

EMBASSY OF VIET - NAM
2251 R Street NW
Washington, D. C.

INVESTMENT IN VIET - NAM

Part One

GENERAL INFORMATION OF POLITICAL AND ADMINISTRATIVE NATURE

I. Economic reasons motivate Viet-Nam to encourage foreign investments

Prior to World War II, Viet-Nam was for all good purposes a game preserve for the French capitalists who retained for themselves monopolies to the exclusion of other foreign capital. From 1945 to 1955 the progressive withdrawal of the French influence was accompanied by the organized withdrawal of French capital to such a degree that now Viet-Nam urgently requires new capital for its economic recovery.

To finance its Five Year Plan, the Government of Free Viet-Nam desires to reserve to private initiative numerous sectors of the economy which offer excellent investment fields for foreign capital. It is estimated that at least 1,600,000,000 VN\$ is needed to finance industrial projects in the plan.

II. The Government of Free Viet-Nam strongly welcomes foreign capital

A. Since September 1955, President Ngo Dinh Diem has clearly proclaimed that the Government of Free Viet-Nam will welcome foreign investment.

B. To make that encouragement effective, the Government created on July 1st., 1956 a "free market with limited access" whereby newly invested foreign capital will benefit from a favorable exchange rate practically twice that of the official rate (70 to 75 VN\$ for \$1, instead of 35VN\$). At the same time, thanks to that free market, the repatriation of profits and, eventually, of invested capital will be considerably facilitated.

C. On March 5, 1957, President Ngo Dinh Diem reaffirmed his favorable attitude towards foreign investments in an official declaration. That declaration enumerates many of the fiscal, monetary and administrative advantages which could be granted to new investments.

D. To implement the principles of the President's declaration, a memorandum was issued on September 11, 1957, by the Superior Council of Money and Credit. The Superior Council is an official organism which groups under the Presidency of the President of the Republic many high authorities such as the Vice-President, the Secretaries of State for National Economy, Finances, Foreign Affairs, Public Works, the Governor of the National Bank, etc.

E. Within the framework of the Mutual Security Act of 1951, the Government of Free Viet-Nam concluded on November 5, 1957, an agreement with the Government of the U.S.A. providing for the guarantee of American investments in Viet-Nam against all political or military risks, including expropriation, currency inconvertibility and war.

F. An Industrial Development Center (CDI) was created in October 1957. This agency will centralize all investment propositions in the industrial field and will facilitate their implementation. It will greatly assist foreign investors in finding Vietnamese associates.

III. Is the participation of Vietnamese capital necessary?

Of course, it is desirable that foreign capital associate itself with Vietnamese capital in the formation of joint companies. Nevertheless, such participation of Vietnamese capital is not compulsory.

IV. Does the Government of Viet-Nam impose its participation?

The Government of Viet-Nam is interested in participating in an enterprise only when this enterprise is vital to the economy of the country and when private Vietnamese initiative is not forthcoming.

V. How to apply for investment in Viet-Nam?

The investment application and adequate supporting documents must be sent in 12 copies to the Industrial Development Center (Secretariat of State for National Economy- 59 Gia Long, Saigon).

A. The required documents are as follows:

1) A detailed technical, financial and economic memorandum for the proposed investment.

2) A declaration established in the form shown below. The application for investment can be made with or without financial aid (or aid equipment) from the Government of Viet-Nam or from a Vietnamese public agency.

The applicant will be notified of the decision of the Industrial Development Center in the shortest time possible.

B. Declaration pattern

1). Description

1-1 Trade name

1-2 Address-

Headquarters

Offices, bureaus

Workshops- Mills- Factories- Lands-etc.

1-3 Form of the association- Duration

Nationality

Board of Directors

Management

Object of the association

2) Capital

2-1 Capital subscribed - Number of shares
Paid-up capital

2-2 Distribution of shares

Domestic contribution by Vietnamese

Domestic contribution by Foreign-residents

Foreign contribution

Reevaluated assets

3) Production

3-1 Present production

3-2 Production capacity

3-3 Actual production

3-4 Cost-price of manufactured product

4) Staff

4-1 Vietnamese staff

4-2 Management

4-3 Technicians

4-4 Specialized workers and laborers

5) New Investments

5-1 a/ Total amount of the proposed investment

b/ Details

- Equipment

- Service

- Cash

c/ amount of hard currency needed

5-2 Distribution of shares of new investment

Domestic contribution by Vietnamese

Domestic contribution by foreign residents

Foreign contribution

5-3 Production plan after new investment

Estimated production

Estimated cost price

5-4 Raw material

a/ local

b/ imported (amount of hard currency
needed, importation program)

6) Special additional information.

Part Two

GENERAL INFORMATION ON ECONOMIC AND FINANCIAL MATTERS

I. There are numerous opportunities for investment in Viet-Nam

A. It is a fact that before the war French enterprises operating in Viet-Nam flourished. Many among them produced returns several times their capital. Among the numerous examples of success one could name the Banque de l'Indochine, Brasseries et Glacieres de l'Indochine (brewery, soft drinks, and ice company), S.F.A.T.E., Distilleries de l'Indochine, the rubber plantations, Denis Freres, etc. These cases are taken at random from different sectors of economic life: agriculture, industry, commerce, transportation, etc. They are evidence that a number of possibilities to make profits existed in Viet-Nam.

B. These profit possibilities still exist to-day. As a matter of fact Viet-Nam is still underdeveloped. Prospecting has been carried out only in very summary fashion and is far from completion. A new scientific prospecting operation could not fail to disclose resources at present unknown. Even in the areas thoroughly explored, exploitation of natural resources is only beginning. The High Plateaux, the Plain of Camau and the Plaine des Joncs, among others, offer rich possibilities of investment for new capital.

Devastation caused by military events since 1940 compels Viet-Nam to undertake a vast program of reconstruction. The return to France of a number of French firms leaves a vacuum at present which must be filled. All this opens fine prospects for investment.

The spectacular population growth of Saigon from 500,000 in 1940 to 1,900,000 in 1957 makes it possible to build an industrial complex and commercial community closely linked with all international markets.

A look at the map of Asia demonstrates Viet-Nam's excellent geographical situation. This country is near the crossroads of several great international trade routes: the route from Europe to China and Japan, the route from India to the Philippines, etc.

II. Opportunities for profit are very great in Viet-Nam

A. Viet-Nam has always been a country with very high interest rate. The rate in current outside of banks is 3% a month; that is 36% per annum. The bank rate in use for business transactions of the safest character currently comes to 9% per annum. This high interest rate demonstrates the chronic state of capital famine. Besides, it has always been possible for foreigners -- Chinese, Hindus, French, etc. -- to make themselves rich very quickly if they possessed sufficiently large means.

B. The existence of a free market of limited accessibility, where the U.S. dollars are sold legally for 72 Vietnamese piasters, provides a substantial premium for new investments. Actually, all merchandise and goods are being imported at the rate of \$1 to 35 Vietnamese piasters. Despite the size of the import tax levied at the

port of entry, the price of these products remains relatively low when figured on the basis of the free market rate of exchange. Consequently, new investments enjoy an exchange advantage which assures a substantial profit from the very beginning.

C. Because of the absence of competition, new enterprises in a number of fields would enjoy a 'de facto' monopoly. In such cases, profit is a certainty.

III. It is possible to effect overseas transfer of earned profits-

By virtue of the exchange regulations currently in force in Viet-Nam, foreign residents are permitted to make annual transfer of up to 70% of the profits they have earned on the free market, after all taxes have been paid. The Office of Exchange grants authority for the transfer without difficulty at the end of each transaction, by simple presentation of the balance sheet and an accounting of the profits earned. Reinvested profits enjoy advantages governed by the Note on the Implementation of the Presidential Declaration of March 5, 1957, regarding new investment.

IV. Foreign technicians.

Foreign technicians working in Viet-Nam are allowed to transfer up to 35% of their income at the official rate of 35 Vietnamese piasters to \$1, (plus 10% in addition for wife and 5% for each child). As a result, foreign firms established in Viet-Nam have no need of paying wage supplements in order to recruit their help.

V. After a certain interval, capital invested in Viet-Nam may be repatriated

This interval is five years, according to current regulations. Authority for investment repatriation (Disinvestment) is granted by the OFFICE DES CHANGES (Foreign Exchange Bureau). The rate at which such repatriation of capital may occur is the rate of exchange of the free market of limited accessibility.

VI. Raw materials are abundant in Viet-Nam

A. The Mekong Delta and the High Plateau of Central Viet-Nam are very fertile regions suitable for numerous agricultural and industrial enterprises.

1) By tradition the primary product is rice. Processing of rice for export prior to World War II gave prosperity to numerous rice mills. The drop in production as a result of military events brought about the closing of most of these rice mills. (As a result, export fell off from 1.5 million tons to 0.2 million). However, it is reasonable to expect that the export of Vietnamese rice should grow rapidly in the years to come, as living standards of the Asians improves. Businessmen may reasonably assume, as of the present, that modern rice mills can be set up in place of the old ones that have been abandoned.

2) Another major product is rubber. Viet-Nam currently exports 60,000 tons of rubber annually, valued at 1,600,000,000 VN\$. A comparison of these figures shows that the cost of processing rubber, including trans-

portation costs to and from the processing plant, is 45% of the price of produced rubber. It seems more logical to process the rubber in Viet-Nam itself. A factory for tires, tubes, hoses, pipes and belts thus offers potentialities for profitable investment.

3) Viet-Nam also produces a large quantity of sugar cane (500,000 tons a year). This production could easily be increased if new sugar mills were built. At the present time, there is only one plant, located in Hiep Hoa. It produces 2,000 tons of sugar a year, which means that Viet-Nam must import about 50,000 tons of sugar per year.

The Five Year Plan anticipates an additional 13,000 hectares of sugar cane under cultivation, of which 8,000 hectares will be in Central Viet-Nam and 5,000 hectares in South Viet-Nam. This increase, plus the building of new mills, will result in an additional 32,000 tons of sugar production which breaks down into 24,000 tons of white sugar and 8,000 of brown sugar. There lie, within the framework of the plan, great possibilities for the creation of a sizeable sugar industry.

We have only made mention of these three principal existing crops which are capable of offering raw material sources to new industry. It should be mentioned that new commercial crops could be easily started in Viet-Nam: for example, during World War II the Japanese Army tried the large-scale cultivation of jute, with extremely encouraging results. Other crops which could be introduced include tobacco, cotton, coconut, castor bean and tung oil.

B. Forests. Forested areas in the Republic of Viet-Nam comprise approximately 6,000,000 hectares. They are mostly open forests of deciduous and resinous (evergreen) trees, (5,315,000 hectares of deciduous and 135,000 hectares of evergreen). The area capable of immediate exploitation comprises 3,450,000 hectares (of which 3,000,000 are deciduous and 100,000 evergreen).

Present production of timber is only 550,000 cubic meters. There are great possibilities for expansion. The forests of Viet-Nam could, among other things, furnish raw material for several industries such as paper, fiberboard, veneer, acetic acid, etc. Experts estimate that an additional revenue of 130,000,000 VN\$ could be realized immediately from this industrial utilization of wood.

C. Mines. The underground resources of Viet-Nam have never been subjected to a systematic mineral prospection. Therefore we only mention these resources actually known for certain.

1) Coal: Anthracite deposits at Nong-Son, 50 kilometers west of Tourane, have been extensively surveyed. Definite reserves have been estimated at 2,000,000 tons, probable reserves at 6,000,000. The sulfur content is less than 2%. Because of the country's urgent need for coal, the Vietnamese Government has had to take temporarily the responsibility of the exploitation of the Nong Son mine. Exploratory drilling operations are entrusted to a Japanese company, the Nippon Koëi K.K. The thickness of the deposits discovered varies between 1.50 and 15 meters. Current mining operations are conducted manually in open pits, at the present time. For this reason only minimum results are forthcoming, although the rate of progress is most encouraging.

The Vietnamese Government presently is considering the possibility of admitting the participation of private capital in this enterprise.

2) Phosphates: Phosphates of the Paracel Islands are well suited for the needs of agriculture; estimates indicate a definite reserve of 9,500,000 tons of which 4,750 contain more than 20% of phosphoric anhydride.

3) Limestone and clay: In Central Viet-Nam the limestone deposits of Long Tho, which were formerly worked for hydraulic quicklime production, have reserve not exceeding 10,000,000 tons. But in the South, the calcareous deposits east of Ha Tien branch out in the form of several hills dominating a mangrove-covered plain. These reserves exceed 100,000,000 tons.

Insofar as clays and other similar useful materials (adjuvants) are concerned, the analyses made at the existing quarries, either in the neighborhood of Long Tho or in the mangrove lands, show that there is on hand sufficient quantity and quality for cement manufacture. Other clays suitable for bricks or enamel, such as porcelain, exist in abundance throughout the country.

The sand, kaolin and feldspar, necessary for the firing process are by no means rare. For construction purposes the known reserves of marble are unused at the present time.

4) White sand: Viet-Nam's resources in the variety of white sand, raw material for the glass industry, are abundant. White sands of Cam Ranh, Tourane, Hue, in Central Viet-Nam, and the deposits of white sands from Baria as far as Chan Thanh constitute important deposits. Glass industries operating in Saigon, making use of the sand supply in Baria, would save transportation costs from Tourane.

5) Other Minerals; Definite confirmation have been received on the existence of the following mineral deposits:

- a) Molybdenite at Krong Pha
- b) Ferrite at Quang Try
- c) Mica at Quang Nam

VII. Power.

A. Coal: We have already mentioned the Nong Son Mine. Its production is still very low. To meet the needs of the economy Viet-Nam has had to import 30,000 to 40,000 tons of coal every year. The authorities hope to be able to bring the annual production of Nong Son up to 140,000 tons. This would provide amply for the extra coal requirements (70,000 tons) anticipated in the Five Year Plan.

It should be mentioned, however, that Nong Son is almost 1,000 kilometers from Saigon. Moving the coal to Saigon involves high costs in transportation and handling. A ton of coal at the present time, delivered at Saigon, costs 1,300 VN\$ (C.I.F. price is 700 to 1,000 VN\$ depending on the quality).

B. Electricity: Electric power production was 205 millions of kilowatt/hour in 1955.

The two following tables illustrate the power situation of the country in 1955 (Production and consumption).

PRODUCTION IN 1955

Region	Capacity Kwh Installed	Production in Kwh
South Viet-Nam	65,934	179,729,000
Plateau	2,005	6,554,000
Central Viet-Nam	<u>8,086</u>	<u>16,549,000</u>
	76,025	202,823,000

PRODUCTION IN 1956

South and Central Viet-Nam 209,111,000 Kwh .

CONSUMPTION IN 1955 (1,000Kwh)

Purpose	South VN	Plateaus	Central VN	Total
Street Lighting	5,296	387	673	6,356
Light & ventilation of Adm, Bldgs.	29,926	1,883	3,003	34,812
Light & ventilation Private	59,800	1,525	4,658	65,983
Household uses	8	222	264	494
Electromotive power	49,176	878	3,835	53,889
Free power furnished	<u>961</u>	<u>195</u>	<u>240</u>	<u>1,396</u>
TOTAL	145,167	5,090	12,673	162,930

The proportion of hydroelectric power in the total electric power production is minimal. It is represented by a single powerhouse at Ankroet with two generators of 250 kw of capacity. In 1955 it produces only 3,600,000 kwh. The balance of the production is supplied by power stations using imported fuels such as coal, fuel oil and diesel oil.

The cost per kwh is relatively high: 3.20 NV\$ per kwh.

Energy requirements are expected to increase rapidly in the near future. Experts estimate that power consumption will increase at the rate of 10% per year, with an increase of 6.5% anticipated for the rest of the country.

In order to meet these growing needs, the Five Year Plan anticipates the following:

- 1) Increasing the capacity of the Ankroet hydro-electric plant. The two 250 Kw units will be replaced by two larger ones of 1,250 Kw capacity (one is ready to be put into operation).
- 2) Installation of two groups of 500 kw total capacity in the Drayling plant.
- 3) Execution of the Danhim project. This will be achieved in several stages. The two first stages seriously planned on to the present time will supply 780 million Kwh annually from an installation at Krong Pha plant of 160,000 Kw capacity. This will relieve the load of the fuel-burning plants at Saigon, which will then serve as overload plants. Excess power will be used to supply the future industrial center of Camranh. The moment the Krong Pha plant begins to operate the price per Kwh will go down to approximately 0.40 VN\$.

VIII. Labor supply and decrease of certain military activities such as the Government Arsenal.

A. Quantity: As a result of the influx of refugees from the North, labor supply has become abundant in South Viet-Nam. It is now easy to recruit workers, even skilled and specialized, particularly in the Saigon vicinity.

However, difficulties must be anticipated when an enterprise has been set up in a region that has only recently begun to be exploited, such as the High Plateau. In these sections one can draw on the mountaineer Mois for a labor supply, but mountain people are not yet accustomed to holding regular jobs.

b. Quality: By unanimous agreement among foreign enterprises established in Viet-Nam, the Vietnamese work-force is regarded as industrious and capable of learning. Per-capita productivity could be raised by the proper choice of tools.

C. Salary: The following tables show median daily wages for different categories of Vietnamese workers in different regions of the country, and in various branches of activity. (In VN\$)

	<u>Unskilled male</u>	<u>Unskilled female</u>	<u>Skilled</u>
<u>Saigon-Cholon</u>			
December 1955	47.80	40.88	86.69
December 1956	56.05	49.49	89.39
<u>Hue-Tourane</u>			
December 1955	49.84	46.43	90.85
December 1956	51.70	47.70	92.07
<u>Dalat-Banmethuot</u>			
December 1955	56.76	44.16	119.40
December 1956	61.10	47.50	123.06

MEDIAN WAGES OF SKILLED LABOR IN SAIGON-CHOLON ACCORDING TO
TRADE

<u>Trade</u>	<u>December 1955</u> VN\$
Water distribution & electric power plants	76.57
Metallurgical & mechanical shops	92.34
Building construction and public works	63.77
Food industry, fats & oils	72.79
Commerce & transportation	96.48
Other trades	83.37

Social Security does not exist in Viet-Nam. However, workers draw family allotments from Compensation Disbursement Offices (Caisses de Compensation), of which all firms must be members. The contribution from each business enterprise is pro rated according to the number of workers employed.

Firms insure themselves against liability for industrial accidents with private insurance companies.

D. Labor disputes: the following table shows the limited degree of labor difficulty in different parts of Viet-Nam, and the manner in which they were settled.

Individual labor disputes	YEAR 1955			Total
	South Viet-Nam	Center Viet-Nam	High Plateau	
Number to be solved	2,493	259	114	2,866
Solved by the Inspector of Labor	1,160	98	99	1,357
Referred to the Conciliation Commission	546	18	8	572
Filed without action	480	9	-	489
Referred to Agency concerned	93	134	7	234
Legal actions filed	214	-	-	214
Collective disputes				
Number of cases	212	48	16	276
Settled without strike	182	25	13	220
Settled after strike	-	17	-	17
Referred to Arbitration Council	17	3	3	23
In court at year's end	13	1	-	14

It may be asserted in a general way that relations between management and labor in Viet-Nam, have up to the present time created no serious difficulty.

Trade unions are moderate and responsible in their activities. Only part of the workers belong to them.

IX. Transportation.

A. Highway transportation: At the close of 1955 the Republic of Viet-Nam had a network of highways of about 13,870 kilometers, of which only 65% are all-weather type. The balance are dirt roads passable only during the dry season.

National Highways are 3,300 kilometers in total length. 30% are asphalt covered and 40% are ready to receive an asphalt coating. The remaining 30% are gravel roads or covered with laterite stones. Over half of the national highways, the principal arteries of commerce, have roadways and bridges that are narrow, making for difficult and excessively slow transit.

The highways connecting the provinces have a total length of approximately 2,340 kilometers of which 28% are asphalt covered and 40% stone covered. In certain sections they feed into branch roads which are in very bad condition. The branch-roads total 600 kilometers (Kontum- Quang-Ngai, Mytho- Travinh, Travinh- Vinh-Long, Hong-Ngu - An-Huu).

The Viet-Nam Five Year Plan assumes a sizable program of road improvement, which when completed, will in the opinion of the Public Works experts allow double the present flow of traffic and reduce by about 30% the loss of time occasioned by inadequate ferries and overly-narrow bridges.

The Vietnamese Government is favorably disposed towards eventual formation of privately-operated toll-crossings to replace certain ferries at points of heavy traffic, such as the My-Thuan ferry across the Mekong river.

B. Railways: Railways in current use total 1,200 kilometers in length and divide into three branches.

A total of 150 kilometers more is required to eliminate all breaks of continuity. The end of the construction is anticipated for the middle of 1959.

The traffic that can be carried by the railroads of Viet-Nam is not very considerable:

1956: 383,000,000 passenger-kilometer
70,000,000 ton-kilometers of merchandises

After the railway network has been completely rebuilt, the Department of Railways hopes to raise these figures to:

560,000,000 passenger - kilometers
210,000,000 ton-kilometers of merchandise.

This rebuilding, renewing and modernizing of equipment will require a total expenditure of \$ 20,000,000US.

C. Maritime and River Navigation: Maritime and river navigation is extremely active in Viet-Nam because of the geographic shape of the country and the existence of an abundant network of rivers.

a) Sea ports: Besides Saigon, Cam Ranh and Tourane, which are deep-water ports, Viet-Nam has numerous ports for short-haul navigation, such as My-Tho, Can-Tho, Phu-Quoc in the south, Qui-Nhon, Hon-Khoi, Phan-Thiet, Nha-Trang, Song-Cau and Hue in the Center.

		<u>MARITIME TRAFFIC-- 1955</u>					
<u>Type</u>		<u>Deep Water</u>			<u>Short-haul</u>		
		<u>Number</u>	<u>Capacity</u>	<u>Merchan-</u> <u>dise(Tons)</u>	<u>Number</u>	<u>Capacity</u>	<u>Merchan-</u> <u>dise(Tons)</u>
Entries	Steamers	727	4.384.000	1.309.000	2.201	2.950.900	325.500
	Sailboats	-	--	--	6.861	183.000	83,000
Departu- res	Steamers	780	4.676.000	305.100	2.335	3.032.000	400.200
	Sailboats	-	--	--	7.856	147.400	43.000

The Port of Saigon is in excellent condition. It is accessible to vessels drawing 7.5 meters. But warehousing facilities and unloading equipment are still insufficient. A heavy duty port installation has to be brought along to receive heavy freight loads or goods shipped in bulk such as coal, cement, fertilizer. etc. The Five Year Plan anticipate considerable credits for the improvement of the port of Saigon.

As for the port of Tourane, the quays are accessible to boats of 3.000 tons only by regular dredging of the channel. On the other hand, ships of any tonnage may work the port from the roads. Lighterage and handling equipment in a partial state of destruction is insufficient for rapid unloading of merchandise. The Five Year plan also provides for substantial credits for improving and equipping the port of Tourane.

b) River navigation: South Viet -Nam has a number of navigable waterways consisting of streams, rivers and canals. As of December 31, 1955, the total length of these waterways reached 4.630 kilometers, broken down as follows:

Large rivers:	1,252 Kms.
Small rivers:	1,151 Kms.
(Main routes	1,605 Kms.
Canals (Secondary routes	473 Kms.
(Tertiary routes	159 Kms.

It should be mentioned that due to the war some of the canals have become blocked to a considerable degree, by lack of regular cleaning. The Five Year Plan provides for the dredging of 29,000,000 cubic meters of silt and restoration of 970 Kms. of canals not maintained since 1945.

c) Maritime and River Fleet the following table show the size of the maritime and river fleet, as of December 31, 1955 (these figures are from the statistics of the registry office). It must be reckoned that many of the vessels registered were destroyed in the war. Experts estimate that as high as 50% of the registered tonnage

was destroyed.

d) Junks and lighters: (registered with the Commission de Surveillance de Saigon, as of December 31, 1955)

<u>Type</u>	<u>Number</u>	<u>Total Tonnage</u>
<u>Wooden junks</u>		
16-50 tons	3.468	88.871 tons
51-150 tons	519	45.428 "
151-250 tons	618	121.538 "
Over 250 tons	74	20.725 "
<u>Metal lighters</u>		
16-50 tons	12	401 tons
51-150 tons	87	8.803 "
151-250 tons	78	14.277 "
over 250 tons	2	600 "

d) Steam and power boats (registered as of December 31, 1955)

<u>Type</u>	<u>Number</u>	<u>Total tonnages</u>	<u>Power</u> (CV)
<u>Steam</u>			
<u>Launches , two bridges</u>			
under 100 tons	63	1.379	3.899
over 100 tons	3	707	435
Launches , 1 bridge	59	865	3,677
Pusher tugs, US type	1	20	240
Tugs, European type	13	260	2.252
<u>Motor boats</u>			
Tugs	89	1.499	12.523
<u>Wooden sampans and dugouts</u>			
under 30 tons	2.116	8.482	30.184
<u>Ferry boats, metal open boats, motor boats under 30 tons</u>			
Launches	10	1.146	2.440
<u>Self-propelled lighters:</u>			
30-200 tons	27	3,000	4.165
Over 200 tons	21	6.754	6.754

The Five Year Plan is relying on private enterprises for the reconstruction of the river and maritime fleet. Under consideration is a project for construction of a certain number of rice-lighters of 150 to 200 tons. This is one of the opportunities open to new investment money.

D. Air Transport: Air transportation is becoming more and more important in Viet-Nam. The Government is currently aiming to equip all the country airfields with modern installations in order that they may be capable of receiving the largest planes. By decision of the Committee for the Control of Air Navigation assembled in conference in Bangkok in 1956, the Tan-Son-Nhut airport (Saigon) beginning 1960 will be receiving 24 jet-planes of the type DC-8 and Boeing 707, weighing 135 tons.

By way of implementation of this decision, the Government of Viet-Nam will follow up without interruption the task of transforming Tan-Son-Nhut Airport into a Class A airport. The project will consist of building a new concrete runway 3,000 meters long and 60 meters wide, capable of bearing 135 tons, and the building of modern facilities such as an airport passenger station, with central control, proper parking for planes, taxiways, etc., as well as installation of all the ground equipment (lighting and guidance).

The Government's program includes transforming the Hoa-Binh (Banmethuot) and Tourane airports into Class B (45 tons) airports and reinforcing of the substructures of the airports at Phu-Bai (Hue), Nhatrang, Cap Saint Jacques, Dalat, Lienkhang, Kontum-Phu-Quoc, Rach-Gia (Class C airport, 20 tons) and Quang Ngai.

X. Plant availability.

Plants are generally deficient in Viet-Nam, particularly plants for industrial purposes. In Saigon it is possible to buy or rent certain types of real estate such as shops, warehouses, building yards, etc, which formerly belonged to French companies or Chinese concerns compelled to reconvert after the end of the hostilities.

Where there are no such possibilities it is always possible for new enterprises to purchase sites in the surrounding area of the capital. The Government is favorably disposed to such operations and may be depended upon to give them every encouragement. The price of the land in the suburbs of Saigon runs between 300 and 600 VN\$ per square meter. For new construction, experts estimate the cost for one-story buildings roughly at 3000 VN\$ per square meter and at 5000 VN\$ the square meter for 2-story buildings. This price would be considerably reduced if light or pre-fabricated materials were to be used.

In order to provide living quarters for their personnel, foreign concerns rent at the present time comfortable villas with garage, air-conditioning, furniture, etc., by paying one or two years of rent in advance. Even with the necessity of this kind of a bid, the rent figured on the free market is still quite moderate (20,000 VN\$ per month for a 6-rooms a floor, furnished, air-conditioned villa with garage or US \$280) by comparison with the large cities of Europe and America.

XI. Market and consumers habits.

Manufacturing firms interested in setting themselves up in Viet-Nam should not consider to export their products out of Viet-Nam at the present time. In the Asian market these products would inevitably clash with Japanese competition, and commercial activity with Communist countries is not yet authorized.

The local market capacity to absorb commodity is a function of the population figure, 12 million inhabitants.

VIET - NAM'S IMPORTS - 1955

<u>Items</u>	<u>Amount (tons)</u>	<u>Value (VN\$)</u>
Milk & Dairy products	2.100	430.000.000
Meat & fish products, preserves & crustaceans	3.000	78.000.000
Sugar & sweets	59.000	261.000.000
Beverages, vinegar	16.500	229.000.000
Cement	147.000	130.000.000
Inorganic chemicals	15.600	80.000.000
Organic chemicals	1.100	31.000.000
Pharmaceutical products	1.700	350.000.000
Fertilizers	20.000	56.000.000
Photographic products & equipment	200	42.000.000
Cellulose derivatives, plastics	1.300	64.000.000
Wood & woodworks	46.000	58.000.000
Paper	15.200	169.000.000
Paper & cardboard products	1.100	35.000.000
Threads: silk, wool, linen & cotton, artificial fibers	3.800	313.000.000
Cloth: silk, wool, linen, cotton & rayon	11.000	1.000.000.000.
Special cloths, printed or coated	2.000	233.000.000.
Glass, glass products	12.500	103.000.000
Iron & steel products	53.000	380.000.000
Metal construcs, tanks, woven metal, grillwork, chains, springs, nails, nuts & bolts, screws	13.000	185.000.000
Tools, knives, household articles, kitchenware, locks	4.800	190.000.000
Electrical appliances	1.100	155.000.000

It would seem the best policy for new industries to produce locally articles which would replace those presently imported from abroad.

Some foreigners harbor the illusion of hard and fast prejudice on the part of consumers in underdevelopped countries. This is an error. The consumers in Viet-Nam are not victims of any prejudices. They are prepared to acquire new products if these fulfill their needs.

It is another mistake to believe that Vietnamese consumers prefer shoddy to good merchandise. Experience shows that they are quite ready to pay high prices for good quality merchandises. There is a Vietnamese adage "Cheap goods, damaged goods". This adage sums up well the current attitude.

Besides, it is not difficult to creat new consumer habits. The following example will give a good illustration. At the beginning of this century, an American firm had the idea to distribute wholesale quantities of oil lamps containing a bit of oil. These free lamps were much appreciated by the Vietnamese, who nicknamed them "American Lamps". Once they owned the lamps they were compelled to buy the oil needed to make them burn. Thus the habitual use of oil lamps was taken up in the Vietnamese villages in record time. In more recent times the success of the Italian scooters confirms the practicability of importing new products into Viet-Nam .

XII. Participation with Vietnamese capital.

It is naturally very much to be desired that Vietnamese and foreign capitals should work together. The fact is nonetheless that private capital now held by Vietnamese is very inadequate. There is no legal clause to the effect that there must be Vietnamese participation in new enterprises. Neither is there any law demanding that Vietnamese capital hold the majority of the stock. In cases where this is suggested by the Administration, the enterprises in question always involve public safety or public health.

Foreigners anxious to enter into contact with Vietnamese possessing capital to invest may draw upon the good offices of the Industrial Development Center or the banks, particularly such state banks as the Credit Commercial du Viet-Nam.

The Vietnamese Government can participate in the creation of a new enterprise if that is the wish of the promoters.

The forms of business associations in Viet-Nam are the same as those prevalent in Europe and America (corporations, companies with limited liability, limited partnerships, general partnerships, etc.). Vietnamese commercial law is for the most part inspired by French law.

XIII. Money and Exchange control.

A) Since December 31, 1954, the date of liquidation of the Indochinese Monetary Union, the Vietnamese piaster has become an independant currency, Up to December 31, 1955, the piaster however continued to belong to the franc area, and all foreign exchange acquired by the National Bank of Viet-Nam was paid out against francs at the French Foreign Exchange Stabilization Fund in Paris. Reciprocally, the Fund committed itself to sell to Viet-Nam for francs the foreign exchange it needed. Following the non-renewal of the Franco-Vietnamese Monetary Agreement, the piaster became disengaged from the franc area as of January 1, 1956. It is defined in connection with the US Dollar, on the basis of 35 VN\$ to U\$S 1.

The following table shows that the coverage in gold reserves and foreign exchange of the VN piaster has strengthened considerably between January 1955 and December 31, 1956.

(Millions of VN\$)	Estimated opening Statement: 1/1/55	12/31/55	12/31/56
1. - Money in circulation	8.826, 5	7.501, -	9.366, 4
2. - Deposits	2.993, 5	3.341, 1	3.358, 6
3. - Due various creditors	22, 6	2.700, 8	3.090, 8
A. - Total liabilities (1 plus 2 plus 3)	11.842, 6	15.612, 9	15.815, 8
B. - Total gold reserves & Foreign exchange	1.053, 6	4, 360, 0	4, 613, 0
Percentage of coverage	8, 9%	28, 0%	29, 1%

Since September 1956, Viet-Nam has become a member of the International Monetary Fund and of the International Bank for Reconstruction and Development.

B) Exchange. Viet-Nam is under a controlled exchange. But it has been

considerably relaxed since the creation of the Free Market of Limited Accessibility in July 1956.

Depending on the nature of the operation, transfer of money is effected either according to the official rate of exchange of \$1. - to 35VN \$ or according to the free market at a variable rate (in fact the fluctuations are limited between 70 and 75 VN\$ to 1 US\$).

Below are listed the operations that may be conducted on the free market and those that have to be made at the official exchange rate.

FREE MARKET

1) Transfer of dividends and interest, distribution and profits by associations of capital or property of foreigners, interest on loans or rent on real estate and farms, profits made from exploitation by firms and enterprises, as well as any periodic returns on capital which is foreign property.

2) Transfers for the general expenses of agencies and branch offices, purchasing offices, foreign representatives.

3) Transfers involving the sharing of general expenses by the home office overseas.

4) Transfers of employer's share of retirement fund, premiums and indemnities for social insurance paid for by the employer.

5) Transfer of travel expenses and cost of stay for tourist and business trips

6) Transfers of savings effected over and above living expenses from the salaries paid to foreign residents who are not technicians, and have been unable to get satisfaction from the official market.

7) Transfers of expenses and profits from forwarding business

8) Transfers of commissions, brokerage fees, advertising expenses, representatives' fees.

9) Transfers for taxes, fines, court costs.

10) Transfers for hospitalization costs, maintenance, alimony.

11) Various transfers specially authorized by the National Bureau of Exchange (Office des Changes).

OFFICIAL MARKET

1) Payments following delivery of merchandises from one country to another

2) Harbor and port services, warehousing charges, storage, customs brokerage, customs duties, all other expenses arising from the movement of merchandises.

3) Costs of transformation, factory processing, assembly, repair, custom work, other services of every description.

4) Insurance and reinsurance (premiums & indemnities).

5) Expenses of all sorts arising from transportation of merchandise or passengers by land, air, river or sea vessels effected by one of the countries under contract with another country.

6) Foreign Technicians' salaries, fees, charges for social insurance, pension plan payments, income from a work contract, an employment contract, rental of services, and anything having the character of a public debt.

7) Rights and licensing fees for patents, licences, trademarks, author's royalties, movie rights and rentals and others.

8) Periodic settlement of postal services, telegraph, telephones, public transportations utilities.

9) Expenses for foreign study.

10) Maintenance of foreign diplomatic missions, consular offices, official missions.

11) All other transfers not listed under "FREE MARKET".

In principle, the free market is supplied by the total foreign exchange coming in from the outside, of whatever origin, excepting those which must be turned over to the Office National des Changes according to regulations affecting this matter (particularly, the proceeds of the export of goods and services).

Purchases of foreign exchange on the free market must have prior permission from the Office National des Changes. The seller is permitted to conceal the origin of this foreign exchange from the Office National des Changes, and also to maintain his own anonymity. Purchases made by banks for resale to the public are not subject to the authority of the Office des Changes.

Percentage transferable: the percentage transferable authorized by the Office des Changes is as follows:

-For family savings of foreign technicians, transfer of 35 % of the salary at the official rate, plus 10% for the wife , 5% for each child, with a monthly maximum of VN\$ 20.000 for a bachelor technician and VN\$ 28.000 for a married one.

-For profits: transfer of 70% at the free market rate.

XIV. Fiscal Regulations.

A) New Investments benefit by the following fiscal privileges:

- 1) Exemption from the filing fees of the articles of incorporation
- 2) Exemption from real estate taxes on the property for all construc-

tion necessary for the employment of the investment for a three-year period.

3) Exemption of real estate taxes on plantations arising out of the investment until the first year of harvest inclusive. For plantations with a small harvest, plants cut down or destroyed may be applied up to the fifth year.

4) Exemption of surface and volume taxes on mines and quarries until the year of first exploitation, inclusive (same provision as the foregoing).

5) Exemption of income tax on industrial and agricultural profits:

a) for Vietnamese capital: for five years from the first profitable business year of operation, in the following proportions:

100% for the first 3 years

50% for the 4th year

25% for the 5th year.

b) for capital belonging to resident foreigners, or for companies with their main office or agency in Saigon, for three years from the first profitable operation, in the following amounts:

100% for the 1st. year

25% for the 2nd. & 3rd. year

All reinvested profits will be entirely tax-free.

6) Exemption of customs duties and tax on imported capital equipment (for the primary installation or an extension thereof)

7) Reduction of customs duty on the imports of raw materials and units.

In case of an export, an export premium will be granted. This premium can equal the total tax paid on the raw materials or on the unassembled units at entry.

XV. Rates of principal import duties and taxes in force in Viet-Nam .

A. Registration fee for articles of incorporation

These fees are 1.2% of the total value of the paid-in capital, plus 1.8% of the value of the fixed assets, and 0.36% tax on capital authorized and not yet paid in.

B. Real estate taxes on the property built-up: this includes two elements:

1) one element is proportional to the taxable surface area (5 classes: 0.85 piasters, 0.40 piasters, 0.25 piasters, 0.15 piasters and 0.05 piasters the square meter).

2) one element proportional to the taxable rental value (6% of the rental value of the real estate on January 1 of the taxable year after reducing 25% for the repair and management expenses, etc.)

C. Land tax on various plantations: This tax is from VN\$ 55 to VN\$ 300 per hectare according to the crop raised. These are classified in 5 categories: VN\$ 55, 110, 190, 250, 300, plus 2 categories at 15 and 20 for fallow land and unclassified crops.

D. Surface and volume taxes on the exploitation of mines & quarries.

1) Surface tax of 9 VN\$ per hectare per year.

2) Volume tax:

Mines: Tax proportional to the value of the volume of mineral extracted (1% of this value).

Quarries: 5VN\$ per cubic meter of material extracted.

E. Profit tax, income tax.

1) For individuals: 16% of the taxable profit, which is the net profit before deduction of family expenses.

2) For corporations and companies, and for the portion of the profits distributable to members of the company (other than the limited or the general partners) : 24% of the net realized profit.

XVI. Other economic advantages.

A. Guarantees of availability of foreign exchange for import of capital equipment, replacement parts, sub-assembly units and raw material within the limits of their availability to the Government.

B. Guarantee of transfer of technical obligations (patent rights, licences, etc.).

C. Guarantee of transfer of personal savings granted to foreign technicians necessary to the enterprise.

D. No nationalization or expropriation without just and equitable indemnity.

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