

defining the functions, tasks, powers and organizational structure of the Ministry of Industry and Trade;

Pursuant to the Government's Decree No. 92/2006/ND-CP of September 7, 2006, on elaboration, approval and management of master plans on socio-economic development and Decree No. 04/2008/ND-CP of January 11, 2008, amending and supplementing a number of articles of Decree No. 92/2006/ND-CP of September 7, 2006;

Pursuant to the Government Office's Official Letter No. 1689/VPCP-KTN of March 1, 2012, on authorization of the approval of the master plan on production of tobacco products and development of tobacco material zones of Vietnam through 2020;

At the proposal of the Director of the Light Industry Department,

DECIDES:

THE MINISTRY OF INDUSTRY AND
TRADE

**Decision No. 1988/QĐ-BCT of
April 1, 2013, approving the master
plan on production of tobacco
products and development of tobacco
material zones of Vietnam through
2020**

THE MINISTER OF INDUSTRY AND
TRADE

*Pursuant to the Government's Decree
No. 95/2012/ND-CP of November 12, 2012,*

Article 1. To approve the master plan on production of tobacco products and development of tobacco material zones of Vietnam through 2020 with the following principal contents:

1. Development viewpoints

1.1. Tobacco production

a/ The State holds monopoly in the supply of tobacco products, including production and import, and closely controls tobacco trading activities. Only licensed state enterprises and joint ventures between licensed enterprises and foreign partners in which the State holds dominant shares may produce tobacco products;

b/ Production of tobacco products is a field of conditional investment. Producers of tobacco

products for domestic consumption may neither make new investment nor expand investment in excess of the output stated in their licenses. The Ministry of Industry and Trade shall set the output limit for tobacco products of domestic and foreign brands for enterprises suitable to each period;

c/ Production of new tobacco products of foreign brands for consumption in Vietnam must stay within the output limit of the entire tobacco industry and be approved by the Prime Minister;

d/ Investment in tobacco material processing plants must meet cigarette factories' demand for tobacco materials, except cases of investment in tobacco material processing for export:

dd/ The State will transfer an enterprise's unused output quota to another enterprise which has used up its quota to avoid waste of resources of the State and society;

e/ Producers of tobacco products will be further reorganized and rearranged toward large-scale and concentrated production: modernization of equipment and technology to meet the requirements for product quality improvement, harm reduction and environmental protection, and high efficiency and competitiveness;

g/ Investment in and renewal of advanced and modern tobacco production technology will be promoted in order to restructure products toward increase of product value and quality, harm reduction and environmental protection, focusing on increasing the proportion of medium- and high-grade products and gradually reducing the proportion of ordinary tobacco to meet the domestic demand, increase exports and contribute to

tackling tobacco smuggling.

1.2. Tobacco materials

a/ To develop domestic material production in order to gradually substitute imports, to associate processing with material zone development, to tap land and labor potential, contributing to achieving the socio-economic goal of hunger elimination, poverty reduction and rural industrialization, and to reducing trade deficit;

b/ To increase scientific research and raise the scientific and technological level of the tobacco industry to the regional level.

2. Development objectives

2.1. Objectives

- To step by step build and rearrange the tobacco industry for development toward concentrating on large-size key enterprises with modern and advanced equipment and technology to raise product value and quality. To incrementally reduce tar and nicotine contents to reduce harms for consumers and protect the environment. To raise competitiveness in international economic integration, meet the domestic demand, increase exports and gradually tackle tobacco smuggling.

- To develop zones for intensive plantation and plantation of high yield and quality tobacco to meet the demand for production of high quality tobacco materials in response to the requirements of product restructuring, gradual substitution of imported materials and increase of exports.

2.2. Targets

a/ Output

- By 2015: The tobacco industry will produce and sell around 5,440 million packs

of cigarettes, including 4,200 million packs consumed in the country, and annually grow at 1.55% on average during 2011-2015. The industry's industrial production value will reach VND 16-17 trillion (according to the 1994 price) and annually grow at 3.5-4% on average; cigarette export will reach 1,241 million packs worth USD 160-170 million, annually growing at 7-8% on average;

- By 2020: The tobacco industry will produce and sell around 5,740 million packs of cigarettes, including 4,400 million packs consumed in the country, and annually grow at 1.08% on average during 2015-2020. The industry's industrial production value will reach VND 19-20 trillion (according to the 1994 price) and annually grow at 3.3-4% on average; cigarette export will reach 1,340 million packs worth USD 230 million, annually growing at 7-8% on average;

b/ Tobacco growing area, yield and output

- By 2015: The tobacco growing area nationwide will reach 28,940 ha with an average yield of 2.25 tons/ha and an output of 65,300 tons. Over 50% of domestic materials will be used in substitution of imported materials to produce cigarettes of high-grade marks, partially meeting the demand of cigarette factories and the export demand;

- By 2020: The tobacco growing area nationwide will reach 31,960 ha with an average yield of 2.36 tons/ha and an output of 75,500 tons. This area will be kept stable, the farming technique will reach the world level to produce materials largely for the production of medium- and high-grade cigarettes.

c/ Tobacco material processing

By 2015, all cigarette producers will use 100% of processed tobacco materials.

3. Development orientations

- To make intensive investment and renew equipment and technology toward modernization of production lines and technology and automation in order to improve the tobacco production technology toward reducing tar and nicotine contents and saving materials without increasing production capacity.

- To develop domestic tobacco products to contribute to raising the effectiveness of the prevention and control of smuggled and poor quality tobacco. To restructure products toward gradually increasing the proportion of medium- and high-grade tobacco, reducing the proportion of ordinary tobacco and boosting tobacco export production.

- To carry out international cooperation to make use of capital and technology in cigarette production in order to improve product quality and fight fake and smuggled cigarettes.

- To focus on building some strong national brands to effectively compete in the international economic integration.

- To invest in tobacco growing areas in order to tap land and labor potential and partially meet the demand for tobacco production and tobacco material export production. To pay attention to developing tobacco plantation in mountainous, deep-lying and remote areas to contribute to eliminating hunger and reducing poverty.

- To increase scientific and technological research and application and raise the scientific and technological level to the regional level.

- To further rearrange and reorganize the tobacco industry with four key businesses, namely Vietnam Tobacco Corporation, Sai Gon Industrial Corporation, Khanh Viet Corporation and Dong Nai Food Industry Corporation; to relocate polluting factories out of cities.

4. Production planning

4.1. Tobacco production planning

a/ Organization and arrangement of tobacco producers

To plan tobacco production toward reorganizing and rearranging tobacco product producers into large, key businesses and merging small-scale and inefficient enterprises. By 2017, cigarette producers must reach an annual sale of over 100 million packs. Those failing to reach this sale will be merged or dissolved.

b/ Output

To produce cigarettes for export and domestic consumption on the basis of effectively controlling and preventing smuggled cigarettes. By 2015, the tobacco industry will produce 5,441 million packs of cigarettes, including 4,200 million packs for domestic consumption and 1,241 million packs for export:

- By 2020: The tobacco industry will produce and sell around 5,740 million packs of cigarettes, including 4,400 million packs for domestic consumption and 1,340 million packs for export.

c/ Structure of tobacco products for domestic consumption

To focus on production of medium- and high-grade cigarettes and gradually reduce the proportion of ordinary cigarettes. To diversify

products such as producing light cigarettes with diversified packagings and designs suitable to consumer taste, reducing the weight of tobacco fibers in cigarettes with advanced techniques to meet consumers' demand and protect their health. The structure of tobacco products will be as follows:

| No. | Product structure | Rate (%) | |
|-----|------------------------|------------|------------|
| | | 2015 | 2020 |
| 1 | High-grade cigarette | 35 | 40 |
| 2 | Medium-grade cigarette | 12 | 15 |
| 3 | Ordinary cigarette | 53 | 45 |
| | Total | 100 | 100 |

d/ Tar and nicotine reduction roadmap

To implement the Law on Prevention and Control of Tobacco Harms; to study methods to gradually reduce tar and nicotine contents in cigarettes from now to 2020 as follows:

| Target | 2015 | 2020 |
|-------------------------|------|------|
| Tar (mg/cigarette) | ≤ 12 | ≤ 10 |
| Nicotine (mg/cigarette) | ≤ 1 | ≤ 1 |

4.2. Planning of development of tobacco growing zones and tobacco material processing plants

a/ Planning of tobacco material zone development (see Appendices I and II to this Decision for details) (*not translated*)

- To concentrate on development of tobacco materials in areas with land potential, socio-economic conditions and soil suitable to tobacco trees in order to develop areas of quality tobacco materials meeting cigarette production and export requirements into intensive plantation areas. To gradually narrow scattered areas with low-yield and -quality tobacco materials.

- Area, yield and output of tobacco materials nationwide by 2020 are as follows:

| | 2015 | 2020 |
|--------------------------|--------|--------|
| 1. Yellow tobacco | | |
| - Area (ha) | 28,300 | 31,300 |
| - Yield (ton/ha) | 2.25 | 2.36 |
| - Output (ton) | 63,700 | 73,800 |
| 2. Brown tobacco | | |
| - Area (ha) | 260 | 280 |
| - Yield (ton/ha) | 2.5 | 2.68 |
| - Output (ton) | 650 | 750 |
| 3. Burley tobacco | | |
| - Area (ha) | 380 | 380 |
| - Yield (ton/ha) | 2.5 | 2.5 |
| - Output (ton) | 950 | 950 |
| 4. Total | | |
| - Area (ha) | 28,940 | 31,960 |
| - Average yield (ton/ha) | 2.25 | 2.36 |
| - Output (ton) | 65,300 | 75,500 |

b/ Tobacco material processing planning (see Appendix III to this Decision) (*not translated for details*)

From now to 2020, to make no additional investment in tobacco material processing (stalk separating) plants, except cases of investment in processing for export.

5. Solutions and policies for the master plan implementation

a/ Management solutions

- To further improve mechanisms and policies on and the management of tobacco production and trading activities to develop the tobacco industry properly, control the quantity and quality of tobacco consumption and avoid state revenue loss.

- To increasingly inspect and supervise the use of brands, marks and product designs; to fight smuggled, fake and poor quality goods to guarantee the interests of consumers and enterprises.

- To transfer unused output quotas of enterprises to those having used up their quotas to avoid waste of resources of the State and the society.

- To increasingly invest in domestic and world market survey, research and forecast to acquire complete and accurate market information to help enterprises of the industry grasp the market and export opportunities.

- To facilitate investment in developing tobacco material zones to substitute imports and meet the export demand.

b/ Market and product solutions

- To elaborate business and market development strategies. To research into the market and consumer taste to adopt solutions to meeting the market demand and keep and develop market shares. To consolidate and reorganize the distribution system appropriately through major dealers in each region; to master wholesale markets and gradually control the retail system.

- To make selective investment to create and develop key products in each phase and each market. To incrementally remove products of unpopular brands in order to concentrate resources and markets for key products.

- To develop brands for potential export cigarettes and expand new export markets through cooperation with or auxiliary contract production for foreign partners.

- To consolidate and raise the competitiveness of medium- and high-grade products in the

market. Producers should have their key medium- and high-grade products, produce quality cigarettes and reduce harms according to the roadmap to meet domestic and export demands.

c/ Investment solutions

- To invest mainly in replacing obsolete and outdated machinery and equipment with those of high level of technology and automation and environmental pollution reduction; to combine the renewal of technology and equipment with the application of energy and material saving solutions.

- To invest in scientific research and application of foreign technology in such fields as material, cigarette, product quality control and auxiliary materials; to step by step invest in producing tobacco and cigarettes overseas for export markets so as to achieve higher added value.

- To rearrange tobacco producers and traders to promote their overall strength and raise the competitiveness of domestically made cigarettes of foreign brands against smuggled foreign cigarettes.

d/ Scientific research and technology transfer solutions

- To enhance the research, application and improvement of imported technologies on the basis of expanding international cooperation in order to promptly and effectively serve tobacco production. To raise the scientific and technological level of tobacco production to the regional level.

- To further study the technical process and testing of new foreign tobacco varieties to select those suitable to Vietnam's climate and soil conditions. To use biotechnology to create high

yield and quality and pest-resistant tobacco varieties suitable to each local tobacco growing area to substitute imported materials.

- To increase international cooperation, information exchange and technology transfer in the production of tobacco and tobacco materials and auxiliary materials.

dd/ Material production development solutions

- To make focal investment in quality material zones for partial substitution of imported materials and for export. To make focal investment in quality yellow tobacco growing areas; to study and produce or cooperate in the production of quality pressed tobacco materials serving domestic production and export.

- To select varieties with yield and quality suitable to land and soil conditions of each area; to improve and strictly follow technical processes such as sowing, harvesting, drying and grading to create high quality products.

- To increasingly make joint and associated investment in growing tobacco for domestic production and export; to enhance relationship and cooperation with foreign partners to call for investment in tobacco material production in Vietnam.

e/ Human resource solutions

- To further renew policies on human resource management from recruitment, job placement and wage policy to performance assessment; to increase vocational training for laborers, especially those in tobacco material production.

- To elaborate and implement the human resource training program; to further improve administration and management skills

of corporate leaders toward modern and professional governance.

g/ Environmental protection solutions

- To renew material and fiber processing technology, machinery, equipment and lines and cigarette production lines and machinery in order to improve product quality and tackle pollution right from waste-discharging sources.

- To use tobacco smell treating technology through the system of deodorization, cooling and bio-filtering and cleaner production technology for pollution prevention and environmental improvement.

Article 2. Organization of implementation

1. The Ministry of Industry and Trade shall assume the prime responsibility for, and coordinate with related ministries, sectors and localities in, announcing, disseminating, guiding and implementing the master plan; inspect and supervise the master plan implementation; and propose competent authorities to adjust mechanisms and policies to suit the practical situation during the master plan implementation process.

2. The Ministry of Planning and Investment, the Ministry of Finance, the Ministry of Science and Technology, the Ministry of Agriculture and Rural Development, the Ministry of Natural Resources and Environment, the Ministry of

Health and the State Bank of Vietnam shall coordinate with the Ministry of Industry and Trade in organizing the implementation of this master plan according to their assigned competence and functions.

3. Provincial-level People's Committees shall coordinate with the Ministry of Industry and Trade, ministries and sectors in concretizing the master plan implementation in their provinces or cities in line with their local socio-economic development master plans, and coordinate with the Ministry of Industry and Trade in inspecting and supervising the master plan implementation.

4. The Vietnam Tobacco Association shall coordinate with the Ministry of Industry and Trade and localities in popularizing the master plan and guide their member businesses in complying with the master plan and other laws.

Article 3. This Decision takes effect on the date of its signing.

Article 4. Ministers, heads of ministerial-level agencies and government-attached agencies and chairpersons of provincial-level People's Committees shall implement this Decision.-

Minister of Industry and Trade
VU HUY HOANG