
SUMMARY

1. Over the past 30 years, Viet Nam sustained high GDP growth rates, which transformed the country into a lower-middle-income emerging economy; the poverty rate declined sharply from above 70% in the early 1990s to below 6% in 2019. The economy grew at an average rate of 6.6% per annum between 2014 and 2018 and reached a 10-year high of 7.1% in 2018. In 2019, real GDP grew by 7%, with GDP per capita reaching over USD 2,700. Preliminary data showed that GDP growth in 2020 slowed down to 2.5%, reflecting the impact of the COVID-19 pandemic.
2. Viet Nam pursues export-oriented trade policies and recognizes international economic integration as a key driver for its institutional improvement, economic growth, and development. In the Strategy on Exports and Imports for 2011-20, Vision to 2030, Viet Nam set trade-related targets such as a double-digit annual growth rate of exports, a slower growth rate of imports than of exports, and a gradual reduction of the trade deficit, until reaching a surplus in the next decade.
3. The country's economic expansion in recent years was underpinned by robust domestic demand and manufacturing exports. Since its last Review in 2013, Viet Nam further integrated into the world economy, with its ratio of trade to GDP increasing from 165% in 2013 to 210% in 2019. Reflecting strong economic fundamentals, the real effective exchange rate of the Vietnamese dong appreciated by 4% on average each year. In August 2015, the floating band of exchange rates increased to 3%, from 1% previously.
4. During the review period, merchandise trade grew at a double-digit rate annually, in real terms. This reflected its active participation in global value chains (GVCs), emerging as a manufacturing centre for apparel and consumer electronics, particularly smart phones. In 2019, about 85% of imported electronic products were intermediate goods, slightly half of which were supplied by the Republic of Korea and China; 44% of exports of electronic products were final consumer goods, half of which were shipped to the United States, the United Arab Emirates, and Austria. Viet Nam maintained a surplus in trade in goods and services, as well as in remittances.
5. Foreign direct investment (FDI) plays a key role in Viet Nam's economic transformation, representing 20% of GDP and generating 5 million jobs in 2019. FDI is also the main driving force of the country's productivity improvement. More than 17,000 foreign investment projects with total registered capital of USD 143.1 billion were approved during the review period; processing and manufacturing accounted for around 62% of the total foreign capital invested in the country.
6. Given its deep integration into the global economy, Viet Nam suffered from the COVID-19 pandemic due to weakened demand and reduced trade. However, preliminary evidence indicates that Viet Nam's merchandise trade based on GVCs in 2020, particularly in the consumer electronics and garment sectors, appeared not to be losing momentum, compared with those sectors' performance in 2019, partly reflecting the Government's proactive measures.
7. Since January 2016, Viet Nam has implemented fiscal consolidation, strictly limiting the issuance of government guarantees and stabilizing the state budget deficit; this policy enabled Viet Nam to lower government and public debts in relation to GDP, creating some fiscal space to deal with short- or long-term structural challenges, such as the ones that have arisen from the COVID-19 pandemic, contingent liabilities of both state-owned enterprises (SOEs) and banking sector, and climate change. Facing the COVID-19 pandemic, Viet Nam introduced a series of fiscal measures and incentives to replace lost income and boost growth, including a fiscal support package equivalent to 3.6% of GDP, fee cuts, tax payment deferrals and deductions, and financial incentives for employers and employees. Consequently, the general government deficit and the public-debt-to-GDP ratio in 2020 are expected to increase to around 5% and 57%, respectively.
8. Viet Nam considers that its WTO membership plays a central role in its international integration strategy. Viet Nam submitted its instruments of acceptance for the WTO Agreement on Trade Facilitation in December 2015, and for the amendment of the TRIPS Agreement in January 2017. It participates in the Information Technology Agreement (ITA), but not in the Agreement's expansion (ITA 2). During the review period, Viet Nam submitted more than 350 notifications to various WTO committees, and 5 complaints to the WTO dispute settlement body.

9. As at January 2021, Viet Nam was a signatory to 15 regional trade agreements (RTAs), 6 of which were signed during the review period, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership.

10. Viet Nam's investment regime was substantially updated by revising both the Enterprise Law and the Investment Law in July 2015. The legislation aims to attract FDI by equalizing business conditions for SOEs, foreign-invested enterprises, and the domestic private sector. The number of restricted activities was reduced, compared with that in the previous framework. The general cap of 49% for foreign acquisition of public companies operating in unconditional sectors was abolished in 2015; however, foreign participation in some sectors remains capped at levels between 30% and 51%. Moreover, the number of eligible fields for the implementation of public-private partnership (PPP) projects was increased in 2018. On 1 January 2021, a revised Enterprise Law, a revised Investment Law, and a new Law on Investment in the Form on Public-Private Partnership entered into force. Viet Nam signed five bilateral investment agreements during the review period.

11. Viet Nam continued to reform its policies and measures on customs procedures based on its Customs Development Strategy to 2020. In line with this Strategy, it adopted or revised relevant legislation, including the Customs Law and the Law on Export Tax and Import Tax. Customs units at all levels implement risk management. Customs uses an automatic customs clearance and national single-window mechanism.

12. All tariffs are bound, and mostly in the 0%-40% range. The simple average applied MFN rate for all goods was 11.9% in 2020, up from 10.4% in 2013, mainly due to the change from the HS12 to the HS17 nomenclature and the splitting of several tariff lines. Only second-hand motor vehicles are subject to applied non-*ad valorem* rates. The highest tariffs include 135% for five tariff lines concerning cigarettes. In 2020, the average bound rate was 14.7%. The simple average applied MFN tariff was 18.1% for agricultural products (WTO definition) and 10.9% for non-agricultural products. The difference between bound and applied MFN rates leaves some scope for flexibility in Viet Nam's tariff policy. Tariff rate quotas regulate imports of eggs, sugar cane, tobacco, and salt.

13. Excise tax is levied on certain goods and services, including cigarettes, alcoholic beverages, motor vehicles, motorcycles, and gasoline. No distinction is made between domestically produced and imported goods. Excise tax is levied on the import-duty-inclusive price for imports on a c.i.f. basis. The environmental protection tax continues to be applied on petroleum products, coal, hydrogen-chlorofluorocarbon liquids, plastic bags, and various pesticides and herbicides; this list has remained unchanged since Viet Nam's previous Review. Value-added tax, which is levied at a general rate of 10%, constitutes almost one third of the Government's total tax revenue, while import and export duties account for about one tenth.

14. Viet Nam prohibits the importation of, *inter alia*, certain chemicals, weapons, right-hand drive vehicles, and certain used consumer goods; this list has not changed since 2013. Import restrictions may also be applied to comply with international treaties and conventions to which Viet Nam is a party. Goods subject to import restrictions administered by various ministries entail import licensing requirements. The licensing requirement is also employed to administer importation of goods subject to tariff quotas. Exports and imports can also be temporarily suspended in exceptional circumstances, such as war, natural disasters, epidemics, or environmental incidents; products causing serious effects on health and the environment; and balance of payment reasons.

15. The Law on Foreign Trade Management is the main legislation governing anti-dumping, countervailing, and safeguard measures. Viet Nam notified laws and regulations pertaining to anti-dumping, countervailing, and safeguard measures to the WTO in 2018 and 2020; it also responded to detailed questions on its anti-dumping regime in 2019. Between 2013 and 2019, Viet Nam had five anti-dumping measures in place and four cases under investigation; it also had four safeguard measures in place. The main products covered by these measures include steel, aluminium, and fertilizer.

16. Viet Nam levies export taxes on certain products, such as fish, minerals, coal, rubber, and raw hides and skins. The export tax rates changed frequently during the review period. The country also levies royalties (severance tax) on natural resources, such as basic metals and minerals, timber, water, crude oil, and natural gas used in domestic production or exported. Viet Nam enforces a

number of export prohibitions, restrictions, and licensing in accordance with the Law on Foreign Trade Management and relevant regulations.

17. As at June 2019, Viet Nam had four export processing zones. Preferential export and import taxes apply to companies, both domestic and foreign, located in the zones.

18. Viet Nam provides investment incentives, mainly through tax reductions, for projects in geographical areas with difficult socio-economic conditions or in industrial zones. Specific supports, such as access to credit, lower taxes and land rents, and exemption of import duties, are also accorded to some selected activities and sectors, such as fishery products, small- and medium-sized enterprises, supporting industries, or renewable energy. Investors participating in significant PPP projects may benefit from additional incentives, such as guarantees on land use and foreign currency availability. Following the onset of COVID-19 pandemic, Viet Nam introduced a series of measures and incentives, alleviating the impact on enterprises; these measures included an extension of time limits for tax payments, a reduction of corporate income taxes, and temporary discounts in electricity bills.

19. The overall regulatory framework for standards and technical regulations remained largely unchanged. According to the authorities, 60% of Vietnamese standards were harmonized with international, regional, or foreign standards in 2020, up from 40% in 2013. Goods classified as "capable of causing unsafety", whether imported or domestically produced, are subject to conformity assessment as set forth in the relevant technical regulations. Requirements concerning conformity assessment must be fulfilled before the product is circulated in the market. A new decree pertaining to labelling requirements entered into force in April 2017. During the review period, Viet Nam submitted 152 notifications, covering a large variety of products, to the WTO TBT Committee, and four specific trade concerns (STCs), concerning alcoholic beverages, inspection on imported vehicles, cybersecurity regulations, and electronic products, were raised in the Committee.

20. The Government implemented a national food safety strategy for 2011-20 with the aim of controlling food safety over the entire food supply chain by 2020. Food-inspection laboratories and facilities were operational in provinces by 2020, and according to the Strategy, all food production, processing, and trading establishments are expected to meet food safety conditions by 2030. In line with this objective, Viet Nam modernized its regime concerning sanitary and phytosanitary requirements. The relevant legislation covers issues such as food safety for imported food, quarantine requirements, fertilizer and pesticide management, and maximum residue levels of pesticides on food. These regulatory changes were notified to the WTO through 84 notifications to the SPS Committee. Since 2013, eight STCs have been raised at the SPS Committee, and two of them have been reported as resolved or partially resolved in 2017.

21. Viet Nam modernized its institutional framework for competition. With the enactment of the Law on Competition and its implementation decrees, the National Competition Commission (NCC) was created as the enforcement authority. The creation of the NCC was expected to address some issues of regulatory deficiencies that were identified with the previous regime. The NCC is responsible for investigating and adjudicating anti-competitive acts, monitoring economic concentration, and settling complaints about its decisions. Since July 2019, 20 claims have been filed with the NCC, of which 11 were related to unfair trade practices, and 9 to anti-competitive agreements and abuse of a dominant market position; the NCC has also completed 60 economic concentration reviews.

22. Viet Nam maintains price controls on certain goods and services. According to the authorities, price controls are primarily achieved in an indirect manner. The Ministry of Finance at the national level and the Department of Finance at the provincial level are the competent authorities for implementing price management. The authorities note that price stabilization is currently applied only to refined petroleum products. It is estimated that continuing price liberalization would add about 2 percentage points to the Consumer Price Index.

23. Viet Nam notified to the WTO its state trading enterprises concerning cigarettes, cigars, newspapers, journals, and periodicals. Viet Nam also submitted replies to questions posed in the Working Party on State Trading Enterprises. As at 31 December 2018, SOEs employed 1.13 million workers, accounting for 7.6% of the employees of the corporate sector. The number of 100% SOEs fell from 1,309 at the end of 2011 to 487 at the end of 2019. Concerning the governance and management of SOEs in Viet Nam, a number of laws and regulations were issued during the review

period, including the 2014 Enterprise Law and the 2014 Law on Management and Use of State Capital Invested in Production and Business Activities.

24. The government procurement regime was revised to expand the scope of application, covering: (i) development investment projects and procurements of which at least 30% of the project value is financed through the state budget; and (ii) investment projects by SOEs. Government procurement may be conducted through domestic bidding or international bidding. In the case of domestic bidding, only domestic tenderers are allowed to participate in a tender. In general, foreign suppliers must have a partnership with domestic contractors or be sub-contractors of domestic contractors when participating in an international bid, unless domestic contractors do not have full capacity to participate in a bidding. Preference for 25% of domestic value is maintained in the procurement system, regardless of whether it is a domestic or international bidding. Viet Nam is not a signatory to the Agreement on Government Procurement (GPA). In two recently signed RTAs, i.e. the CPTPP and the European Union-Viet Nam Free Trade Agreement, Viet Nam made its first commitments to open its government procurement to foreign suppliers bidding directly from abroad. The government procurement chapters of both Agreements are based, to a large extent, on the legal text and market access schedule structure of the GPA.

25. With regard to intellectual property rights (IPRs), the Law on Intellectual Property was amended in June 2019. The amendment aims to implement commitments under the CPTPP. On 1 July 2018, the Law on Technology Transfer was revised. The revised Law requires disclosure of technology secrets under certain circumstances, such as on the ground of national security, national defence, social welfare, and other interests of the State and society. Viet Nam has a regime of international exhaustion; therefore, parallel imports are not considered to infringe on IPRs. Counterfeiting and piracy remain the major IPR infringements. IPR enforcement is primarily practised through the imposition of administrative penalties; civil and criminal remedies are rarely or ineffectively used. To address the issue of IPR enforcement, Viet Nam established a National Steering Committee against Smuggling, Counterfeiting and Trade Fraud in March 2014.

26. In 2019, agriculture, forestry, and fisheries contributed 15.5% to GDP (down from 20.0% in 2013) and 34.5% to employment (down from 46.7% in 2013). The main agricultural products include rice, coffee, and rubber. In 2019, Viet Nam had a deficit in agricultural trade. Both imports and exports of agricultural products increased between 2013 and 2018; in 2019, they both declined. The main exports included coconuts, rice, and coffee; the main imports included cotton and maize. The main agricultural policy development was the adoption of various laws, such as the Laws on Irrigation, Animal Health, Animal Husbandry, and Crop Production, and relevant regulations.

27. Fisheries represented 2.3% of merchandise exports in 2019 (down from 3.8% in 2013). In 2018, the fishery catch amounted to 3,590 tonnes, an increase of 6% compared with 2017. Viet Nam had a trade surplus in fisheries products. The fisheries policy is included in the Master Plan on Fisheries Development through 2020, Vision to 2030, which sets objectives for turning fisheries into a highly competitive, large community production sector. The Fisheries Development Policies provide support measures to the sector, such as credits for new vessels, subsidized accident insurance, and tax exemptions between 2015 and 2018.

28. The Government set targets for efficiency and conservation of energy until 2030 and promoted the development of renewable energy; however, adverse climate conditions in the country increased its reliance on coal, oil, and gas for energy production. Viet Nam became a net importer of coal in 2019; with the operation of a second oil refinery in 2018, Viet Nam reduced its exports of crude oil as well as its imports of refined oil. The regulatory framework of the energy sector remained largely unchanged, except for a revision in royalty rates in 2015. The Government promoted the restructuring and equitization of subsidiaries of main SOEs in the sector, and the ownership role of the State in large conglomerates was transferred to the recently established Commission for the Management of State Capital in Enterprises. Viet Nam runs a Price Stabilization Fund for different petroleum products.

29. Some segments of the electricity market shifted towards increased competition between service providers; three state-owned generation corporations underwent equitization and two other corporation are expected to complete similar procedures in coming years. The wholesale market for electricity started operations in 2019, and a fully operational retail electricity market is planned for 2024. The State continues to hold a monopoly in transmission, management of the national electricity system, and construction and operation of "large" electricity plants. The Government

regulates retail electricity prices that vary between consumer groups, time of consumption, and voltage levels.

30. Viet Nam seeks to continue developing its manufacturing sector, and its national strategy prioritizes some selected subsectors. During the review period, manufacturing exports more than doubled and foreign-invested enterprises accounted for nearly 70% of total merchandise exports in 2019. Some subsectors witnessed a notable performance in recent years, while the overall impact of policies in other subsectors is still to be seen. For example, domestic production and exports of footwear and garments substantially increased during the review period, and Viet Nam aims to attract foreign investment for the development of its pharmaceutical industry through regulatory changes. Lower labour costs and a supply of relatively skilled workers are drivers behind the recent increase of inward FDI in manufacturing. Investment incentives and tariff protection are other policy tools used for the development of some industries.

31. Services are the main sector in the economy. In 2019, the share of services in GDP was 46.2%, up from 43.1% in 2013. Most services are oriented to serve the domestic market. Viet Nam committed to some further liberalization of its services sector in recent bilateral and regional trade agreements.

32. The banking sector is dominated by state-owned commercial banks; the State reduced its participation in some of them. The review period was marked by consolidation among commercial banks, in most of cases, to support weak banks. The State Bank of Viet Nam also intervened in commercial banks through compulsory acquisitions. Compliance with Basel II requirements, reduction of cross-ownership, and handling of non-performing loans were the main objectives decided by the Government for the banking system; some progress in achieving these objectives was observed. Other financial services (insurance and securities) are expected to continue to grow rapidly, as their coverage and use expand among the population.

33. The telecommunications market is expected to expand in coming years, reflecting the development of IT-related activities. Mobile communication is the main, as well as the fastest-growing, segment and the commercialization of 5G started in December 2020. Three SOEs dominate the market, while the State plans to reduce its participation in two of them through equitization. The policy framework regulating the sector has remained largely unchanged since the last Review. Interconnection rates are controlled by the Government, while operators are free to determine retail tariffs for other services. Viet Nam operates a public fund for the development and provision of public utility telecommunications services.

34. The overall integration of infrastructure projects in the transport sector remains a challenge for resolving some multi-modal bottlenecks and for supporting the country's transformation. PPPs are considered as a key source of funding for transport development in coming years. Foreign firms dominate the overseas cargo shipping market, and no domestic support measure is applied by the Government; only ships flying the national flag are entitled to inland sea transport. Maritime cargo is concentrated around a few seaports, and some ports operate near or at their capacity. Since 2017, private investment in ports is allowed. The authorities applied reductions in fees to promote the use of new infrastructure. Viet Nam Airlines, the national flag carrier largely controlled by the State, remains a key player for air transport and related services. The first airport developed under a PPP project became operational in 2018; caps on foreign capital apply in air transport services. Renovated and new airport infrastructure attracted foreign carriers to the international passenger transport market. The liberalization through the ASEAN Open Skies policy in January 2015 and granting reductions in service fees on new routes or for carriers entering the market are expected to further increase competition in the air transport market. As for land transport, funding mobilization and budget allocation are limited compared with the demand for road infrastructure. The Government aims to densify road infrastructure, notably expressways, and to upgrade existing routes through PPPs. The development of railway infrastructure is lagging, despite the update of its legal framework in 2017. Foreign investment is not present in this segment.

35. The number of supermarkets, shopping centres, and convenience stores is on the rise, and competition has pushed retailers to consolidate in the past five years. Economic needs tests for retail outlets are under the responsibility of provincial authorities. Since 2015, wholly foreign-owned companies have been allowed in almost all distribution services; however, trading rights and distribution rights are separately granted. Viet Nam reduced the list of forbidden products by foreign-invested distributors.