

# Arm's Length Principle under New Transfer Pricing Guidelines and the Impact on Multinational Enterprises

Nguyen Tan Phat<sup>1</sup>

## 1. INTRODUCTION

Within the last 10 years, Vietnam has reached an average economic growth of more than 7% per year. Particularly, in 2005 the economic growth was 8.4% and it is expected to be more than 8% in 2006.<sup>2</sup> Vietnam is now emerging as a significant economy, and aims to be one of the most attractive locations for foreign investment in Asia. In addition, Vietnam expects to become a member of the World Trade Organization (WTO) in 2006, and this would lead to many business opportunities being opened for multinational enterprises (MNEs) conducting business in Vietnam.<sup>3</sup>

1. Lecturer in Tax Law and Commercial Law at the School of Law of Can Tho University, Can Tho City, Vietnam; now pursuing PhD studies in international tax law (transfer pricing) at Jönköping International Business School (JIBS), Jönköping University, Sweden.

2. General Department of Statistics 2005. See also <http://www.tuoiitre.com.vn/Tiayon/Index.aspx?ArticleID=127224&Cha>.

3. Vietnam has diplomatic relations with more than 160 countries; economic-financial relations with more than 200 international organizations and forums; and trade relations with more than 100 countries. Vietnam also has signed trade agreements with 72 countries. See "Theoretical and practical background for issuing an Ordinance on international judicial assistance", report of the Institute of Judicial Research, Ministry of Justice, 2001. Vietnam is now a member of the Association of South East Asian Nations (ASEAN), ASEAN Free Trade Area (AFTA), and Asia Pacific Economic Cooperation (APEC) and has been in the process of applying for