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Country and Market Introduction

This report provides U.S. exporters with basic information on exporting high-value consumer-oriented foods and beverages to Vietnam. With a dynamic, well-educated population of 82 million consumers, Vietnam is both an opportunity and a challenge for exporters. At times, the maze of apparently conflicting regulations is a formidable barrier to trade; but Vietnam is evolving.

Vietnam is: becoming more integrated with its Association of South East Asian Nations (ASEAN) neighbors; implementing a wide range of market-opening provisions under the U.S.-Vietnam Bilateral Trade Agreement (BTA); reducing tariffs to enter the south-east Asian trade area (ASEAN Free Trade Agreement - AFTA); and seeking and likely to join the World Trade Organization (WTO) by 2006.

Vietnam is enjoying solid GDP growth rates (6.8% for 2001, 7.0% for 2002, 7.2% for 2003, 7.7% for 2004 and 8.0% projected for 2005) and a high rate of growth (sales volume) in the retail sector (8% for 2001; 12.5% for 2002; 11.5% for 2003, 17% for 2004 and 12% projected for 2005).

Consumption of imported consumer-ready food products is expanding. Trade data indicates Vietnam imported \$260 million of consumer-ready foods in 2004 up from \$252 million in 2003, \$239 million in 2002, and \$152 million in 2000. The actual level of consumer-ready imports is higher given Vietnam's porous borders and under-invoicing problems. Vietnamese citizens annually receive more than \$4.0 billion in remittances from overseas relatives, a large portion of which is spent on consumer goods.

Vietnam offers a potentially large tourism market and is receiving a steadily increasing number of foreign tourists (2.3 million in 2001; 2.6 million in 2002 and 2.8 million in 2003, 2.9 million in 2004 and about 3.3 million are expected to come in 2005) despite the global downturn in tourism, and the avian influenza outbreak in early 2004. The visiting tourists and businessmen are boosting the hotel and restaurant industry, and have a positive impact on demand for imported high value food products. Key consumer items include: dairy products, fresh fruits (apples, table grapes, orange), canned fruit and vegetables, confectionary products, snacks, canned meat products, chilled and frozen meat, and beverages.

U.S. exports of high value and consumer-oriented foods and beverages to Vietnam after staying for several year at around \$20 million, in 2004 surged to a record of over 51 million, 165% higher than in 2003, but still only 20 percent of total consumer-oriented imports.. Exports of U.S. consumer-oriented products to Vietnam in Jan.-July, 2005 were 153% higher than the export value at the same period of 2004.

The key question is "How to increase U.S. market share?". It often seems that U.S. suppliers are either unfamiliar with the market or unable to evaluate a potential importer. In addition, the small order size (i.e., typically case-lot, not container loads) is a disincentive to target this market, and many U.S. products are transshipped through the regional ports of Hong Kong, Taiwan, and Singapore, thereby adding handling costs and increasing delivery times. However, this market is set to grow, and continue growing for the foreseeable future. We feel certain that marketing efforts made now, will pay large dividends for many years to come.

Visits & Trade Fairs: Almost everything in Vietnam is changing quickly (in a positive sense), and so is the high-value product/consumer-oriented (HVP/CO) market. Therefore, the Ag Affairs office in Hanoi and the Agricultural Trade Office (ATO) in Ho Chi Minh City (HCMC) are

ready to assist you in fine-tuning your export activities for Vietnam. We encourage you to assess market prospects first-hand, as face-to-face contact is very important. Each December our office organizes a USDA booth at Vietnam's major international food show, the Food & Hotel Vietnam in HCMC and its major agricultural show, the Can Tho International Agricultural Fair, in the heart of the Mekong River Delta south of Ho Chi Minh City.

There are also regional shows in Hong Kong (HOFEX, the last one held on February 10-13, 2004) and Singapore (Hotel and Food/Asia held every two years, the last one was April 20-23, 2004). Many leading Vietnamese firms are now attending the HOFEX and HFA shows.

This report should be used in conjunction with our other commodity reports, especially the Food and Agricultural Import Regulations and Standards (FAIRS) reports. Despite our attempts to update all reports, some of the information will quickly become dated. Please contact the Hanoi and HCMC offices for the most up-to-date information, and before planning a marketing visit to Vietnam.

I. Market Overview for HVP/CO Foods & Beverages

Over the past several years, Vietnam's urban economy has begun a steady transition away from the traditional open-air markets to modern supermarkets and shopping centers. This trend alone has greatly increased imports of Western food products. Today, Hanoi has more than 24 large shops and supermarkets, while HCMC has in excess of 50 modern shops. Adding in the modern shops opening in regional urban centers, Vietnam has gone from just two supermarkets in 1999 to over 74 large shops and supermarkets by the middle of 2005.

However, do not totally discount the open-air and enclosed traditional markets, sometimes called wet markets. Many case-lots of imported goods (canned goods, nuts, wine, and shelf-stable products) are sold through these markets, especially in the large proportion of the country where modern supermarkets have not yet been constructed. It is important to service both the new and traditional outlets.

Supermarkets in Vietnam carry a wide range of goods, including food, clothing, shoes, and furniture. Most supermarkets devote about 40-50 percent of the physical space to food, and the rest is divided among all the other commodities. The shop-owners are quite willing to rearrange the physical space to boost the floor allocation for whichever goods are doing best that month. Both large single-store centers (e.g. Metro and Big C) and shops within a multi-store shopping mall (e.g. Diamond Plaza, Saigon Center, Pakson) are being built in Vietnam. Most of the shops have made some provision for parking -- more for motorcycles than cars.

Ho Chi Minh City (HCMC) is the biggest commercial center of Vietnam and also the most economically dynamic area in the country. With the highest annual GDP growth rates (9.5% for 2001; 10.2% for 2002, 11.2% for 2003 and 11.6% for 2004) in Vietnam, HCMC has attracted the most foreign and domestic investment for a wide range of projects. Although the national average GDP per capita is just over \$450 per year, in HCMC it is estimated at over \$1,300. The city is currently home to some 630 hotels with 18,000 rooms, including 8 foreign-invested five-star hotels with more top-end hotels to open in 2005/2006.

In conjunction with strong economic growth, the supermarket sector in HCMC has grown tremendously in the last four years, going from only two supermarkets in early 1999 to more than 50 in 2004. Until early 1999, the only Western-style shopping center (multiple stores and a parking lot) in Vietnam was the joint venture (Singaporean investors and the Vietnamese Army) Superbowl Shopping Center. Since 1999, there have been at least 13 new shopping centers launched in HCMC. This retail revolution seems certain to continue as all the domestic and foreign-owned chains plan to develop additional shopping centers in HCMC

suburbs and surrounding regional cities. According to trade sources, HCMC supermarkets are averaging 100,000 walk-thru customers a day, which is good, but still a very small percentage of a city population of nearly 8 million.

The key domestically owned supermarket chains are Saigon Coopmart, Maximark, and Citimart. The two largest foreign-owned chains are Cora (recently renamed "Big C") and Metro.

The largest supermarket/shopping center (in terms of checkout lanes and parking spaces) is still the French invested Big C Hypermarket (1998) in Dong Nai Province, 45 minutes outside of HCMC. Cora boasts 37 checkout lanes and carries a wide assortment of foreign and domestically produced foods and consumer goods. Big C has opened a second hypermarket, south of HCMC, in the Binh Chanh district. The Bourbon Company of France owns the Cora chain and has announced an investment plan to build more supermarkets in Vietnam.

Two new upscale shopping centers Pakson and Saigon Center opened in 2005. PAKSON's Shopping Center, invested by Malaysians is located right in the center of HCMC with the goal of creating an attractive shopping center for foreign tourists and local people. Many additional projects (both large and middle-sized) are due to open in HCMC, Hanoi and the surrounding regions. Saigon COOPMART (a state-owned supermarket chain currently owning 12 stores) is constructing three more stores in HCMC, and has just opened one store in Can Tho City.

Metro, the international grocery chain, known in the developing world for their cash and carry operations, entered Vietnam by setting up two large (each roughly 10,000 square meters) wholesale centers in HCMC. The first store opened in April 2002 and the second store was established in December 2002. Those stores are operating as a cash and carry operation for wholesale customers but with additional services such as delivery for large customers. These stores have currently attracted more than 250,000 registered customers.

Recently, Metro opened three more stores in Hanoi, Can Tho and Da Nang and Metro has announced that it will open one more center in Hai Phong before the end of 2005.

Metro has already had an impact on the grocery sector, but it is important to note that Metro is not directly importing commodities. Given Vietnam's current restrictions on distribution and importing rights (see below), only licensed importers may bring commodities into Vietnam. So, until the laws are changed (it is hoped within the next 5 years), Metro works with many local (and usually small) importers to source most of the imported goods that it needs. .

Hanoi's food shopping sector has always lagged behind HCMC, but it is now rapidly catching up. During 2002-2003 five large supermarkets opened in Hanoi. Recently, Big C chain has opened its first store in Hanoi. The Big C store has 6,500 square meters of space for a wide range of goods and an additional 6,000 square meters for restaurants. One part of the project is to build a modern chicken processing plant nearby capable of processing 1,000 chickens per hour. As of September 2005, Hanoi has roughly 24 large shops and supermarket. Several of the large domestically owned chains from HCMC, especially Coopmart chain are looking to open outlets in Hanoi in the near future after land and supply chain issues can be resolved.

The five-day workweek, coupled with the expanding disposable income of the urban family, has accelerated the trend of purchasing ready-to-eat, snack, and luxury food items. Local food producers have begun to supply shoppers with ready-to-eat and semi-prepared food items. The pre-prepared food items consist of various food ingredients, chopped or sliced and

wrapped in a package for home use. This new trend is expected to trigger demand for more varieties of ready-to-eat and semi-prepared dishes.

To reiterate the point made above, a supplier wishing to reach all Vietnamese consumers must work with the new supermarkets as well as the open-air wet markets. While HCMC and Hanoi have a growing number of modern outlets, the rest of the country relies on traditional marketing channels. According to major food distributors in Vietnam, sales volume to supermarkets is currently under 40 percent of their total sales. To reach all Vietnamese consumers, you need to have a local partner capable of supplying both the modern (supermarket) and traditional (wet-market) channels.

<u>U.S. Advantages</u>	<u>Challenges for U.S. Exporters</u>
Fascination with American culture (music, movies, fashion) carries over to American food.	Shipping costs and transportation time are much higher than from Europe, Asia, and Australia.
U.S. foods are recognized as high quality items, and being a great value for the price.	Twenty-year absence from this market limits knowledge of U.S. foodstuff suppliers, and general preference is for European (French) food items.
Strong tie between the U.S. dollar and the Vietnamese Dong (less currency risk).	Difficult direct shipments from the U.S. since small lot sizes results in transshipping through third-country ports like Hong Kong & Singapore.
Low level of U.S. competition in the market.	Low level of experimentation by Vietnamese urban dwellers with Western food.
GSM-102 one-year credit guarantee program for Vietnam is available with 5 local banks approved by CCC, as well as a six-month Supplier Credit line.	Low tariff applied in food products imported from South East Asian (ASEAN) Countries under the Asian Free Trade Agreement (AFTA).

II. EXPORTER BUSINESS TIPS

Provided below are some of the most important points to realize about doing business in Vietnam—from a U.S. ag exporter point of view. Please see our other reports—especially the FAIRS—Food and Agricultural Import Regulations and Standards reports, and check the web sites of the various trade-related agencies of the Government of the Socialist Republic of Vietnam; most of the web sites have some information available in English.

(1) Food Law—Legal Framework

U.S. companies wanting to know more about the complex and disjointed Vietnamese legal framework are well advised to contact one of the established law firms located in Hanoi or HCMC. A brief list of better-known law firms is found in the U.S. Mission's Country Commercial Guide (CCG). You can obtain a copy of the annual CCG from the Department of State or Department of Commerce web sites noted in Section V of this report.

The Vietnamese legal system is based upon the Constitution with additional guidance provided by resolutions, ordinances, laws, orders, decrees, decisions, directives, and circulars. Unfortunately, at present there is little coordination between Ministries issuing the working-level decrees, decisions, directives and circulars. Hence, the legal framework is complex, overlapping, and confusing. One of the most important features arising from the

U.S.-Vietnam Bilateral Trade Agreement (BTA) will be a central clearinghouse for coordination and publication of all regulations.

One of the foreign-owned law firms in Vietnam, Russin & Vecchi, recently wrote a booklet, "Food Law in Vietnam", which was initially a chapter in the publication, "International Food Law", published by Prospect Media Pty Ltd in 2000. The Food Law booklet has since been revised and updated, as changes occur. We have drawn upon this booklet in preparing this report.

As in all countries, there is a gap between the laws as written and the laws as applied. This report will focus on the applied rules and regulations for imports of U.S. agricultural commodities. In general, the government of Vietnam believes in facilitating trade and interpreting rules in such a way that trade is not overly restricted. However, after a period of 'development' for new rules and regulations, once the final rule is put in place all traders are expected to observe the law. The 'development' period frequently occurs after the central government (primarily through the National Assembly) adopts a broad new measure and then directs various Ministries to develop implementing guidelines. It can be several years, or longer, for all the kinks (and inter-ministerial coordination) to be worked out.

As noted above, there is no unified food law. Instead there are a large number of food quality laws, labeling laws, safety laws, hygiene law, etc. There are also several special food categories that have additional requirements. In this report we focus on the regulations for imported food, but there are equivalent regulations (and confusion) on domestic food as well.

The 'food law' is based on various food quality laws, regulations and rules issued by various Ministries, primarily the Ministry of Health (MOH) and the Ministry of Science and Technology (MOST), with the Ministries of Trade (MOT), and Ministry of Agriculture and Rural Development (MARD) playing smaller roles. These ministries, coordinated by MOST's Directorate for Standards and Quality (STAMEQ), have developed a series of quality standards for a wide range of foodstuffs and goods. When STAMEQ has not yet adopted a quality standard, the Ministries usually follow appropriate international standards (WHO, FAO, CODEX) as an interim measure.

Certain special commodities, such as infant formula and nutritional supplements, are subject to additional quality standards and health requirements. For those, primarily non-mass market products, the best approach is to directly contact the Ministry of Health's Food Safety Administration (address below), and seek guidance.

(2) Trading and Distribution Rights

With only a few exceptions, the Vietnamese Ministry of Trade restricts the rights to import and distribute goods to Vietnamese companies—either Vietnamese State-owned enterprises (SOE) or privately owned Vietnamese companies. Thus, foreign companies must find a suitable local importer and distributor to work with. In many cases there are separate importer and distributor companies to work with and separate fees associated with each.

In general, Vietnamese companies, who have been licensed (registered) as a food and foodstuff business and have been issued import/export customs codes, are eligible to import and distribute food and foodstuffs in Vietnam. In many cases, the importer is an SOE who is capable of obtaining and using foreign currency financing from State-owned banks to purchase goods and charges a small fee for importing the goods on behalf of a private-sector Vietnamese distributor. Then goods would move to market through the local distribution company. In some cases, the local privately owned company has the proper import and

distribution licenses. This is usually a better choice for U.S. companies trying to find local partners.

The restrictions on importation and distribution rights will be phased out for U.S. companies and U.S.-Vietnamese joint venture companies, according to the provisions of the U.S.-Vietnam Bilateral Trade Agreement (BTA). From mid-December 2004, under the BTA, U.S. companies, in the production and manufacturing sectors, may import products (engage in trading activities). And from December 2004, U.S.-Vietnamese joint ventures (in any business sector) may engage in trading activities in all products. The mid-December date was three years after entry into force of the BTA, which was December 10, 2001. Seven years from the start of the BTA, U.S. companies (in any sector) may engage in trading activities. Distribution rights are more complex, and there are various exemptions noted in Annexes B, C, and D - which must be viewed in conjunction with Annex G. These rights are also gradually being extended to other foreign companies through other agreements. When Vietnam eventually enters the WTO, they will likely be extended equally to companies from all countries.

Note: The U.S. Embassy is following these issues closely; they are complex and still subject to differences in interpretation.

(3) Representative Offices

Foreign companies can enter Vietnam and establish a Representative Office. This type of office (requiring a business license issued by the Ministry of Trade) allows the foreign company to monitor marketing and sales activities of the local or joint-venture distributor. It does not give the foreign company the right to manage the distributor, sell products, or collect payments.

Many international companies have established 'rep' offices in HCMC or Hanoi. This allows them to closely monitor and work with their local partners—but does not allow them to directly trade or distribute goods. As time passes the restrictions on rep offices are slowly easing.

(4) Credit & Finance / Letters of Credit

On any shipment exceeding a small sample amount, it is important to sell goods against an irrevocable Letter of Credit (L/C). No other credit terms should be contemplated until you are absolutely sure the importers and distributors you are dealing with are very reliable. There have been many cases of local companies locked in payment disputes with their foreign suppliers, and vice versa in the case of U.S. importers of Vietnamese goods, like coffee and cashew nuts.

In current normal practices between U.S. exporters and reliable importers, Vietnamese foodstuff importers usually make payment on either Money Telex Transferred (TTR) or Document against Payment (DP) basis as the banking fee for opening L/Cs is high compared with relatively small U.S. dollar payments needed for importing small lots of U.S. goods.

USDA/FAS's Supplier Credit Programs could help ease your concerns regarding first-time shipments. Supplier Credit program details are provided on the FAS web site at www.fas.usda.gov and additional information is available from either of the FAS/Vietnam offices.

It is important for the American exporter/supplier to have a distribution relationship with a local company that has the financing to enter into a business relationship—both with you and

with local Vietnamese stores. The local distributor will give credit terms to buyers and collect payments due.

(5) Supermarket Tips & Cold Chain Woes

Local consumers have begun to purchase U.S. fresh fruit, canned goods, confectionary, condiments, sauces, snack food, nuts, soups, wine, and a variety of other products. While local products continue to be strong sellers because of price, the quality of most locally made produces has not yet reached international standards. Local consumers are now starting to pay more attention to the quality of the goods they purchase, so this new trend will help promote U.S. quality products.

FAS/Vietnam recently interviewed some of the major supermarkets in HCMC and found that approximately 40% of sales are from food, of which imported food accounts for below 30 percent of total food sales. Supermarket managers reported that consumer demand for imported food was steadily increasing.

The cold chain—the system for preserving fresh, chilled and frozen commodities from producer to final consumer—is not good, but it is improving. Most of the large modern shops have some freezers and refrigerators, but smaller shops do not. While Vietnam has developed a fairly good export cold chain (for exporting frozen seafood), the import and transportation sides are weaker and more prone to power interruptions. Fresh produce exporters have also found that many Vietnamese importers do not adequately supervise the temperature and humidity in their chillers, thereby shortening the useful life of perishable commodities.

Most consumers do not yet have refrigerators at home, but a growing number of middle-class consumers (primarily in Hanoi and HCMC) are now buying small units. The same is also true with purchases of microwave ovens.

(6) Food Quality Examinations

The newest Vietnamese food law, Ordinance on Food Hygiene and Safety (Ordinance 12 -- August 2003, see report FAIRS - VM-5048) provides a very general food safety framework. Details have yet to be filled in but are expected over the coming years. Until the new implementing guidelines are released, the following information describes the current system.

There are two types of Vietnamese government entities responsible for carrying out import food inspections. One group examines food quality; the other handles tariff issues. The first set of inspection entities are technically referred to as State-Controlled Agencies (SCA), such as a national lab, which carries out inspection and clearance related to quality control on behalf of government Ministries. For food the relevant agencies are the Ministry of Trade (MOT), the Ministry of Health's (MOH) Department of Foodstuff Quality, Hygiene and Safety Management, the Ministry of Agricultural and Rural Development's (MARD) Department of Plant Protection, MARD's Department of Veterinary and Animal Health, the Ministry of Science and Technology (MOST) and Ministry of Natural Resources and Environment (MONRE).

The second inspection set consists of only one agency, the General Department of Customs. It determines and collects import duties, and assesses violation or compliance with necessary Customs formalities on behalf of the Socialist Republic of Vietnam (Ministry of Finance, Ministry of Trade, Ministry of Health, Ministry of Agriculture, etc.).

Seven national agencies (SCAs – State-Controlled Agencies), associated with the Ministry of Health (MOH) and the Ministry of Science and Technology (MOST) have been appointed to verify compliance with food quality control regulations:

Northern Region	National Nutrition Institute (MOH) Technical Center Number 1 (MOST)
Central Region	Nha Trang Pasteur Institute (MOH) Technical Center Number 2 (MOST)
Highlands Region	Epidemiological and Hygiene Institute (MOH)
Southern Region	Public Health and Hygiene Institute (MOH) Technical Center Number 3 (MOST)

(7) Normal Food – Quality Standards

There are two basic categories of goods – ‘normal’ food/goods that are subject to the general food quality standards and requirements, and then a few ‘special’ import/export food/goods that are subject to additional quality examinations. The terms ‘normal’ and ‘special’ are used in this report to try to make the system a little clearer, but are not part of the Vietnamese law. Both ‘normal’ and ‘special’ foods and goods can be manufactured locally in Vietnam or imported. They are several ‘extra-special’ foods, such as sugar and infant formula, which have additional requirements.

(7-1) Food registration to Food Administration Department (FA) of Ministry of Health (MOH)

Locally produced and imported foodstuffs must obtain a Food Quality Registration Certificate (RC). The Food Administration Department (FA) of the Ministry of Health (MOH) is responsible for issuing these certificates for imported foods.

Details:

Ministry of Health / Decision No. 2027/2001/QĐ-BYT dated May 30, 2001 promulgating ‘temporary decision on announcement of food quality standard, food hygiene and safety’ (as per suggestion of the Director of Department of Food Administration on Quality and Hygiene and Safety).

This decision guides food manufacturers, food importers and distributors in Vietnam to do the announcement on their food quality and safety that bind their responsibility for food hygiene and safety. For imported food, documents required to be presented to FA/ Division of Food Registration and Announcements are as follows:

- 1- **Certificate of Analysis (CA) is issued by the** Competent Agency of Original Country of the food on composition and norms of food hygiene and safety. (Test Results Issued by Competent Authority). In case of no CA from original country, food companies are requested to submit CA issued by competent testing agencies in Vietnam.
- 2- **Sample of the Food Product and its Label** (in some cases, picture of the product clearly showing its label are acceptable!)
- 3- **Certificate of Free Sale or Health Certificate** issued by Competent Agency of Original Country of the food (Document from Competent U.S. Authority Certifying that Food Product is Circulated Freely within the United States).
- 4- Document Certifying the Manufacturer follows **Good Manufacturing Practices (GMP)**

The MOH/FA is authorized to receive the application with required documents from food companies and within 15 days from the receiving date, the agencies have to reply to food companies whether their food quality announcement are approved or not.

November 20, 2003, Vietnam Customs Department of Ministry of Finance issued Circular 5946/TCHQ-GSQL on ' Customs Procedure for imported food'. Accordingly, for unique customs procedure of imported food in accordance with the Decision No. 2027/2001/QD-BYT dated May 30, 2001 of the MOH, Customs Department guidance for the implementation as follows: when food companies do customs clearance for their food imports, they are requested to present to Customs Department the original paper of the receipt of RCs.

**** Comment:**

It is cumbersome and slows down import process (slow customs clearance). The Ministry of Health has imposed excessive documentation requirements with respect to imported food products. Specifically, importers are required to submit the following documents for each food item imported into Vietnam: Certificate of analysis, Certificate of free sale (or health certificate).

Documentation required to register food products is quite stringent. Certain documents requested are considered proprietary to U.S. manufacturers and in some cases cannot be provided. This is very cumbersome, and in most the case, slows down the import process. This puts a large burden in both importers and exporters especially those who are dealing with consolidated shipments (just imagine the workload to prepare documents for not only one food item but many food items!).

Without Certificate of free sales and certificate of analysis, food sample needs to be taken for testing by competent testing agencies in Vietnam for its norms of food hygiene and safety. It takes time to test the food samples and to submit the whole set of required documents to MOH and as a result, high demurrage cost will appear!

Note: (1) The test results must be issues by a 'competent' authority such as the U.S. Food and Drug Administration (FDA), a state Department of Agriculture or Health lab, or a licensed testing agency in Vietnam.

The Food Administration (FA) of Ministry of Health (MOH) has a great deal of discretion in determining whether to issue a Registration Certificate. If a food ingredient is not on the approved list (see below), the MOH/**FA** will quickly review international standards and then decide. If the imported food product is new to Vietnam, the MOH/**FA** may decide to approve the product (particularly if it has been widely sold in the United States and other countries), or it might decide to form an expert committee to review the new food's safety and quality results. Usually, the MOH/**FA** will decide within 20 days whether to grant the RC or to take a more detailed review.

Since 1996 when FAS/Vietnam opened an office, U.S. exporters have encountered many problems with this registration system and expiry date (including rules on shelf life and use-by dates) and certificates of origin (see below).

The registration certificate (RC) is valid for one year, but may be extended by submitting a letter and additional material, defined by the MOH/**FA** depending on the product, to the MOH/**FA**.

Trademarks – If the product contains a trademark or some other industrial design or IPR symbol, the symbol must be registered with the National Office of Industrial Property (NOIP). See the U.S. Mission's Country Commercial Guide for more details regarding that topic.

(8) Location of Inspection

Customs inspections (separate from the work of the Ministry of Health) may take place at a seaport, river port, civil service airport and even importer's warehouse—if certified by the Customs Agency. If the importing company would like to have cargo inspected in a certified warehouse, the company must submit a request to Customs authorities for approval.

(9) Inspection Procedure

Generally, Customs officials will simply assess and collect import duties. The SCA will check the quality and safety of the products in the shipment by any of the following methods:

- 1) passing the goods without inspection,
- 2) conducting a reduced inspection in which only a representative sample of the cargo is inspected (used mainly for commonly imported goods),
- 3) conducting a full inspection (this entails individual verification of every item imported).

Inspection of imported live animal/plant products is given priority.

If the goods pass inspection, then the SCA issues a Certificate of Attainment of Import Quality to the receiving party. If the goods or samples do not meet the necessary requirements, then the SCA is required to send the import company a written notification and explanation for the cargo's failure. In this case, cargo re-export or destruction is the final step.

If the Certificate of Attainment expires before the importing company removes the cargo from customs storage, or the packaging is changed while awaiting pick-up, then the importer must apply for re-inspection of the cargo.

(10) Import Duties & Fees

The total cost of import duties and inspection fees levied will be calculated by the General Customs Department and the SCA.

Vietnam is now implementing GATT Article 7 on import duty valuation (and duty calculations) -- with only a few exceptions.

Currently, import tax valuation based on GATT is applied for 53 countries and territories including the United States.

Effective from January 2004, goods imported from the United States of America and Association of Southeast Asian Countries (ASEAN)'s member countries are entitled to the application of the Article 7 of GATT on import tax calculation as indicated in the Circular No.192/TCHQ-KTTT by Vietnam's Customs Department and the Ministry of Finance (MOF) dated January 13, 2004.

Good imported from India, South Africa, Pakistan and Greek are subject to the tax calculation from April 4, 2004 (according to MOF's circular No.4293 TC-CST dated April 23, 2004)

For goods originated from Australia, the new tax calculation method is applied from May 1, 2004 (MOF's circular No. 5326/ TC/CST dated May 19, 2004)

On May 19, 2004 the MOF also issued the Circular No. 5312-TC/CST to extend the application of Article 7 of GATT to goods imported from 31 countries including: New Zealand, Taiwan, Hong Kong, Mongolia, Norway, Ukraine, Austria, Belgium, Denmark, Finland, France, Greek, Holland, Ireland, Luxemburg, Germany, Spain, Portugal, Sweden, England, Italia, Poland, Czech, Estonia, Latvia, Litva, Hungary, Slovakia, Malta, Slovenia and Sip. Goods imported from these countries are subjected to the new tax calculation method starting from May 6, 2004.

The GATT's tax calculation is in accordance with the MOF's Decree No.118/2003/TT-BTC dated August 23, 2003. The Decree serves as guidance (principles and methods of the tax calculation) for implementation of the Government Decree No.60/2002/ND-CP on Regulation of the Calculation of Taxable Value of Import Goods by Applying the Article 7 of the GATT dated June 6, 2002.

If imported products are not listed in those books, import duties are based on the cargo's cost, insurance and freight (CIF) invoice value as per Customs declaration. Inspection fees are calculated based on the total retail value of the cargo inspected. The fee for food quality inspection is 0.1% of the retail value of the goods, but the total amount cannot be less than Vietnamese Dong (VND) 300,000 which is approximately U.S. \$20.00

Per the provisions of the BTA, import values for U.S. commodities (imported after December 11, 2003) will be based on the invoice rather than the reference price system used in the past.

(10-1) "Customs valuation" and/or customs re-determination on transaction value for import duty calculation:

According to the Vietnam-USA Bilateral Trade Agreement (BTA), by December, 11 2003 (within two years of entry into force of this BTA), Government reference price system has to be imposed and dutiable valuation has to be based on transaction value of imported goods. Effective from Jan 13, 2004, Government of Vietnam has agreed, in principle, to base on transaction value to determine duty value of imported U.S. goods. However, Customs Department has been applying a so-call check price book on determination of Customs valuation of imported goods.

**** Details:**

From Official Letter 1219 dated March 25, 2004 and Official Letter 3365 dated July 20, 2004 of Ministry of Finance/Customs Department: In order to strengthen the control of customs valuation for goods imported by the objects of Circular 118/2003/TT/BTC, provincial customs departments follow the attached check price list to check the faithfulness of declaration of enterprises. In case enterprise's declared price is lower than the check price list, consultation with the enterprise is requested in accordance with the guidance given in Circular 118/2003/TT/BTC and Decision 1774/TCHQ/QD/KTTT dated 12/29/2003 of the General Department of Customs. After the consultation, if an indication of trade fraud is found, but there's not adequate ground for confirmation, the case file is to be forwarded to the post clearance office for further investigation as per regulations.

The check price list is about 104 pages (!) covering most of the chapters in the tariff book. For example, in chapter 2 : Meat and Edible Meat Offal, reference price for beef (HS 0202) and for poultry meat (HS 0207) is \$5/kg and \$1.2/kg. In case transaction value of a shipment of US poultry is only 70 cents/kg, much lower than reference price (\$1.2 /kg), Customs office in charge of this case will refuse the declared transaction value and forward this case file to the post clearance office for further investigation as per regulations. Within 15 days from the date of applying for customs clearance of the case, Customs office has to inform the importer about determined Customs value for import duty.

This regulation from Customs Department makes food importers confused when declaring transaction value of imported food to Customs office and hesitate to conclude new deals of US food products. Many U.S. food exporters to Vietnam did complain to FAS about their food imported into Vietnam getting treated by Customs Department not transaction value but the reference price system which make actual import tax on the imported foods were much higher than normal GATT method.

(11) Food Quality, Hygiene Standards, and Food Ingredients/Additives

The Ministry of Health (MOH) is charged with establishing hygiene-related standards for food imports entering Vietnam. See our FAIRS reports for all the details.

Note: MOH is fairly flexible about considering new food ingredients when contacted before a shipment, and fairly rigid if contacted after a shipment has arrived.

(12) Product Labels

The Ministry of Health requires that each food product having label that contents:

- 1). Name of food
- 2). Name and address of the premise where food is made
- 3). Quantity/volume of food
- 4). Components of food
- 5). Main quality norms of food
- 6). Manufacture date, expiry date and shelf life
- 7). Instruction for use and preservation
- 8). Origin of food

Bulk food containers must clearly list:

- 1). the country of origin
- 2). the manufacturer's name
- 3). the name of the packing and bagging center.

(13) Document Package

All necessary documents must be compiled into one dossier and presented with a Vietnamese-language translation of the sales and purchase contracts.

The necessary documents include:

- 1)? ? Customs declaration application / Registration for inspection form;
- 2) Copy of trade contract or letter of credit (L/C);
- 3) Bill of Lading;
- 4) Invoice;
- 5) Packing List (see note below)
- 6) Certificate of Origin (See note below).
- 7) Documents certifying the quality of the cargo and certificates of quality already granted to the cargo.

Note: Additional documents might be necessary, based on the nature of the shipment. If there is any doubt, please check with MOH before finalizing the sales terms.

(14) Special Foods and Goods Subject to Additional Quality Control Examinations

Unlike the 'normal' foods, the following 'special' foods are often held pending more detailed food quality examinations. The process follows all the procedures noted above, plus an extra level of review (and perhaps more detailed examination) before the products are released.

Every year (or two or three) the Government of the Socialist Republic of Vietnam (GSRV) releases a list of special traded (import and export) goods subject to additional State quality control examinations. As of September 2005, the 2000 list is still in effect

On January 26, 2000, the (old name) Ministry of Science, Technology and Environment (MOSTE) issued the list of 'special' imported and exported commodities subject to State quality inspections in Decision 117/2000/QD- BKHCNMT). The list of imported goods was further defined by Decision 1010/2000/QD-BYT, dated March 30, 2000 – which added some commodities and dropped others from the first list. The March 2000 list includes:

- Uncondensed, unsweetened milk and ice cream (0401.10-0401.20-0401.30)
- Condensed, sweetened milk and ice cream (0402)
- Flour or meslin powder (1101.10)
- Oils—Soybean, groundnut, olive, palm oils, and other types of fats and vegetable oils (1507/1508/1509/1511/1515)
- Processed Meats and edible animal organs (1602)
- Processed Fish (canned sardines (1604.13) and canned tuna (1604.14)
- Bread, cakes, biscuits and other types of cakes (1905)
- Vegetables, fruits, and edible parts of trees (2001)
- Fruit juices (2009)
- Various types of alcohol made of wheat and their conductors (2905)
- Organic artificial colors used for coloring food (3204)
- Mixed flavorings used in producing of foodstuffs or soft drinks (3302)
- Mineral fertilizers or chemical fertilizers with nitrogen (3102)
- Superphosphate Fertilizer (3103.10)
- Fertilizers containing nitrogen and phosphorus and other types of fertilizer (3105.51/59)
- Pesticides (3808.10); Fungicide (3808.20); Herbicides (3808.30); Sterilizing Agents (3808.40) and other food-related chemicals (3808.90)
- Mixed feed tablets used for breeding shrimp (2309.90)

According to the Ministry of Science and Technology's (MOST) Directorate for Standards and Quality (STAMEQ), a new list of commodities subjected to State Quality Control has been submitted to the Government and it's expected be approved by the end of 2005. Please contact the FAS Offices in Vietnam for any updates.

Imports of item from the 'special' list must fulfill all the quality testing procedures noted above, be cleared by Customs authorities (pay any tariffs) and then are held in storage until they have received an additional certificate. The additional certificate is based on the importer submitting all the normal documents as noted above, plus additional safety and food quality information to the MOH or STAMEQ.

At least, five days before the shipment arrives, the importer must notify MOH and STAMEQ that a 'special' food shipment will be arriving. All the documents should be compiled into one dossier and presented with a Vietnamese-language translation.

- 1) Request for Examination Form
- 2) Copy of Sales Contract and/or the Letter of Credit (L/C)
- 3) Bill of Lading
- 4) Invoice
- 5) Packing List
- 6) Certificate of Origin
- 7) Documents certifying the quality of the cargo and certificates of quality already granted to the cargo.
- 8) Documents stating where the food products will be delivered and stored pending the quality determination

Note: Additional documents might be necessary, based on the nature of the shipment. If there is any doubt, please check with MOH before finalizing the sales terms.

Within three days of receiving the documents, MOH and STAMEQ will issue either an exemption for the goods or authorize the importer to move the goods to a storage location pending a more detailed examination.

After reviewing the documents, MOH and STAMEQ may issue:

- Quality Certificate allowing import
- Quality Certificate allowing reprocessing within Vietnam
- A notice that the shipment is exempt from additional Quality Testing

MOH and STAMEQ may grant an exemption based on information that the shipment has been certified (safety, health, quality) by U.S. authorities or that based on prior inspections the food quality has been accepted.

(15) Labeling

Details of the Labeling Regulations (Decision 178/1999/QD-TT, dated August 30, 1999), requiring Vietnamese language labels, are available in our Report, VM9029, dated December 4, 1999. Due to a lack of specific guidelines from the relevant ministries, implementation of the labeling rules has been delayed until January 1, 2001.

On August 15/8/00, The Prime Minister has promulgated the Decision No.95/2000/QD-TT amending Decision No.178/1999/QD-TT. The amendment can be summarized as follows:

- 1). Revision of Article 6, column 1: The height of Vietnamese name of goods on its label is not shorter than 02 mm.
- 2). Revision of Article 8, column 4: The Quantity shall be inscribed on the main position of the PDP.
- 3). Revision of Article 9, column 1: Goods being ready-packed foodstuffs, cosmetics and drugs, which are composed of two or more constituents, must have their constituents inscribed on the labels.

This regulation takes effect as of January 1, 2001.

The new regulations require Vietnamese labels on all imported goods, listing major ingredients, manufacture and expire dates, etc. This information may be added after importation (importer may apply the labels once the product has been shipped to Vietnam). The Foodstuff Quality, Hygiene and Safety Department of the Ministry of Health must approve the label and trademark name.

A clear expiration date, visibly placed on individual containers, is especially important for passing customs inspections. Some importers have had to re-pack or even return their shipments because customs officials could not easily identify the expiration date on the product package.

Many food importers stress that the Ministry of Health's laws are not consistently applied. Registration of food items is often conducted once the shipment arrives in Vietnam—even if the product has been registered previously from overseas at that import location or at another point of entry. Completing the inspection process smoothly is often dependent upon the importing company and its relationship with the local authorities.

Additional guidance has been issued by the Ministry of Trade (Circular 34/TT-BTA, dated December 15, 1999) and by the Ministry of Health (Circular 15/2000/TT-BYT). Besides general labeling instructions (Decision 178/1999/QD-TT and Circular 34/TT-BTA), labeling of food products is required compulsory contents as follows:

- All food ingredients of the product must be inscribed on the label.
- Name of substance group: name of the ingredient in this group (its International code).
Example: Emulsifier: Sodium Poly Phosphate (452i)
- Flavor / sweetening / coloring ingredients must be notified "natural"; "artificial" or "synthetic".
- Ingredients derived from genetically modified organism (biotechnology) must be titled "GO" on the label.
- Food products processed from radio-therapy must be inscribed "radio-therapy product" on the label.
- Food products used for diet purpose must be inscribed "for diet purpose" on the label.

(16) Phytosanitary and Sanitary Inspection

Phytosanitary and sanitary health inspection is done before Customs clearance for imports of foodstuff products like nuts, fruit juices, canned and processed vegetables, fresh and dried produce, various kinds of fresh and frozen meat and dairy products. The Ministry of Agriculture and Rural Development's Plant Protection Department and Department of Veterinary and Animal Health handle all phytosanitary and sanitary inspections. The inspection fee is about VND 250,000 = \$17.25 per lot.

For imports of live animal/animal products, importers must make registration for inspection service at the Department of Animal Health (DAH) of Ministry of Agricultural and Rural Development (MARD).

Regarding animal health inspection service, MARD/ Department of Animal Health (DAH) request

- a) A letter requesting inspection of imports of animal products (form 2-KDDV)
- b) Trading license as prescribed in point b, 1.1, I
- c) HACCP certificate from food producing agencies (a copy stamped by the company)
- d) Certificate of free sale (a copy with the company's stamp)
- e) Other permission granted by authorized agencies in accordance with regulations.

For exports of U.S. dairy products to Vietnam, instead of HACCP, the MARD/DAH accepts a kind of GMP certificate issued by Dairy Grading Branch (DGB) of Agricultural Marketing Service (AMS) of the USDA. However, the MARD/DAH required a kind of Health Certificate having contents that different from the Health Certificate issued by APhis. The discussion for

having an appropriate Health Certificate on exports of U.S. dairy products to Vietnam is under going.

Note: Dairy products imported into Vietnam are required to do both MOH/FA for RC and MARD/DAH for ANIMAL HEALTH INSPECTION ! The MOH/FA is trying to work with MARD/DAH to solve the problem but it seems work slowly.

(17) Damage During Shipment

Technically, the cargo's "external appearance and sensorial perception" cannot be altered or compromised during shipment. If so, this may trigger a more detailed inspection by an SCA.

(18) Special Warning regarding Certificates of Origin and Packing List

According to Circular No.09/2000/TTLT-BTA-TCHQ dated April 17, 2000, Certificates of Origin (C/O) must be issued by competent agencies as prescribed by the exporting country. These agencies usually include organizations such as the Ministry of Trade, Ministry of Industry, Ministry of Finance, and other organizations designated by the government of the exporting country, such as Chamber of Commerce, Chamber of Commerce and Industry, etc. If the C/O is issued by the manufacturer, it must be certified by the concerned competent agency or organization of the issuing country.

An C/O submitted to Vietnam's customs office must be an original containing the following contents:

- 1- The issuance number of the C/O.
- 2- Name and Address of the exporter, the exporting country.
- 3- Name and Address of importer, the importing country.
- 4- Information on transportation of the good.
- 5- The trademark and label; quantity and type of packs; description of goods.
- 6- Weight
- 7- The goods origin
- 8- The enterprise requesting the C/O issuance (Enterprise's name and date of request for issuance).
- 9- The C/O issuing organization (Name, date of issuance and its stamp)

(18-1) Certificate of Origin Stamp

FAS/Vietnam has assisted in many cases where Vietnamese Customs officials have refused to accept U.S. C/O certificates issued by companies or by other groups without 'raised' seals or official circular stamps. If the C/O has an oblong or rectangular stamp, Customs may reject that document. In Vietnam, only circular stamps are considered official.

Furthermore, many U.S. bodies issuing C/O do not clearly stamp the paperwork. If Customs cannot read the stamp – it does no good. Likewise, if the stamp is one that produces a 'raised' seal, please make sure it is clear. FAS/Vietnam has developed a good working relationship with Customs officials, but please notify us (in advance, if possible) if you expect any problems obtaining a valid—from the Vietnamese point of view—Certificate of Origin.

Vietnam assumes the C/O will be issued by a 'relevant' body observing all applicable regulations of the country granting the C/O. By 'relevant' body, they mean a Ministry of Trade, Industry, Finance, Customs Office or other organization authorized by the State, such as a Chamber of Commerce or Chamber of Trade. In cases where the C/O is issued by the

manufacturer (or on the letterhead paper of the manufacturer), it must be certified (and stamped) by the relevant organization or body of the country of origin.

If you have any questions regarding C/O, please contact one of the FAS/Vietnam offices -- before, rather than after the shipment.

In cases where the C/O is not made in English or French, an English or French notarized translation must accompany all the paperwork.

(18-2) Packing list should mention Gross Weight and Net Weight of the Goods

(19) Special Warning regarding Product Expiry Dates in Codes

For food product having its expiry date in code, MOH will require a manufacturer certificate explaining about the coding process and listing product expiry date.

(20) Samples

Customs and an SCA may require samples of every item in the shipment, as well as extra samples for reference against future shipments of the same item. Exporters should consult with their importer and freight forwarder prior to shipment regarding necessary samples and proof of inspection documentation. Foreign quality control and inspection companies, such as SGS, are also a good source of information. While this practice seems to be less practiced than previously, it might still pop-up.

(21) Import Permits or Import Licenses for Special Commodities (Sugar)

When Vietnam first opened to international trade, all imports were strictly controlled by a system of import licenses and permits. That system has almost disappeared.

The Government of Vietnam liberalized the food import system, by eliminating most import licenses, in Decision No.242/1999/QD-TT, dated December 30, 1999. Under that decision, the Ministry of Trade only required import licenses/permits for just a few items, such as refined vegetable oils, refined sugar, and some liquors.

The list was further reduced in April 2001, when (former) Deputy Prime Minister Nguyen Manh Cam signed Decree 46/QD-TTg on Vietnam Management Mechanism for 2001-2005 period (See our Report VM1007 dated Sept. 5, 2001 for full details). Accordingly, refined vegetable oil no longer needs an import license. However, refined sugar imports are still under control by import licenses issued by the Ministry of Trade in coordination with Ministry of Agricultural and Rural Development.

(22) Enforcement Concerns

Traders have said that the enforcement of import regulations is not completely consistent. Moreover, laws and duties are often changed and are almost impossible to predict. The best means of finding up-to-date information regarding food export to Vietnam is to contact people working in the trade. Vietnamese government agencies can provide information, but response time may be slow and miscommunication between ministries and regional offices is possible. Contacting the USDA/FAS Ag Affairs Offices in Hanoi and HCMC is a good starting point. Even after you have established contact with an importer, timely updates (before any shipments) are important.

(23) Biosafety

The Ministry of Natural Resources and the Environment is the leading ministry in developing the Bio-safety regulation. On August 26, 2005 Vietnam Deputy Prime Minister Pham Gia Khiem signed Decree 212/QĐ-TTg on Biosafety Regulation on management of GMO product. The Regulation consists of 8 Chapters and two Annexes that cover the following issues: General Regulation; Research/Technology Development and Trails; Production, Trade and Use; Imports/Exports/Storing and Transportation; Risk Management and Biosafety Certification; State Management; and Implementation. The regulation is in effective from September 2005. However, guidelines from different ministries are needed to make the regulation workable (see vm5062).

III. MARKET SECTOR STRUCTURE AND TRENDS

The best way to enter the Vietnamese market is to develop a relationship with one of the established food trading companies working with wet/open-air markets, supermarkets, hotels and restaurants. Currently, there is only a handful of well-organized food trading and/or distribution companies in Vietnam; so the selection process need not take too long. There is typically some sort of foreign involvement in each of the better-known companies. As these companies tend to be somewhat transient, it is advisable to visit Vietnam and research the company's customer lists and achievements.

Meetings will probably be conducted in English, but it is quite helpful to have an interpreter to make sure that everyone completely understands the terms of an agreement. What may sound simple and clear may not be so simple and clear in Vietnamese, or in the Vietnamese business context. Any verbal agreement should be quickly followed by a written agreement.

The largest near-term opportunity for U.S. food products is in the Hotel, Restaurant and Institutional (HRI) market, followed by the food-retailing sector. The food service industry has yet to become well established and the food-processing sector has a large component of local companies purchasing most of their ingredients from nearby Asian countries. In the future, the food-processing sector offers opportunities as customers start to demand higher quality and a more diverse range of products.

Since the majority of the chefs and hotel food & beverage managers come from Australia and Europe, the HRI sector has a strong preference for products from those countries. Moreover, Australian products enjoy both a freight and delivery time advantage. U.S. products in most cases are new to market, which may or may not be an advantage depending on consumer knowledge of how to use the product. In-store promotions are popular and a recommended part of an advertising campaign. Point of purchase (POP) displays and other advertising materials are important to attract local consumers that may have a limited knowledge of foreign food products.

IV. Best High-Value / Consumer-Oriented

Vietnamese consumer confidence in Western products is high. Perception of American-made goods is automatically one of premium quality. Vietnam's trade infrastructure and general level of economic development are in the beginning stages of expansion. So, too, is the level of brand awareness. Therefore, different products will face different opportunities and challenges. Establishing an early base during Vietnam's developing stage is essential for future success.

Snack Foods

American-made snack foods are extraordinarily popular with consumers who can afford them. Many shop owners, from street stalls to new mini-shops, report high turnover of snack products such as potato chips, nuts, biscuits and cookies. Several Japanese companies have established factories and joint venture partnerships with Vietnamese confectioners. Pringle's and Fitolay's potato chips are very well received, particularly in Ho Chi Minh City and Hanoi. Now Asian potato chip manufacturers have begun production in Vietnam.

Snack foods have traditionally been subject to stiff import rates, especially as investment in domestic manufacturing increases. Vietnamese are consummate snackers; exporters should find a way to service this market with high-quality products.

Fresh Fruit

Fruit is an important part of the Vietnamese diet, and consumption of fresh fruits is high. Products such as Washington apples, U.S. pears, and table grapes have become increasingly popular in the past years. However, inadequate handling and distribution facilities (poor cold chain infrastructure) hinder greater sales of these products, which are sold at a premium to domestic varieties. Fierce competition from Australia, New Zealand, China, South Africa, and Chile has developed over the past five years. Paradoxically, improved storage blurs the distinct seasonality of production among northern and southern hemisphere suppliers and also increases competition.

Sales in Hanoi are rising as well, but the city's small number of high-end markets, less frequent shipping links to major ports, and proximity to China—a major source of cheap fruit—all constrict higher sales in Hanoi. Fruit sales in Ho Chi Minh City are strong and continue to do well despite fierce competition.

Large quantities of pineapples and citrus fruit (oranges and limes) are grown locally and sold at very low prices during the harvest season. Some importers have reported attempting sales of higher-value American fruits, such as California oranges, and have met with some success against cheaper oranges and clementines from China. U.S. exporters will need to convince consumers that their products are of a quality superior enough to justify a premium price. Florida juicing grapefruit might find a market in international hotels and up-market restaurants.

Canned Fruit & Vegetables

Canned fruit and vegetables enjoy strong demand in both Hanoi and Ho Chi Minh City. This is in part due to the lack of cold storage facilities, but also because of the slow and fragmented distribution system. One vendor claimed that he would like to sell harder-to-find goods like canned asparagus and olives.

Canned Meat Products

As with canned fruit and vegetables, canned meat products are another area that is doing well but in a crowded market because of the wide assortment of both imported and local products. Canned pork products are selling particularly well.

Tree Nuts

Vietnam boasts a large local supply of nuts, such as cashews and peanuts, which the government is actively promoting as export crops. The problem is that the export market demands the better quality nuts, leaving local consumers with a poor selection. Until the last three years pistachios and almonds were almost unknown on the local market. Recent efforts to introduce California produced pistachios and almonds have been successful. Marketing programs to introduce premium nuts and nuts not grown in Vietnam could yield good results.

Wine

Alcoholic beverage sales are one of the fastest-growing sectors in Vietnam's food market. Beer leads this growth, due largely to the availability of cheap, locally made beers. Whisky is also extremely popular. Wine, seen primarily as a luxury good, is also realizing increased sales, although at a slower rate. Several mid-range Californian brands have entered the market and are doing well. Heavy import tariffs and dubious handling capabilities impede greater distribution of these products. However, as wealth and living standards increase, it is anticipated that Vietnamese consumers will increase supermarket purchases of wine to entertain guests in the home and for home consumption. French wine is still considered the most desirable wine (despite the awful product sold under some dubious 'French' labels). Keen competition is supplied by wine from Europe, Australia, Chile, South Africa and Argentina.

Chilled and Frozen Meat

Meat consumption is rising in Vietnam. Pork has long been the country's major meat product. During the past several years, increasing imports of Australian, New Zealand, Argentina and U.S. beef have been entering the country. To date, sales of these products have mostly gone to high-end outlets such as luxury hotels and restaurants aimed at expatriates (and the very well-to-do Vietnamese). This trend seems set to continue in the near future, so U.S. meat exporters should focus on these high-end outlets for sales in the near future.

We hope a market for edible offal will begin, but to date, importers have not found the appropriate range of products (at a good price) to offset high tariffs and some stiff health (meat safety) inspection requirements. Recently, U.S. exporters have experienced some success exporting U.S. goat meat to Vietnam.

Frozen Poultry

Affordable chicken is widely available in Vietnam, and while the Vietnamese considers the product quality good, it is below international standards. Fresh chicken can be found in most markets. However, as more women join the labor force, sales of convenient precooked chicken products should increase as long as prices remain affordable. Vietnamese tend to prefer wings and legs (dark meat) rather than chicken breast meat. With the current AI outbreak, Vietnam has killed millions heads of chicken creating a supply and demand imbalance. Consumers are also concerned about the safety of local chicken. This has increased the demand for imported chicken.

Dairy products

From the very low base, Vietnam consumption of various kinds of dairy products has grown rapidly. Current the rate of growth is at least 18% per year. This growth is creating a very good opportunity for US dairy products in this market from now and the coming years.

V. KEY CONTACTS AND FURTHER INFORMATION

U.S. Department of Agriculture / Foreign Agricultural Service (USDA/FAS)

First point of contact for updated reports and trade data is the USDA/FAS Web Page:

<http://www.fas.usda.gov>

The FAS web site will also provide additional information about the staff, resources, and programs coordinated by FAS/Washington to promote international trade.

State Regional Trade Groups

The State Regional Trade Groups (SRTG) is four regionally located, non-profit trade development organizations that help U.S. food producers and processors sell their products overseas. USDA's Foreign Agricultural Service (FAS), the State Departments of Agriculture and private industry fund the SRTG's. They carry out promotional activities that increase

exports of U.S. high-value food and agricultural products. Activities of the organizations are directed by the State Departments of Agriculture, state agricultural promotion agencies, and coordinated with FAS' Washington and country offices overseas, and include: International trade exhibitions, overseas trade missions, reverse trade missions, export education, in-country research, and point-of-sale promotions in foreign food chains and restaurants in markets around the world.

The SRTG's also administer a cost-share funding program called the "Branded" program, which supports promotion of brand name food and agricultural products in overseas markets. The SRTG's include: the Western U.S. Agricultural Trade Association ([WUSATA](#)), in Vancouver, Washington, the Mid-America International Agri-Trade Council, ([MIATCO](#)) in Chicago, Illinois, the Southern U.S. Trade Association ([SUSTA](#)) in New Orleans, Louisiana, and the Food Export USA ([FoodExport USA NE](#)) in the Northeast. See the FAS web site for more details.

FAS Cooperators and Participants

The American food and agriculture industry benefits from a large number of associations and organizations that support export market development. These groups, referred to as "participants" and "cooperators" receive support from FAS to conduct activities overseas such as trade missions, pavilions at trade shows and informational seminars.

A database of these organizations, including contact information, is available at <http://www.fas.usda.gov/scripts/mos/HomeOffDir.asp>.

Partners and Cooperators which offer on-line databases and directories of suppliers are listed at

<http://www.fas.usda.gov/agx/Buying/Partners.htm>

USDA/FAS Offices in Vietnam

The physical addresses of the FAS Offices are shown below. Contact the FAS Offices for the U.S. and Vietnamese Mailing Addresses.

Agricultural Trade Office (ATO - HCMC)
U.S. Consultant General – Annex Building
Saigon Center Building, 9th Floor
65 Le Loi Street, District 1
Ho Chi Minh City, Vietnam
Tel: 84-8-825-0502 Fax: 84-8-825-0503
Email: AtoHoChiMinh@usda.gov
or atohochiminh@hcm.vnn.vn

Contacts:

Mr. Truong Minh Dao - ATO Marketing Specialist
Mr. Tran Quoc Quan - Agricultural Assistant
Ms. Pham Khanh Linh - Administrative Assistant &
Trade Show Coordinator

Agricultural Affairs Office (Ag Hanoi)
U.S. Embassy – Annex Building
Rose Garden Building, 3rd Floor
6 Ngoc Khanh, Ba Dinh District

Hanoi, Vietnam
Tel: 84-4-831- 4580 Fax: 84-4-831- 4573
Email: AgHanoi@usda.gov
or aghanoi@hn.vnn.vn

Contacts:

Mr. John Wade - Agricultural Attaché
Ms. Bui Thi Huong - Agricultural Specialist
Ms. Nguyen Thi Huong – Agricultural Assistant
Ms. Phan Thi Thu Huong - Administrative Assistant

American Chamber of Commerce—Hanoi and Ho Chi Minh City
American Chamber of Commerce (AmCham)
Hanoi Chapter
Press Club, 5th Floor
59A Ly Thai To Street
Hanoi, Vietnam
Tel: 84-4-934-2790; Fax: 84-4-934-2787
Email: adam@amchamhanoi.com
Website: www.amchamhanoi.com
Contact: Mr. Adam Sitkoff, Executive Director

American Chamber of Commerce (AmCham)
Ho Chi Minh City Chapter
76 Le Lai Street, District 1
Ho Chi Minh City, Vietnam
Tel: 84-8-824-3562; Fax: 84-8-824-3572
Email: amcham@hcm.vnn.vn
Website: www.amcham.org.vn
Contact: Mr. Herb Cochran, Executive Director

Key Government Contacts
Ministry of Trade (MOT)
31 Trang Tien Street, Hanoi, Vietnam
Tel: 844-825-3881 Fax: 844-826-4696
Contact: Mr. Nguyen Dinh Luong, Director, International Relations

Ministry of Trade (MOT) / HCMC
35 - 37 Ben Chuong Duong, Dist.1, HCMC
Tel: 848-8242-312 Fax 848-8291- 011
Email: mothcm@hcm.vnn.vn
Contact Mr. Nguyen Van Lich - Director of HCMC Office

Ministry of Trade / VINACONTROL ((Vietnam Control Agency) Headquarters
54 Tran Nhan Tong, Hanoi
Tel: 848-943-6011; Tel 2: 848-943-3840
Fax: 848-943-3844
Email: vinacontrolvn@hn.vnn.vn
Website: www.vinacontrol.com.vn
Contact: Mr. Le Viet Su, General Director (Direct number: 848- 943-5639)

VINACONTROL / Ho Chi Minh City
No.80 Ba Huyen Thanh Quan Str. Distr.3, HCMC
Tel.: 848- 931-6185 Fax 848-931-6961
Email: vinacontrol@hcm.vnn.vn
Contact: Mr. Tran Dang Thanh, Director

Ministry of Planning and Investment (MPI)
2 Hoang Van Thu, Hanoi, Vietnam
Tel: 844-843-0333; Fax: 844-733-0536

Contact: Mr. Duong Duc Ung, Director, Foreign Economic Relations Department

Ministry of Planning and Investment (MPI) / HCMC
Investment Transaction Center
178 Nguyen Dinh Chieu, District 3, Ho Chi Minh City, Vietnam
Tel: 848-930-3905; 848-930-6671; Fax: 848-930-5413
Email: cqddmpi@hcm.vnn.vn

Contact: Mr. Vu Tien Phuc, Director General, Chief Representative of MPI Southern Office
Mr. Nguyen Quoc Dung, Expert on FDI (Cellphone: 84-91380-3189)
Email: nqdzung@hcm.vnn.vn

Clearance for Food Ingredients and Additives

The Food Administration of Ministry of Health is the primary contact for most questions and concerns regarding approved food ingredients, food safety issues (Vietnamese and International Standards), and general food-related trade questions.

Ministry of Health (MOH)
Food Administration
138A Giang Vo Street, Hanoi, Vietnam
Tel: 844-846-3839; Fax: 844-846-3739
Email: cucqltp@hn.vnn.vn
Contact: **Dr. Tran Dang**, Director, Food Administration Department

State Controlled Agencies (SCA) for Quality Control of Imported Foodstuffs

Note: There are 7 SCA's in Vietnam. Listed below are the two HCMC offices, which perform the majority of the quality control work. If you need the address of a SCA in the Central or North regions, please contact FAS/Vietnam.

1. Public Health and Hygiene Institute (MOH)
159 Hung Phu, Dist.8, HCMC
Tel: 848-8559-503; Fax 848-8563 164
Email: vienvsyttcc@hcm.vnn.vn
Contact: Dr. Le The Thu - Director
Dr. Nguyen Xuan Mai - Vice Director (Cellphone: 84-903-758-104)

2. Technical Center #3 (MOST: Ministry of Science and Technology)
Directorate for Standards and Quality
49 Pasteur, Dist.1, HCMC
Tel: 848-829-8565; Fax: 848-829-3012
Email: quatest3@hcm.vnn.vn
Contact: Ms. Le Cam Nhung, Director

Other Key Government Contacts

Ministry of Agriculture and Rural Development (MARD)
2 Ngoc Ha Street, Hanoi, Vietnam
Tel: 844-845-9670; Fax: 844-845-4319
Email: leminhmard@fpt.vn
Contact: Mr. Le Van Minh, Director, International Cooperation Dept

Ministry of Agricultural and Rural Development (MARD) / HCMC
Crop Protection Department / Phytosanitary Sub- Dept.
28 Mac Dinh Chi, Dist.1, HCMC
Tel: 848-829-4568; Fax: 848-829-3266

Email: kdtv2@hcmc.netnam.vn

Contact Mr. Nguyen The Phu - Director

Regional Animal Health Center / HCMC
124 Pham The Hien, Dist.8, HCMC
Tel: 848-8568-220; Fax: 848-8569-050

Email: rahhcm@hcm.fpt.vn

Contact: Mr. Dong Manh Hoa, Director

Federation of Commodities Control (FCC)
No.45 Dinh Tien Hoang Str, District 1, HCMC
Tel: 848-822-3183; Fax: 848-829-0202

Email: fcc@hcm.vnn.vn

Contact: Mr. Tran Phuong, Director

Hanoi People's Committee
Department of External Relations
81 Dinh Tien Hoang
Hanoi, Vietnam
Tel: 844-826-7570; Fax: 844-825-3584
Contact: Prof. Dr. Nguyen Quang Thu, Director
Email: ntm@hn.vnn.vn

Ho Chi Minh City People's Committee
Department of External Relations
6 Alexandre de Rhodes, District 1, Ho Chi Minh City
Tel: 848-822-4224; Fax: 848-825-1436
Contact: Mr. Le Quoc Hung, Director

Vietnam Chamber of Commerce and Industry (VCCI)
9 Dao Duy Anh Street
Hanoi, Vietnam
Tel: 844-574-2161; Fax: 844-574-2020
Contact: Mr. Nguyen Ngoc Thang, Deputy General Director, International Relations
Department (Cellphone: 84-913-024-244)
Email: ycci@fmail.vnn.vn

Chamber of Commerce and Industry of Vietnam (VCCI) / HCMC
171 Vo Thi Sau St, District 3, HCMC
Tel: (84-8)932-7301; Fax: (84-8)932-5472
Email: ycci-hcm@hcm.vnn.vn
Contact: Mr. Nguyen Duy Le, Deputy Director General (Cellphone: 84-903-704-570)

Chamber of Commerce and Industry of Vietnam (VCCI)
Trade Service Company, General Trading & Consultancy Department
79 Ba Trieu Street
Hanoi, Vietnam
Tel: 844-826-5667 Fax: 844-826-6649
Email: ycci_tsc@yahoo.com
Contact: Mr. Dao Duy Tien, General Manager

SELECTED WEB SITES

U.S. Department of Agriculture	http://www.usda.gov
USDA / Foreign Agricultural Service	http://www.fas.usda.gov
USDA / Animal and Plant Health Inspection Service	http://www.aphis.usda.gov
U.S. State Department	http://www.state.gov
U.S. Dept. Of Commerce	http://www.doc.gov
U.S. Embassy in Vietnam	http://hanoi.usembassy.gov
US Consulate General in HCMC	http://hochiminh.usconsulate.gov/
US-Vietnam Trade Council	http://www.usvtc.org
US ASEAN Business Council	http://www.us-asean.org
The World Bank in Hanoi	http://www.worldbank.org.vn

Vietnamese Websites:

NOTE: Most Vietnamese websites contain both English and Vietnamese documents.

Vietnamese Embassy in Washington	http://www.vietnamembassy-usa.org
Ministry of Health	www.moh.gov.vn
Directorate for Standards & Quality	www.tcvn.gov.vn
Vietnamese Customs Agency	www.customs.gov.vn
Ministry of Foreign Affairs	www.mofa.gov.vn
Ministry of Finance	www.mof.gov.vn
Ministry of Fishery	www.fistenet.gov.vn
Ministry of Trade	www.mot.gov.vn
Ministry of Ag and Rural Development	www.mard.gov.vn
Agricultural Market	www.vitranet.com.vn/agr
Vietnam Fruit	www.vietcam.com
Contact Vietnam	www.contactvietnam.com
Local exporters list, commercial law	www.hcmctrade.gov.vn
Hanoi Dept. of Planning and Investment	www.sokhdthanoi.gov.vn
Info on Mekong River Delta	www.viic-mekong-delta.com
Info on Mekong River Delta's capital	www.cantho.gov.vn
Legal documents	www.vietlaw.gov.vn
Representative office up procedures	www.vietbig.com
Vietnam Trade	www.viettrade.gov.vn
HCMC airport	www.saigonairport.com
HCMC tourism	www.saigontourist.net
HCMC Tax Bureau	www.hcmtax.gov.vn

ANNEX A: Demographic Information—Vietnam (in 2004)

Total population (million)	: 82.03
Hanoi Population (million)	: 3.08
Ho Chi Minh City Population (million)	: 5.73
Municipal Areas (million)	: 21.59
Red River Delta (million) Excl. Hanoi	: 14.75
North East (million)	: 9.24
North West (million)	: 2.52
North Central Coast (million)	: 10.50

South Central Coast (million)	: 6.98
Central Highland (million)	: 4.67
North East South (million), Excl. HCMC	: 7.46
Mekong River Delta (million)	: 17.07
Percentage of urban population	: 26.32%
Unemployment rate in urban areas	: 5.6%
Unemployment rate in Hanoi	: n/a
Unemployment rate in HCMC	: n/a
Number of major metropolitan	: 4*

Major metropolitan areas include Hanoi, Ho Chi Minh City, Hai Phong, and Da Nang.

<i>Key Economic Indicators</i>	2003	2004
Gross Domestic Products at current price (\$billion)	39.2	45.2
GDP growth rate	7.2%	7.5%
GDP per capita (US\$)	482	549
Annual inflation rate	N/A	N/A
Currency exchange rate (VND/USD)	15,000	15,800

Source: Vietnam Statistical Department, World Bank in Vietnam

APPENDIX B: VIETNAM 2004 IMPORTS-EXPORTS

VIETNAM 2004 EXPORTS				
	2004		2005 (plan)	
	Quantity (1,000 mt)	Value (million USD)	Quantity (1,000 mt)	Value (million USD)
total export value		26,003		30,502
of which				
1. Fishery products		2,397		2,733
2. Rice	4,055	941	4,000	1,000
3. Coffee	905	594	850	600
4. Vegetables		167		208
5. Rubber	494	578	420	578
6. Pepper	110	150	110	150
7. Cashew nut	104	425	105	470
8. Tea	97	93	100	107
9. Peanut	45	27		30
10. Crude oil	19,557	5,666	19,600	5,505
11. Garment and textile		4,319		5,183
12. Footwear products		2,603		3,332
13. Handicraft products		410		500
14. Furniture and wood products		1,054		1,370

Vietnam 2004 imports

	2003		2004		(%)2004/2003	
	Quantity (1,000 mt)	Value (\$ million)	Quantit y. (1,000 mt)	Value (\$ million)	Quantity	Value
TOTAL IMPORT VALUE		25,227		31,523		125.0
of which						
1. All kind of fertilizers	4,119	628	4,041	819	98.1	130.4
2. Petroleum	9,955	2,433	10,875	3,570	109.2	146.7
3. Cloths		1,365		1,913		140.1
4. Materials for textile and footwear industries		2,034		2,216		108.9
5. Animal fat and vegetable oils		160		225		140.6
6. Tobacco materials		174		162		93.1
7. Pesticides and materials		146		209		143.2
8. Milk		164		210		128.0
9. Wood and its products		274		514		187.6
10. Animal feed and animal feed materials		421		470		111.6
11. Wheat	857	125	829	157	96.7	125.6
12. Paper pulp	88	40	158	75	179.5	187.5
13. Rubber	51	61	100	130	196.1	213.1

[Source: Vietnam Statistical Department](#)