The Ministry of Finance (MOF) is responsible for the privatization program and will choose likely candidates based on size, profitability and sector. The program is experimental and will be carried out on a selective basis.

Problems, such as the design of an international accounting system, will have to be addressed in order to avoid confusion.

Export Processing Zones

The Government of Vietnam places high priority on the promotion of processed and manufactured goods for export. To promote and attract investment in Vietnam, the government has established industrial zones to produce commodities for export, known as Export Processing Zones (EPZs).

There are currently more than 10 such zones, located primarily in Hanoi, Haiphong, Ho Chi Minh and Can Tho. Most of these focus on the manufacture of light industrial goods in factories requiring relatively small investments. In contrast, the Can Tho zone is seeking a much broader scope of investment, including port, airport, and electricity supply. In addition, the largest single project in Vietnam is being undertaken in the Haiphong EPZ, by a Taiwanese investor contructing a $400M cement plant to meet the burgeoning infrastructure requirements of the country.

Investment in the EPZs can take the form of wholly-owned enterprises, joint venture companies or business cooperation contracts. Investors who choose to set up in an EPZ are permitted to operate in the manufacturing, subcontracting and assembly of export products, as well as provide services for such operations. Investors wishing to apply must contact the respective EPZ Administration Board. Applications are refused or accepted within three months.

Incentives for firms locating in the EPZs include:

- Special Corporate Tax Rates: (a) 10 percent of profit for manufacturers; and (b) 15 percent of profit for service companies.
- Tax Exemption: (a) manufacturers are allowed a tax exemption for the first four years after the first profitable year; and (b) service companies are allowed a tax exemption for the first two years after the first profitable year.
- Duty-free importation of equipment, raw materials and commodities used in the zone, and no duties on items produced in and exported from the EPZ.
- A reduced remittance tax: 5 percent of the amount transferred.

CONSTRAINTS

Vietnam must overcome difficulties if it is to grow as a base for export production in the region. The quality of all manufactured goods must be improved. Many companies do not have export experience and will require access to foreign exchange to modernize their facilities, raise labour productivity and improve the quality of goods. Additionally there is a lack of information on marketing, insurance, shipping and international banking. As well, telecommunication facilities are poorly developed making easy communication with overseas trading partners difficult. Nevertheless, the government has committed to resolving these problems.

Black Market

The "unregulated" economy does exist in Vietnam, but it is impossible to accurately measure the extent to which illegal bartering and smuggling occur in the country, particularly for consumer goods. This not only damages Vietnam's economy, but is counterproductive to the development of