnam under the regulation of the laws of Vietnam, and consistent with international conventions signed or attended by Vietnam</li> <li>(e) imports for selling duty-free</li> <li>(f) imports or exports of foreign-owned enterprises and cooperating foreign parties to a BCC under the Law on Foreign Investment in Vietnam, including: <ul style="list-style-type: none"> <li>- imported machinery and equipment as fixed assets of enterprises</li> <li>- special vehicles in a technological chain and pick-up means (automobiles with more than 24 seats and waterway transport means)</li> <li>- components, spare parts, appurtenances, appliances, and moulds accompanying the above-mentioned machinery and equipment and vehicles</li> <li>- imported materials used for BOT, BTO, and BT projects</li> <li>- construction materials that cannot be produced domestically</li> </ul> </li> <li>(g) imported materials for enterprises producing mechanical, electronic, and electrical items and parts (for 5 years)</li> <li>(h) other materials for investment encouragement special projects under the regulations of the government</li> <li>(i) commodities sold by domestic organizations and individuals (including foreign invested enterprises) to processing enterprises obtaining export duty exemption</li> <li>(j) enterprises selling their own products to other enterprises for producing exports, which shall receive import duty exemptions for the materials related to the above-mentioned products</li> <li>(k) humanitarian aid and gifts as separately stipulated</li> <li>(l) goods in transit.</li> </ul> <p>Imports of equipment, machinery, and means of transportation are exempted for the following investment projects:</p> <ul style="list-style-type: none"> <li>(a) afforestation and forest planting</li> <li>(b) infrastructure and public transport</li> <li>(c) education, health care, or culture</li> <li>(d) export production and trading</li> <li>(e) agricultural and fisheries development</li> <li>(f) science, business management, or technology transfer</li> <li>(g) production reform or relocation</li> <li>(h) development of preferential professions.</li> </ul> <p>Imports for investment projects in regions with difficult economic and social conditions are exempted.</p> <p>Enterprises in EPZs are not liable to pay import and export duties on equipment, raw materials, and commodities imported into the zone and for goods and products exported from the zone or sold to another EPZ.</p> <p>BOT, BTO, and BT projects are exempted from duties on imported materials and supplies.</p>	<p>Especially preferential rate applied to imports from countries with which Vietnam has signed agreements to apply such a rate (mainly for the ASEAN Free Trade Area, or AFTA).</p> <p>Discretionary additional tax is imposed in case of:</p> <ul style="list-style-type: none"> <li>- import dumping</li> <li>- imports subsidized by exporting country, thus hindering domestic production</li> <li>- imports from countries imposing strict import tax policy on Vietnamese exports.</li> </ul> <p>Export duty rates:</p> <ul style="list-style-type: none"> <li>- crude oil: 4%</li> <li>- wood and woody products: 5%, 15%, 20%</li> <li>- cashew nuts: 4%</li> <li>- aloe-wood: 20%</li> <li>- minerals: 1%, 2%, 5%, 10%, 20%</li> <li>- gemstones: 1%, 3%, 5%</li> <li>- metallic wastage: 35%, 40%, 45%</li> <li>- semi-product metals: 5%</li> <li>- live animals: 10%</li> <li>- botanic materials (rattan, etc.): 3%, 10%.</li> </ul>



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Nature of the tax	Tax deductions and exemptions	Rates
	<p>Foreign investment projects in agriculture, forestry and fishery are exempted from duties on special breeder plants and animals.</p> <p>Foreign investment projects in the list of specially encouraged projects or located in regions under especially difficult socioeconomic conditions are exempted from duties on materials for production for 5 years upon commencement of production.</p> <p>Foreign invested enterprises and foreign parties to a BCC investing in the manufacture of mechanical, electrical, and electronic accessories and parts are exempted from duties on materials for production for 5 years upon commencement of the production.</p>	
<b>3.5. License Tax</b>		
Annual license for all enterprises.		<p>Independent accounting enterprises (state-owned enterprises; joint stock, limited liability, and private companies; and foreign invested enterprises: VND 850,000</p> <p>Branches and dependent accounting enterprises: VND 550,000</p> <p>Other shops: VND 325,000</p> <p>Households: between VND25,000 and VND850,000.</p>
<b>3.6. Slaughter Tax</b>		
Based on market value of slaughtered buffaloes, cows, and pigs.		5%
<b>4. Property Taxes</b>		
<b>4.1. Agricultural Land Use Tax</b>		
Based on area and category of agricultural land, its tax rate is calculated in paddy.	Exempt are:	Annual crops
Category of land is determined based on following:	(a) barren hills and land used for agricultural production	
- quality	(b) reclaimed land used for:	<u>Category of land</u>
- location	- annual crops: 5 years; 7 years of exemption will be applied for marsh and sea-encroaching areas	<u>Tax (kg paddy/hectare)</u>
- region (field, middle, mountain)	- perennial crops: during capital construction plus 3 years from time crops start yielding output; 6 years for marsh and sea-encroaching areas	1 550
- weather	(c) target groups of social policies:	2 460
- irrigation supply and drainage situation.	- for farmer households in mountainous, border, and island areas and of minorities	3 370
Category of land will be valid in ten years.	- invalid or elderly farmers household without any support	4 280
Tax calculated in paddy but collected in dong currency.	- martyr families that are being subsidized by the state	5 180
	- households of war invalids of the level 1/4 and 2/4 and sick soldiers of the level 1/3 and 2/3	6 50
	(d) tax reduction for other types of household of difficulties, which will be considered	Perennial and long-term crops
	(e) tax exemption and reduction due to calamities; tax on agricultural land use would be exempted or reduced on crop basis as follows:	<u>Category of land</u>
	- damage from 10-20%: tax reduction according rate of damage	<u>Tax (kg paddy/hectare)</u>
	- damage from 20-30%: reduction of 60%	1 650
	- damage from 30-40%: reduction of 80%	2 550
	- damage of 40% or more: tax exempted (100%).	3 400
		4 200
		5 80
		As for wood tree and perennial trees that are harvested harvested one time only, tax rate is 4% of the output value.
<b>4.2. Land and Housing Tax</b>		
Based on area, category of land, and the tax rate of agricultural land use.	Exempt are:	The minimum rate is the average level of agricultural land use tax recorded in the commune.
Tax is calculated by paddy but collected in dong currency.	- land used for building of administrative offices or public works	The highest rate will be 32 times of agricultural land use tax.
	- residential land in mountainous, highland, border, island, and remote areas.	For land in urban areas, the land tax will be from 3 - 32 times.
	- residential land of war invalids of level 1/4 and 2/4	
	- martyr households that are subsidized by the state.	

## V. Vietnam: Summary of the Tax System as October 1, 2001

Nature of the tax	Tax deductions and exemptions	Rates
4.3. Land Use Charge	<p>Tax reduction or exemption will be applied for households in difficulty due to calamities or accidents. If damage value is 20% to 50% of the total value on the land area, then land tax reduction of 50% will be considered. If the loss value is 100%, tax exemption will be considered.</p> <p>Exempt are:</p> <ul style="list-style-type: none"> <li>- land used for building of charity houses</li> <li>- land used to build high-rise buildings for rent, sale, or for students</li> <li>- land used to build houses in islands, border, mountainous, or remote areas</li> <li>- land used to build houses for displaced persons due to disasters</li> <li>- revolutionaries, armed forces heroes, Vietnamese mothers of heroes, labor heroes, martyr families, and disabled soldiers who lost more than 80% working capability.</li> </ul>	<p>For land in outskirts, along roads, near commercial centers, tourism areas, and new industrial areas, the land tax will be from 1.5-2.5 times.</p> <p>For land in rural areas, the land tax rate will be the average level of the agricultural land use tax recorded in the commune.</p>
<p>Land use charge will be paid by the land users who are provided land by the government (for building houses, selling or leasing land; building infrastructure for lease or transfer), allowed to change the land use purpose or purchase houses of the state ownership.</p> <p>Land use charge is based on the surface land prices and the land use charge rates.</p>	<p>Land use charge rates:</p> <ul style="list-style-type: none"> <li>- 0%</li> <li>- 20%</li> <li>- 40%</li> <li>- 100%</li> <li>- 100%</li> </ul>	
<p>Land use charge is collected one time.</p>	<p>Exempt are:</p> <ul style="list-style-type: none"> <li>- transfers of households or individuals moving to new economic zones, mountainous areas, or islands under the decision of competent authorities</li> <li>- women who are a "Vietnam Heroic Mother"</li> <li>- transfers in communes of mountainous areas or islands as regulated by the government</li> <li>- swaps between agricultural, forestry, fisheries, and salt production land.</li> <li>- economic entities that are provided land by the government to develop infrastructure and which paid land user charge.</li> </ul>	<p>For land used for agricultural, forestry, fisheries, and salt production, the tax is 2%.</p>
4.4. Land Use Right Transfer Tax	<p>A 50% reduction is given for:</p> <ul style="list-style-type: none"> <li>- war invalid of level 1/4 and 2/4 or sick soldiers of level 1/3 and 2/3</li> <li>- martyr households that are subsidized by the state</li> <li>- handicapped, pre-mature, and elderly people with no support.</li> </ul>	<p>For land used for residence, work construction, and other purposes, the tax is</p>
4.4. Registration Fees	<p>Assets of organizations and individuals in the groups that have to register the ownership and user-rights, subject to registration fees include:</p> <ul style="list-style-type: none"> <li>- boats, automobiles, and motorcycles</li> <li>- housing and land</li> <li>- hunting guns and sport guns.</li> </ul>	<p>0.5%, 1%, and 2%.</p>
5. Local Fees	<p>Fees and tolls not shared with higher levels of government.</p>	

Sources: Vietnamese authorities.